Lamprell

Lamprell plc Annual Report and Accounts 2015

BUILDING IMPROVING EVOLVING

PLAYING A KEY ROLE IN THE GLOBAL ENERGY INDUSTRY

Who we are

Lamprell, based in the United Arab Emirates ("UAE") and with over 40 years' experience, is a leading provider of fabrication, engineering and contracting services to the offshore and onshore oil & gas and renewable energy industries.

What we do

We have an international reputation for building complex offshore and onshore process modules as well as fixed platforms and topsides, and hold leading market positions in the fabrication of shallow-water drilling jackup rigs, multi-purpose liftboats, land rigs, and rig refurbishment projects.

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

Online shareholder information

In order to keep shareholders fully up to date, we have comprehensive financial and company information on our website. Our shareholders can access all the information they require, 24 hours a day. **www.lamprell.com**

Cover images, from left to right:

1 NDC rig "Butinah" delivered in May 2015
2 Petrofac UZ750 module load out
3 Rigs under construction in Hamriyah
4 Project Evolution panel line

Operational highlights

- Strong operational performance leading to repeat business
- High levels of activity in the yards with a record seven concurrent new build rigs under construction
- Efficiency and productivity improvements delivered on time and on budget
- World-class safety levels maintained with important milestones achieved
- First proprietary design land rig built and marketing under way

Revenue KPI
(USD million)

871.1

2014: USD 1,084.9m
2013: USD 1,072.8m

EBITDA KPI
(USD million)

90.0

2014: USD 137.0m
2013: USD 76.0m

Net profit before income tax and exceptional items KPI
(USD million)

65.2

2014: USD 118.5m
2013: USD 45.9m

Net profit
(USD million)

64.7

2014: USD 118.0m
2013: USD 36.4m

Earnings per share – diluted
(cents)

18.84c

2014: 37.38c
2013: 12.67c

Net cash
(USD million)

210.3

2014: USD 272.6m
2013: USD 183.8m

Throughout this report we use this symbol KPI to indicate which measures are main Group KPIs.

We are building a solid platform for growth

Our business continues to improve

As we implement our strategy, our business is evolving

Strategic report

How the Company sets out to create value and how we performed during the year.

Corporate governance

Including information on our Board, Committees, leadership team and remuneration.

Financial statements

Our primary financial statements and supporting notes.

For further reading on specific topics, please follow the throughout the document.

WHAT THE BUSINESS LOOKS LIKE TODAY

Lamprell is firmly established as one of the world's major fabricators playing a key role in the energy industry to a global customer base.

Our core services

New build jackup rigs

Lamprell has some of the world's leading facilities for the construction of new build jackup drilling rigs. With a sophisticated engineering capability and state-of-the-art construction and load out facilities, Lamprell has rapidly gained a reputation as a leading and reliable builder of drilling rigs for the international market. In May 2015 the Group successfully delivered its 27th jackup rig since its listing in 2006, comprising of 14 LeTourneau Super 116E's, seven Friede & Goldman Super M2's and six multi-purpose GustoMSC vessels.

Offshore platforms

Lamprell has successfully undertaken a variety of offshore new build construction projects for the oil & gas industry. We construct complex living quarters, wellhead decks, topsides, jackets and various other offshore fixed facilities including modules and topsides for FPSO/FPU projects. In 2014 Lamprell was recognised by Guinness World Records for moving the heaviest load on trailers from its Jebel Ali facility. This was for the load out of the production, utilities and quarters deck destined for the Golden Eagle Area Development in the North Sea.

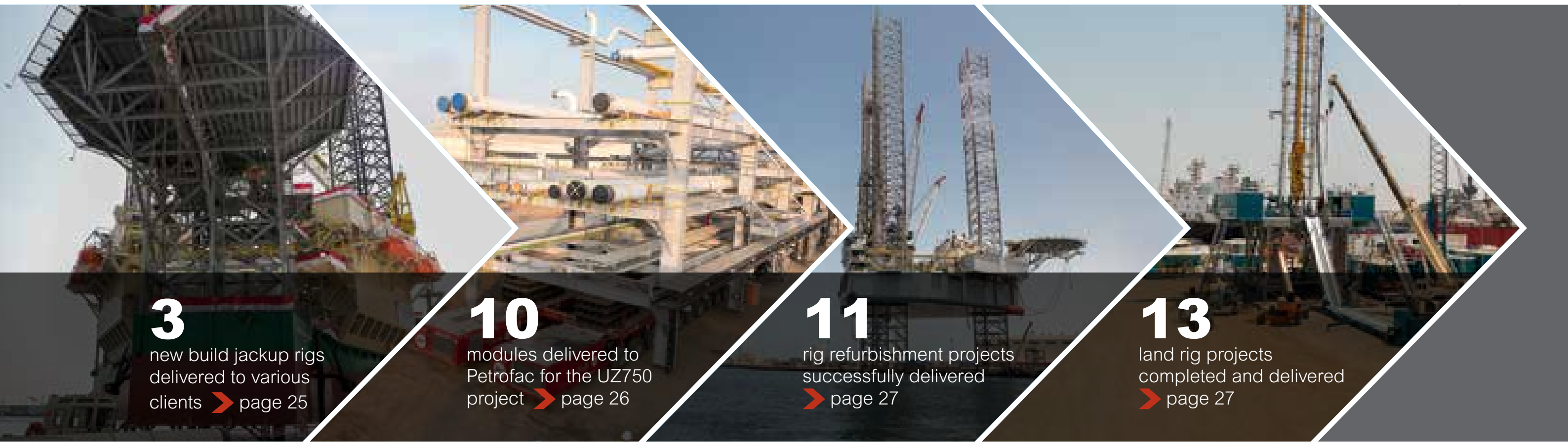
Modules

Lamprell fabricates packaged, pre-assembled and modularised units and has expertise constructing accommodation and complex process modules for onshore downstream projects. We are also looking to expand into modularised LNG. Lamprell's modular fabrication activities offer a number of advantages over conventional construction. Fabrication and assembly are performed at our modernised facilities allowing us to ensure that all work is executed productively in accordance with our industry-leading safety and quality standards.

Oil & gas contracting services

Oil & gas contracting services consists of our four smaller business streams including Rig Refurbishment, Land Rig Services, Engineering and Construction (E&C), and Operations and Maintenance (O&M). We completed our first land rig built to Lamprell's proprietary design; our E&C and Rig Refurbishment businesses enjoy a reputation of delivering quality products safely, within budget and on schedule; and our O&M division has an excellent reputation for bringing our strong safety and quality culture into every yard in which it operates.

Glossary > page 118



3
new build jackup rigs delivered to various clients > page 25

10
modules delivered to Petrofac for the UZ750 project > page 26

11
rig refurbishment projects successfully delivered > page 27

13
land rig projects completed and delivered > page 27

Employees

Lamprell employs approximately 9,000 people across multiple facilities, has project-focused and experienced execution teams with over 300 multi-disciplinary engineers and a specialist commissioning department. We have a highly skilled workforce which benefits from our assessment and training centre and is led by a strong leadership team. Embedded within our organisation is a clear focus on safety and teamwork, two of our core values.

Total employees
as at 31 December 2015

9,312

2014: 8,367 employees

Employee nationalities
as at 31 December 2015

46

2014: 50 nationalities

Employee gender split
Management 2015

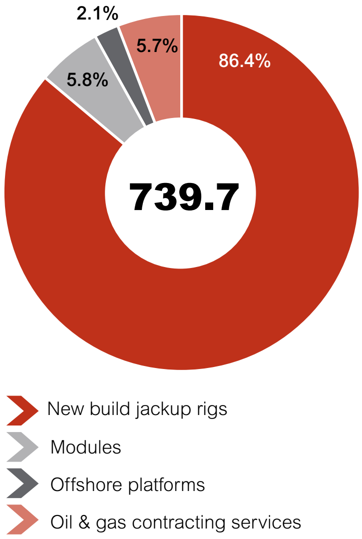
92% **8%**

2014: male 90% female 10%

Order book

The order book at the end of 2015 totalled USD 739.7 million and is mainly composed of new build jackup rigs including three for NDC, two for Shelf, two for Ensco and a number of modular fabrication projects.

Our order book 2015 (USD million) KPI
as at 31 December 2015



Significance of location

With its primary fabrication yards located in Hamriyah, Sharjah and Jebel Ali, all of which are in the UAE, and facilities in Saudi Arabia through a joint venture agreement, Lamprell is advantageously located allowing us to serve an international clientele. The Group has excellent facilities including fabrication space and deep water quayside berths which allow us to efficiently load out our projects and service our clients across the globe. Combined, the Group's facilities cover over 1,000,000m² with 2km of quayside. We also have access to a highly skilled low cost workforce, which allows us to offer a competitive cost structure to our clients.

Total quayside (m)

2,000

Total land (m²)

1,000,000+

FUTURE GROWTH THROUGH RESILIENCE

2015 was an undeniably challenging year for our industry. We are proud that Lamprell was able to show resilience in a tough market environment and lay the groundwork for long-term growth.

Challenging market backdrop

Contrary to the predictions of many market participants, oil prices continued to slide throughout 2015. Oil & gas companies around the world reacted by gradual, and in some cases drastic, cuts to their capital expenditure.

Lamprell is not immune to the oil sector headwinds but we are pleased to report on our demonstrated ability to withstand these challenges. Along with other energy industry contractors, we have seen delays in contract awards but we have taken steps to adapt by changing our approach to new business development.

Maintaining a competitive position

In difficult times, companies often make the mistake of losing focus on their long-term goals. Lamprell's strong position allowed us to withstand the storm without compromising our future growth plans. We managed to remain competitive and continue to implement our strategy.

Similar to most of our peers, our pipeline conversion page 8 was affected by project delays and cancellations. Nevertheless our bid-to-win ratio remained healthy by industry standards and this is an important factor indicating Lamprell's strong competitive position. It gives comfort about our ability to recover from the difficult contracting environment.

We also judge our strength by our ability to compete without undermining Lamprell's financial performance or commercial position page 20. In the context of increased pricing pressure, where numerous market players saw gradual margin erosion, we have been able to remain profitable. The gains delivered through Project Evolution page 12 allowed us to protect our normalised margins whilst enabling us to offer attractive propositions in a tough market.

This business flexibility and our strong client relationships have helped us maintain leadership in the jackup market, with a win of the ninth rig from National Drilling Company ("NDC"), one of only three jackup rig orders placed worldwide in 2015 page 25.

Focus on the future

Whilst we are taking steps to ensure we successfully weather the current storm in the sector, we anticipate a recovery in the energy markets, as do most industry experts, and so we are also continuing to focus on our future. We have reviewed our strategy page 14 for robustness, redirecting our marketing efforts from slower international regions around the world to the Middle East where we can leverage our position of strength.

Appoint at least one additional independent Non-Executive Director ✓

New gender policy: minimum of one new female director by end of 2016 ✓

Board to hold at least one Board meeting at a group site/facility per annum ✓

Continue to pursue long-term succession plan for management during 2015, and commence implementation ✓

As a Board, we have also spent considerable time assessing our medium-term positioning in the market and potential sources of growth for Lamprell. With this in mind, we have identified strategic partnerships as a potential route to a step-change in the scale of projects to target. In line with this plan, in January 2016 we announced a Memorandum of Understanding with Saudi Aramco, Bahri and Hyundai Heavy Industries regarding a potential partnership for collaboration on the Maritime Complex in Saudi Arabia. The discussions are still at an early stage, but this could become a sizeable business opportunity for Lamprell. I took on the responsibility of Executive Chairman to identify opportunities for strategic initiatives and other means to grow the business in an outward facing role. Our work on potential alliances continues, and we will update our shareholders on progress as appropriate.

Strong Board

In this endeavour, I have benefited from the support of a strong Board page 36. Following the departure of Michael Press and the passing of Peter Whitbread during 2015, Lamprell has enhanced the Board's independence and composition with the addition of two Directors with impressive experience and with Ellis Armstrong's appointment as Senior Independent Director. Debra Valentine brings significant industry knowledge coupled with expertise in corporate transactions. Mel Fitzgerald is a seasoned executive with 30 years of industry experience. It was also pleasing to promote from within, with the appointment of Tony Wright to the Board in the role of Chief Financial Officer page 20.

Lamprell's Board will be completed with the recruitment of a new CEO following Jim Moffat's announced retirement from the full-time CEO position in 2016. Lamprell will continue to benefit from Jim's expertise for a year following his retirement but I would like to take this opportunity to thank him and the wider senior management team for their dedication and drive to secure a strong future for the Group.

I would also like to thank our shareholders for their support through these challenging times. The Board will continue to work tirelessly to deliver the strategy page 14, firm in our belief in Lamprell's future.

John W. Kennedy

John Kennedy
Executive Chairman

Total shareholder return KPI

(17.8)%

BUILDING ON OUR STRONG FOUNDATIONS

After a year of exceptional financial results in 2014, Lamprell has maintained a steady operational performance and built on the strong business position towards long-term growth. The focus is now on executing our strategy.

Q How would you describe 2015 for Lamprell?

2015 will certainly be remembered as a difficult year for the industry, but for Lamprell it was an important turning point. After a year of recovery in 2013 and the exceptional performance in 2014, this year has shown the underlying robustness of Lamprell's business with its ability to be flexible and adapt to the changing environment. In 2015 we demonstrated that Lamprell is resilient enough to return to normalised performance, even in the context of a challenging market.

Q What is your assessment of Lamprell's performance in 2015?

Overall, our performance across the key metrics was strong. We focussed on the elements under our control, which allowed us to manage the impact of the external environment. Operationally, we have done well, delivering three major projects on time, on budget and to high safety and quality standards. We have seen an extension in scope of the project we are fabricating for Petrofac, a testament to our performance. Our yards remained full throughout the second half of the year.

The strength of our client relationships is a key driver of our performance, and we continued to develop these through our collaborative approach. Having awarded Lamprell the ninth jackup rig pages 24 and 25, NDC subsequently extended its options with Lamprell. We also offered the service of stacking client rigs in our facilities page 27 in the spirit of current and future cooperation.

Our safety record throughout the year was steady with a TRIR of around 0.3. The Jebel Ali and Dubai facilities achieved a major milestone having now operated for three years without a day away from work case (DAFWC). We have set new improvement goals and are looking at new ways to strengthen the safety culture further within the workforce and prevent all avoidable incidents page 30.

We have also significantly improved our efficiency and productivity in the yards. The implementation of Project Evolution page 12 was almost entirely completed by the end of the year, with a new panel line page 24 fully operational and with significant improvements in automation.

Q When are you expecting to see the benefits of Project Evolution?

We started to see the benefits in terms of productivity almost immediately upon completion of each component of the project. As you would expect with the introduction of new equipment and training requirements, some of the initiatives took time to ramp up to their full rate but we have benefited from the improvements throughout the year.

For example, welding > page 26, which constitutes a major component in fabrication with approximately 30% of manhours, has seen a dramatic improvement as we modernised our processes. The beam cutting robots cut beams to exact size multiple times faster and more accurately than a human can. We have optimised painting, crane and scaffolding services, as well as our use of yard space and assets > page 34.

As a result, we have been able to accommodate the construction of seven concurrent jackup rigs > page 25 in our Hamriyah yard, a record for the Group.

Q What are the financial benefits of these improvements?

When we announced Project Evolution, we explained that we expect full payback within three to four years. While this remains appropriate guidance, we delivered better savings than first anticipated in 2015. The savings and efficiencies generated by Project Evolution > page 12 allowed us to protect our margins whilst at the same time remaining competitive in a market with increased pricing pressure. With the recent appointment of Niall O'Connell as COO, a strong focus will be on driving these operational improvements even further.

Q What were the main challenges you encountered and how did you adapt to face them?

As drilling programmes started to be scaled back in response to weak oil prices, the pace of the contract awards slowed down the whole supply chain. Along with our peers, we suffered from this which is reflected in the lack of major awards during the second half of the year.

In response, we have continued to improve our approach to business development and, specifically, we dynamically adapted the composition of our bid pipeline > page 8 throughout the year to address the changing circumstances. When our target projects moved to the right, we regularly reassessed their likelihood of sanction or proactively replaced them with new bids more likely to be awarded in the near future. In practice, this was driven by a conscious shift away from the quieter international markets to more buoyant regional markets such as the Middle East which maintains higher activity levels in the current environment.

This approach allowed us to mitigate the risk > page 16 of adverse impact in areas where we have control, but of course Lamprell cannot resist the market dynamics. While bidding activity levels are high, we continue to be affected by the industry-wide trend of projects drifting to the right.

Q What are your predictions for 2016?

The strong foundations laid over the last 18 months have created a structure for us to be competitive and deliver operational excellence consistently. With our ongoing bidding efforts, we expect to be able to persevere through the downturn and then emerge from it in a position for growth to deliver our strategy > page 14.

In our drive to expand our offering, we also built our first land rig of Lamprell's proprietary design > page 27, which we started marketing towards the end of the year. We believe it will be an attractive product for Middle East clients, having been specifically designed for the region.

We believe our ability to win large projects could be enhanced by forming strategic alliances. In early 2016 we signed a Memorandum of Understanding regarding Lamprell's potential participation in the Maritime Complex in eastern Saudi Arabia. We will continue to scrutinise the market for other value-added alliances.

There is a lot of uncertainty in the current markets but Lamprell's focus for 2016 is on demonstrating resilience and its ability to progress towards future growth despite the industry challenges. We are confident in our ability to deliver on our strategy > page 14.

James Moffat
Chief Executive Officer

How we are adapting to a challenging market

Total awards (USD million)

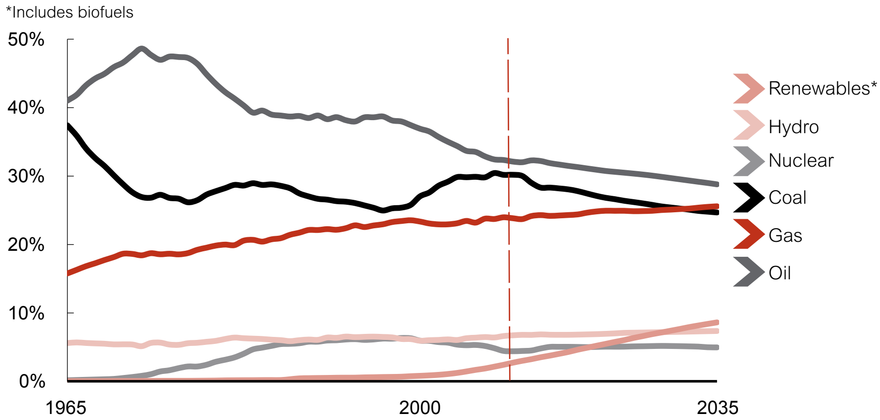
407.1

Completed initiatives

- ✓ Strengthen and realign our organisation
- ✓ Productivity and efficiency improvements
- ✓ Enhanced focus on broadening customer base and strengthening our brand

WE ARE A KEY PLAYER IN THE GLOBAL ENERGY MARKET

Shares of primary energy[1]



Following Lamprell's record performance in 2014, this year presented new challenges. However, challenges that test some organisations will create opportunities for others. Despite falling oil prices and slowing demand, our 2015 bid pipeline remained strong. We aim to weather the downturn and are currently in a strong position for the anticipated recovery as the world's energy demand is expected to continue its rise of around 0.8% each year over the next 20 years[1].

References

1. BP Energy Outlook 2035.
2. Global capex outlook December 2015 – Nomura & Citi Research.
3. Infield systems "Offshore Oil and Gas Macro" November 2015.
4. Douglas Westwood Production and Drilling Outlook 2015-2021 (Q4 2015 edition).
5. Wood Mackenzie October 2015.
6. Douglas Westwood Land Drilling Rig market report 2015-2019.
7. IHS world rig forecast short-term trend – December 2015, rigbase.
8. Barclay's E&P Spending Outlook, January 2016.

Macroeconomic factors and strategy

Amid the continued oil price depression, there continues to be a strong discipline around any E&P spend and new high profile developments are closely scrutinised. This has had an impact on project awards in 2015. However, the impact for Lamprell is mitigated to some extent by our expertise and focus which primarily lie in the conventional and shallow water activities.

While long-term industry fundamentals remain strong with capex forecast to recover by 2020, the shorter-term capex for the upstream oil & gas industry is set to drop by a further 20% from 2015 capex[2] levels. Major oil companies also continue to delay final investment decisions due to cash flow affordability and less favourable project economics caused by current low energy prices.

Offsetting this, the conventional shallow water in the Middle East region where most production costs are viable at levels below USD 30/bbl[3] remains attractive with continued investment forecast over the next five years. Led by Saudi Arabia and Iran (post sanctions), the Middle East is pressing ahead with major oil & gas development projects. By leveraging our strong reputation and regional presence, Lamprell expects to win our share of these opportunities although we recognise that competition for such projects has intensified.

Our business opportunities

We continue to diversify our bid pipeline portfolio across our market sectors and via a broader geographic footprint. This has strengthened our bid pipeline, which as at 31 December 2015 totalled USD 5.4 billion. With a win rate slightly over 30% in 2015, we continue to focus on converting the pipeline to contract awards. However, numerous projects have been cancelled or deferred. Consistent with our 2015 refined corporate strategy page 14 we are proactively sourcing opportunities through diversification across markets. The emphasis will be to target sizeable opportunities through strategic alliances and partnerships. We recently announced a Memorandum of Understanding regarding Lamprell's potential participation in the Maritime Complex in Saudi Arabia. We have also agreed to work with Dubai Drydocks to identify opportunities for cooperation on FPSO projects in the context of Dubai's aspiration to become a strategic location for FPSU/FPSO.

Strong pipeline and high bidding activity

Bid pipeline was USD 5.4 billion at the end of 2015 (2014: USD 5.2 billion)

New awards value at USD 407.1 million in 2015 (2014: USD 1.4 billion)

Successfully diversified bid pipeline client base

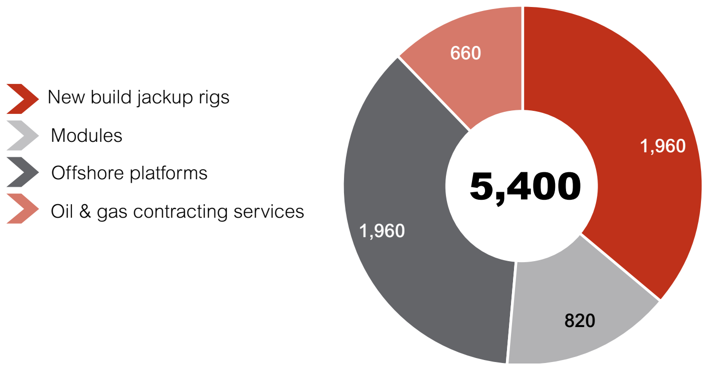
Increased the volume of modular work, a key strategic target

In discussions with potential alliance partners to target major projects

Started marketing first land rig based on proprietary design

Bid pipeline 2015 (USD millions)
as at 31 December 2015

KPI



Long-term market fundamentals remain strong

Market sectors and our opportunities

67.4%
jackup utilisation[7]

444
USD billion forecast E&P spend in 2016[8]

15%
of Lamprell's total 2015 bid pipeline

6%
increase in Middle East E&P spend for 2016[8]

New build jackup rigs

While the global jackup drilling fleet has seen a significant increase over the past seven years through aggressive build programmes by major drilling operators and speculators, worldwide jackup utilisation decreased to 67.4% at December 2015 versus 83.5% at December 2014. Despite the current oversupply of jackup rigs, the market specifically in the Middle East is still promising as NOCs invest billions of dollars into redeveloping maturing fields. A forecast 4% CAGR rise in shallow water drilling over the next six years in the Middle East should compensate for some of this decline[4], with the slowdown in new orders expected to continue until the oversupply of rigs is re-balanced. Meanwhile, Lamprell has a proven capability of bidding competitively against international bidders. Of the three rig orders in 2015, Lamprell received one new order from an established drilling contractor.

Offshore platforms

Fixed offshore platform demand in the medium term is anticipated to remain resilient due to the lower sanction point generally required for shallow water as opposed to deep water floating developments. The Middle East region, notably Saudi Arabia, Abu Dhabi, Qatar and Iran, remains highly attractive in this environment. The long-term fundamentals remain in place despite the near-term uncertainty in this sector. With the projected growth of deep water developments in the longer time frame, FPSOs are expected to be the preferred solution among the floating production concepts, as fixed platforms become technically challenging and cost prohibitive. With Lamprell's geographical location, cost competitiveness and proven track record of world-class project delivery, we are well positioned to re-enter this potential growth market as the industry recovers.

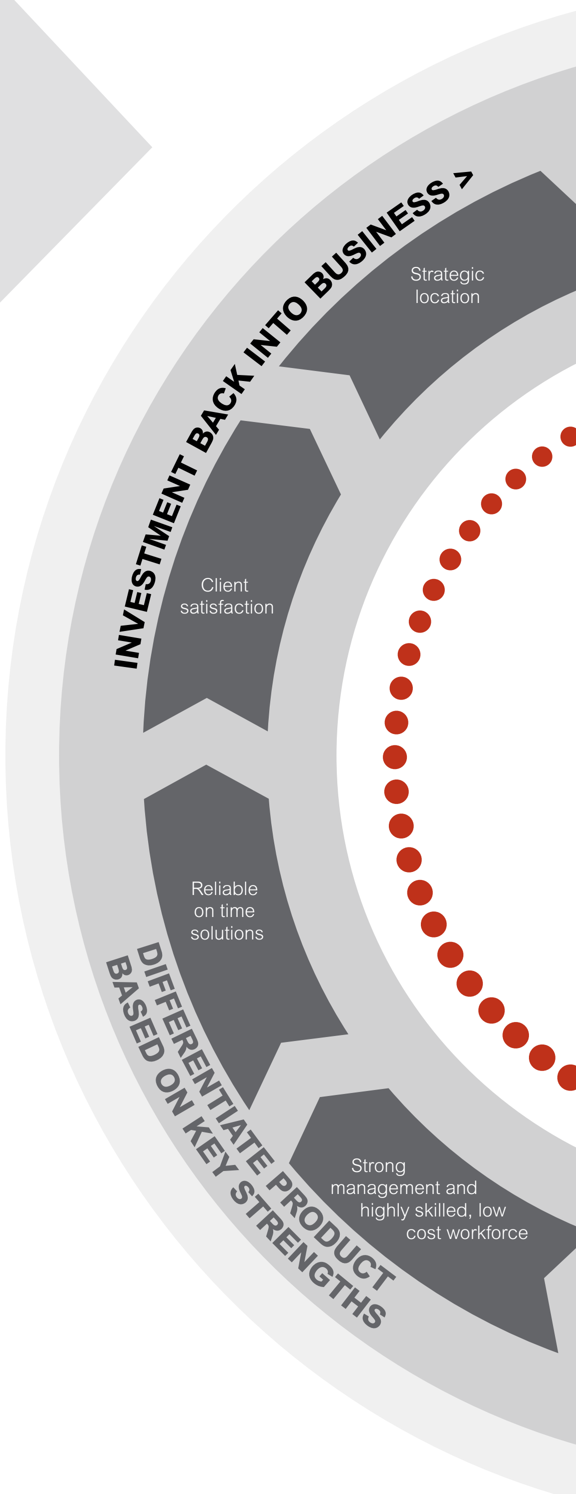
Modules

Despite the expected softening in spend due to recent over-supply in refining capacity in the downstream market, significant investment is continuing in the Middle East and hence this remains a key region for Lamprell where the Group is strategically located. Investment is divided with circa 50% on upgrades to existing refineries and the remainder split between maintaining existing facilities and greenfield projects[5]. We increased our volumes of modular work in 2015, demonstrating our capabilities in this area, and continue to actively pursue opportunities in all onshore module markets. The long-term outlook for the LNG industry remains positive as vast reserves of natural gas are being discovered in developing regions such as East Africa. Investment in LNG facilities has increased in recent years as global demand is trending towards natural gas, a fuel considered to be cheaper and more environmental friendly as highlighted at the COP21 climate conference in 2015.

Oil & gas contracting services

Although drilling activity is subdued by current oil price forecasts, we expect there to be continued activity in the Middle East market for jackup rig refurbishment services as the aging rig population often requires regular maintenance or upgrades. This business stream also includes site works, pressure vessels, static equipment and general fabrication works, all of which are required to operate regional facilities, and are core competencies of Lamprell. There is a relatively modest outlook forecast for the global land rig market until 2019, however the global rig count will need to expand in order to meet projected drilling demand[6].

OUR BUSINESS MODEL ADAPTS TO CHANGING CIRCUMSTANCES



Even in today's difficult market, Lamprell aspires to deliver predictable, sustainable and profitable growth through leading operational performance, strong management and a robust strategy that builds on our key strengths.

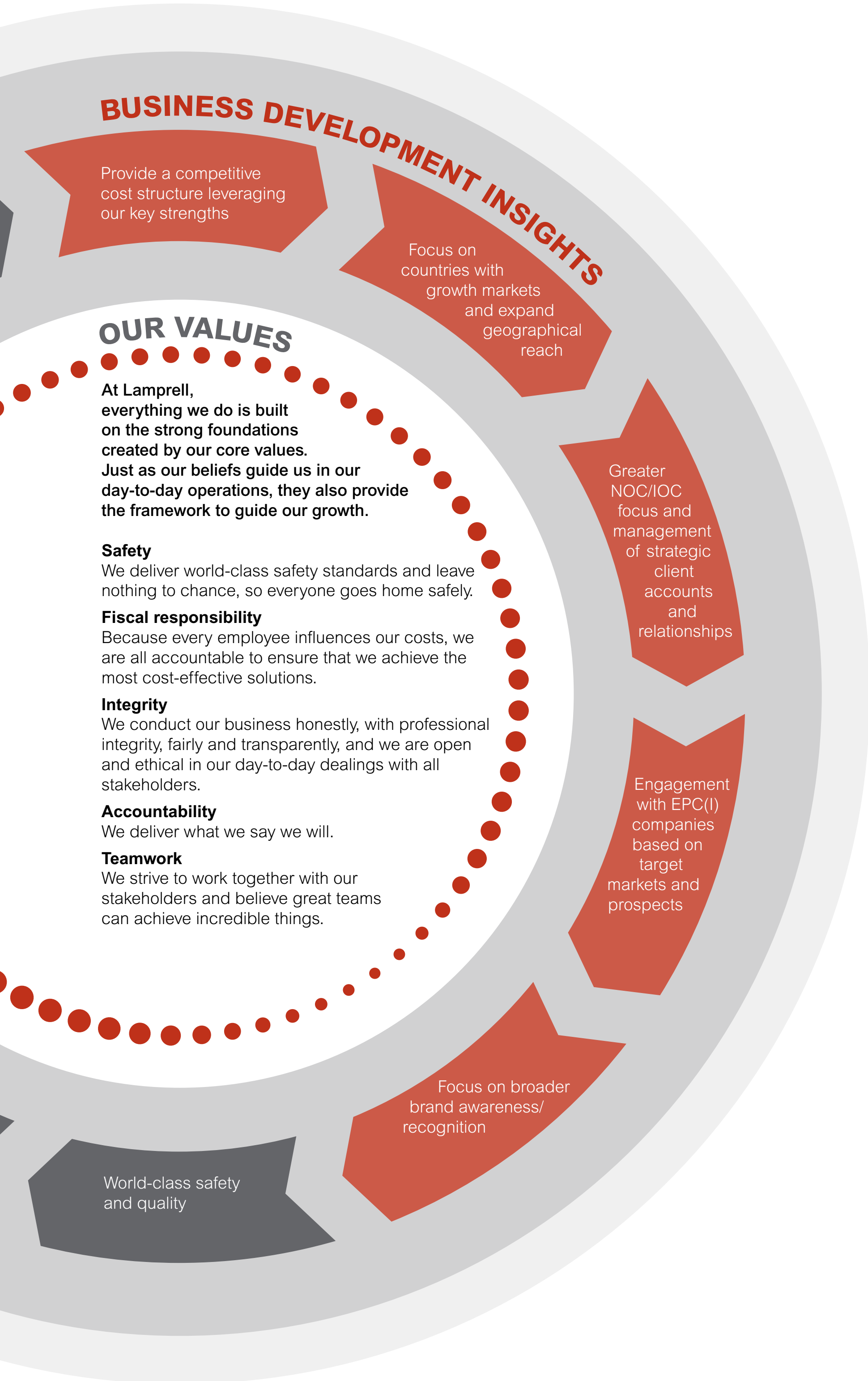
Our business model is structured around a risk-based assessment page 16 of opportunities to meet the demand for fabrication, engineering and contracting services in the offshore and onshore oil & gas and renewable energy industries. Difficult times call for fresh thinking, and that is what we have done. In 2014 we looked at our key strengths, our prospects, the markets in which we operate and our competitive advantages and we asked ourselves: what will it take to win in today's business climate? Following a detailed review performed in 2015, our refined strategy page 14 addresses a more diversified market in terms of both product offerings and geography by recognising the current downturn but targeting medium to long-term growth.

Creating long-term value

We are focussing on creating long-term shareholder value by reinforcing our position in the Middle East as a leading fabricator. This has enabled Lamprell to successfully deliver profitable 2015 results page 20 in the face of a weak market climate. Our aspiration is to serve a broader market, leveraging our successful project delivery track record, superior safety performance page 30, and reputation for quality workmanship to be a leading global fabrication and EPC service provider delivering complex fabrication projects to world-class standards in multiple markets. We will also use strategic partnerships to achieve our goal, allowing us to expand our geographical market focus and deliver new product offerings, such as FPSO integrated solutions and LNG/Petrochemical modules page 14.

Our competitive advantage

Lamprell safely delivers projects on time, competitively and at best value for money, to clients' specifications and industry-leading quality standards in a culture of teamwork and accountability. These attributes, which have been developed, reinforced and proven over time, are what differentiates us from our competitors, along with our central geographical location, state-of-the-art facilities and core team of highly skilled and motivated workers who understand and are committed to the Lamprell way of project execution. All of this ensures execution excellence and lower risk for our clients and their business critical projects. At Lamprell, we are people of integrity.



How our strengths add value

First class safety and quality
Lamprell has a strong commitment to continuously improving the safety and quality performance of our employees and contractors. These are a prerequisite with any potential top tier client.

Reliability
Lamprell has a proven reputation for quality standards and the delivery of competitive products. We have a strong track record in our core markets for completing projects on time, to specification and on budget. This has enabled us to diversify our pipeline.

Client satisfaction
Lamprell is committed to customer service and close client relationships throughout the project life cycle. This has resulted in strong support from our major clients and a strong record of repeat business.

Skilled workforce
Lamprell has a strong leadership team focused on delivering the Company's refined strategy. We value our highly skilled, dedicated and flexible workforce and invest in their continued development to ensure excellent project performance. Our access to a highly skilled, low cost workforce from Asia supports a competitive cost structure.

Strategic location
Lamprell is advantageously located and has excellent facilities including over 1,000,000m^2 of fabrication space and 2km of deep water quayside access.

We are committed to safety, quality and reliability

PROJECT EVOLUTION IS PRODUCING RESULTS

Project Evolution kicked off in mid-2014 with the intention of reviewing the Group's processes, fabrication techniques and facilities in order to identify and implement cost efficiencies and productivity improvements that would make Lamprell more competitive and bring down daily running costs.

Achievements

We established a dedicated team which was tasked with investigating our current systems, execution and production processes and material handling techniques, to identify improvement opportunities that would reduce the costs of our operations and enhance product delivery. Ultimately the aim of this project was to make us safer and more competitive which, in turn, would help us diversify and convert our bid pipeline.

Initially 24 opportunities for improvement were identified over the duration of the project. Part of the capital raised in the rights issue in 2014 was dedicated to Project Evolution. The Group expended part of this investment on upgrading and modernising equipment and work areas, warehouses, and adding major construction systems such as a new panel line in the Hamriyah facility. The new fabrication building housing the panel line page 24 and supporting machinery were safely installed on a fast track basis within ten months, an impressive achievement for the Group. The panel line was officially launched in 2015 and by the end of the year was operating at full run-rate. We have seen returns on this investment as benefits are being achieved on all major projects.

An integral part of the measures implemented was the investment in automation around parts of our facilities, and we have installed a variety of new equipment. Upgraded and new working areas, new cranes, robotic cutting machines and an automatic beam fabrication system have all been installed in order to increase the level of automation and reduce construction times. In addition, strategic procurement processes and systems have been implemented in order to deliver synergies and economies of scale on major projects, which has also resulted in significant savings for the Group.

How this helps our business

While Lamprell is not immune to the ongoing headwinds in the energy sector, we were pleased to see that our early implementation of the efficiency measures under Project Evolution positioned the Group to be more competitive which will consequently be key to our future success. Using an optimised blend of automation and low cost labour, Lamprell will continue to deliver a safe and high quality product at the best value to its clients following completion of the Project Evolution measures. Our yards have been modernised, our systems and processes are more efficient, our workforce is well trained and operates to high standards, all of which in turn helps us to win new projects.

Our business model lays the foundations for efficiency and productivity

Time management

Time management and span and control page 28 ratios were improved across all facilities, by setting KPI's for yard staff page 26

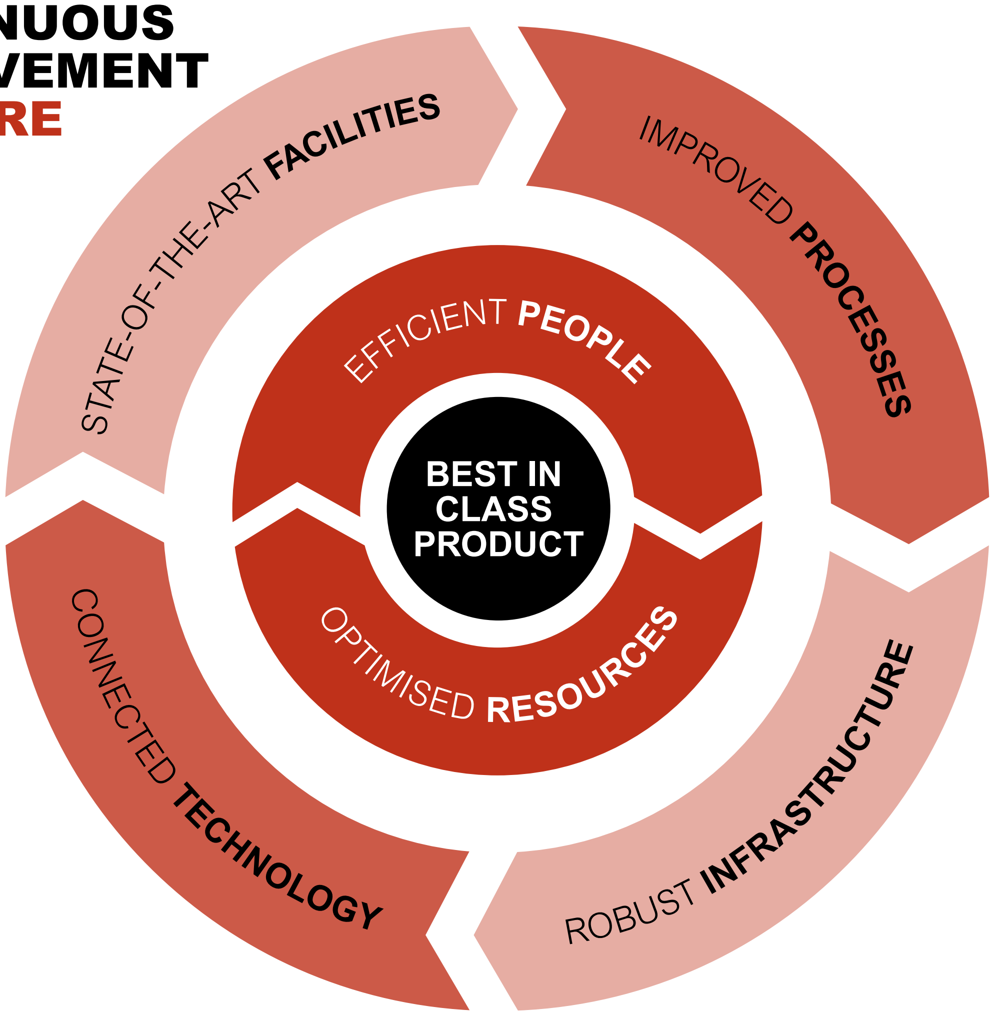
Air and gas lines

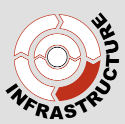
We completed an upgrade for underground air and gas lines which removed the reliance on inefficient fuel driven air compressors and thousands of cylinders that needed changing on a daily basis

Welding improvements

Lamprell switched from stick welding to the more efficient flux cored arc welding page 26 which has reduced welding manhours by approximately 20%

CONTINUOUS IMPROVEMENT CULTURE





Robotic equipment
We invested more than USD 16 million on automated equipment including a panel line, an automatic fabrication line as well as two 3D robotic beam cutting facilities

NDT and quality control improvements
We have upgraded our non-destructive and radiographic testing facilities making use of more modern, low radiation technology and improved processing

Satellite stores
Satellite stores have been installed, taking tools and consumables to workers instead of staff having to walk distances for collection, saving time and cost

page 28

Being more competitive enables us to implement our strategy

OUR REFINED STRATEGY PROVIDES SUSTAINABLE GROWTH

Our strategy is based on our fabrication capabilities where our Middle Eastern geographical location, low cost labour and state-of-the-art facilities are fundamental differentiators, and is structured around product lines with the highest potential to grow the business going forward.

During 2015 we reviewed the global market outlook, analysed our product line and weighed our strengths. We evaluated the immediate and future needs of our customers around the globe, exploring potential opportunities in new business segments and geographies and assessed the alignment between our capabilities and differentiators against those needs. The strategy was initially developed as part of the 2014 rights issue but had to be reviewed in light of the current market conditions. We asked ourselves: where are our best opportunities for delivering profitable growth in the long term?

Corporate strategy statement

By 2020 Lamprell aims to be a leading global fabrication and EPC service provider of jackup rigs, offshore platforms, onshore modular solutions and FPSO structures consistently delivering safe, high quality, competitive, on time solutions to our customers while providing steady growth and predictable returns for our shareholders. This will be achieved by building on the strong foundations created by our values of Safety, Fiscal Responsibility, Integrity, Personal Accountability and Teamwork page 47, working in

WHAT THE CLIENT WANTS

Safety

Competitive delivery model

Delivery certainty

Delivery excellence

Local content

Risk transfer

WHAT WE ARE GOOD AT

- Safety
- Integrity
- Quality
- Fiscal responsibility
- Systems and procedures
- Teamwork
- On time delivery
- State-of-the-art facilities
- Client relationship
- Cost efficiencies
- Continuous improvement
- Productivity
- Balance sheet
- Risk management

1 2 3 4 5 6

combination with a strong balance sheet, our strategic geographical location, state-of-the-art facilities and execution excellence in our projects. We will be differentiated by delivering all of the above at the best value for money.

Focus on enhanced performance

We have achieved execution excellence on all of our recent and ongoing projects. Our facilities are modern and automated page 12, and we have invested in labour training programmes to support our desired growth. Although the global spend has sharply declined in 2015 and is forecast to contract further in 2016, we believe that our strategy has positioned us to emerge from this downturn a stronger, more focussed company. We will continue to play to our strengths page 11, while expanding into markets where our key competencies will enable us to compete effectively. Our bid pipeline is structured to deliver our strategic objectives through broader addressable markets, whether by expansion into complementary business segments or new geographical markets, and through targeting of a diversified client base. We have also taken steps to explore strategic partnerships where appropriate to further strengthen and expand our offering.

WHERE WE ARE GOING

- Maintain a regional market leading jackup rig builder position servicing niche market clients.
- Maintain our market leading position in jackup rig refurbishment based on differentiated competitive 'one stop shop' service solutions.
- Broaden our offshore platform fabrication offering.
- Broaden our onshore module fabrication service offering and target large scale LNG and downstream projects.
- Develop a competitive 'one stop shop' Middle East Centre of Excellence for the FPSO market.
- Continue to offer differentiated service offerings to the regional land rig, our E&C and O&M markets and maintain market share position.

HOW WE DO IT

We aim to deliver our long-term sustainable growth through competitive fabrication and delivery excellence. This includes:

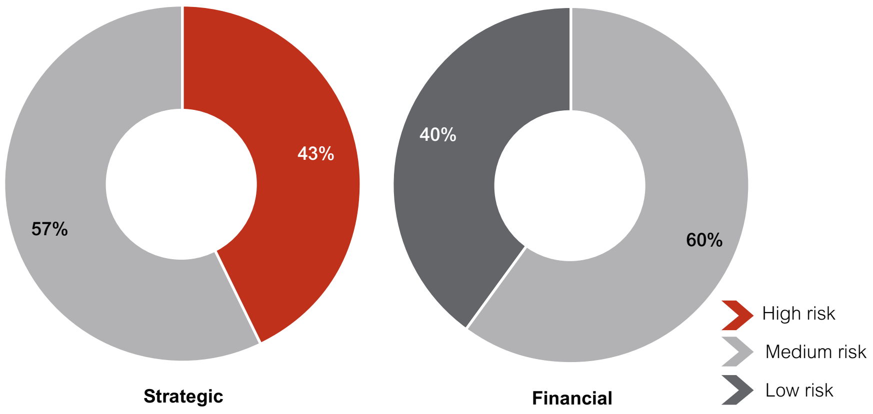
» Investment in a new pipe shop

» Investment in improving and upgrading our facilities for additional production

» Reinforce business development, targeting growth countries and strengthening relationships with clients and EPC contractors

» Target strategic alliances in our core markets

Analysis of risk – strategic and financial



AN ENHANCED APPROACH TO RISK MANAGEMENT

Lamprell is enhancing its approach to risk management through the consistent application and development of our risk management framework. A robust, embedded risk awareness culture is essential to ensure that business decisions are aligned with the Group's strategic objectives.

Continuing an active risk management approach

We believe that early identification and appropriate management of risk is vital to the success of the Group. With this ethos in mind, we continue to regularly and actively identify and manage risk profiles across each business area in the organisation, both at the project and enterprise level. Our current risk management framework, which was developed in 2014, remains highly effective and fit for purpose. All risks are ranked taking into account both impact assessment and probability, and on a gross (pre-mitigation) and net (post-mitigation) basis. Following such ranking, appropriate risk management plans are developed, with defined mitigation plans and allocated risk owners. We have a Risk Review Panel, comprising of senior management, which meets regularly to review and challenge risk management plans. Through the Panel, increased focus is now being placed on risk owners tasked with monitoring the effectiveness of mitigations being implemented.

A focus on Enterprise Risk Management ("ERM")

Our plan to identify and manage Enterprise Risks is structured in a similar way to the way in which we address project risks. Management has worked with the Audit & Risk Committee on behalf of the Board to implement an ERM system which identifies, documents and reports on progress to manage Enterprise Risks.

Our database is used to:

» Ensure risk management processes are effective and key risks are evaluated on a fully-unmitigated basis, and risk action plans are put in place.

» Improve focus and perspective on risk providing a basis for discussion and benchmarking through regular meetings.

» Provide Internal Audit with risk information on a quarterly basis in order to audit, monitor and generate Internal Audit's annual cycle.

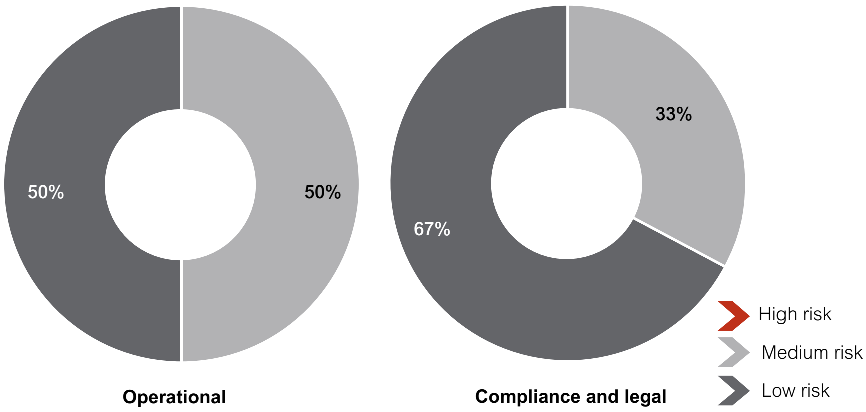
» Provide the basis of the bi-annual review of our key risks by our Audit & Risk Committee, which reports back to the Board.

Principal risks and uncertainties for Lamprell

Lamprell faces a variety of risks in connection with its business and these may change from year to year depending on both external and internal circumstances. By way of example, our Board proactively decided to escalate the risk ranking for geopolitical security as a result of the heightened threat from terrorism and the fact that, in recent years, some of the Company's Board meetings have been held in Paris.

The Board considers that the principal risks and uncertainties faced by the Group within this reporting period are as follows:

Analysis of risk – operational, compliance and legal



While the operational category has the highest number of key risks for this reporting period, our 'high' key risks are mostly strategic in nature. We consider this to be a fair reflection of the negative environment faced by the energy industry. Lamprell uses mitigation plans to reduce the potential impact of each risk.

Strategic risks

Risk description	Business implication	Mitigation
Macroeconomic conditions **Risk to strategy** high **Risk change** increased	With the continuing energy market downturn, demand for the Group's products and services may be adversely impacted by a fall in the levels of expenditure by oil & gas and renewable energy companies.	» Regular market reports identify projects which are expected to be sanctioned within Lamprell's addressable markets. » Strategy refined to focus on broadening our addressable markets and our client base to target sectors and geographical markets which offer most potential for growth. » Activities to implement strategic objectives under way. » Bid pipeline page 8 continues to be strong with a year-end value of USD 5.4 billion. » Use of a Client Relationship Management system to provide real time information on opportunities and key contacts.
Single product line **Risk to strategy** high **Risk change** increased	From 2012 to 2015, the proportion of Lamprell's revenues deriving from new build LeTourneau-designed jackup rigs increased year-on-year and that trend is expected to continue in 2016. This places heavy reliance on continuing demand for that single product line which may be exacerbated in 2016 if the proposed acquisition of the LeTourneau rig design is completed by a competitor of the Company.	» Strategy focussed on diversification of business streams away from new build LeTourneau-designed jackup rigs. » Bid pipeline has a heavy weighting towards Offshore Platforms and Modules page 9. » Target strategic alliances to enable access to additional sectors. » Lamprell offers construction of alternative rig designs and is considering designing a state-of-the-art shallow water jackup rig having taken into account client feedback. » Anticipated slowdown in the jackup rig market demands a keener focus on non-rig sectors.

Strategic risks

Risk description	Business implication	Mitigation
Winning new work **Risk to strategy** high **Risk change** none	The Group is dependent on a relatively small number of contracts at any given time, some of which are for the same customers, and strong client relationships are critical for a sustainable business. The industry is highly competitive and Lamprell is dependent on its ability to provide on time, high quality products and services at low cost.	» Focus on delivering high quality products and services provides robust platform for repeat business. » Each business stream within our strategy has clear objectives and business development goals set by reference to target projects. » Client account management structure ensures that good, effective client relationships are maintained. » Productivity improvements and cost efficiencies have been fully implemented to enhance Lamprell's ability to compete. » Other activities such as a new pipe shop will target additional areas to drive down cost.
Geopolitical **Risk to strategy** medium **Risk change** increased	Given the increased global threat from war, civil unrest and in particular terrorism, the Group's operations and business could be materially disrupted in the case of such an event directly affecting one of our operations or any of our key business activities such as Board meetings.	» Limited remote location operations with the vast proportion of the Group's operations taking place in the United Arab Emirates, which is stable politically and financially. » Group security policies and procedures updated with closer monitoring of travel. » Board meetings held primarily in the UAE. » Contracts include force majeure provisions as standard. » No material impact of EU referendum outcome on the business.

Financial risks

Risk description	Business implication	Mitigation
Financial disclosure **Risk to strategy** medium **Risk change** unchanged	The Group's visible order book may fluctuate significantly because the majority of the contracts are structured as fixed-duration, lump sum projects or else as short-term rig refurbishment projects. In addition, varying project cycles mean that revenues can be 'lumpy' making it more difficult to predict with certainty the future long-term financial condition of the Group.	» Proven, reliable project execution led by experienced management team creates predictable financial outcomes. » New ERP system completed page 22, ensuring predictable and timely financial reporting. » Lamprell has a range of contract types from lump sum projects, framework/call-off contracts through to unit rate reimbursable projects. » Strategy refined to focus on broadening addressable markets and client base. » Regular project review meetings feed into monthly Board reports.
Counterparty credit risk **Risk to strategy** medium **Risk change** unchanged	Lamprell sells its products and services to, and also procures goods and services from, a variety of contractual counterparties and could therefore be subject to counterparty credit risk, either with clients, subcontractors or business partners. Failure by any of these entities to make payment may result in Lamprell suffering losses or reduced revenues.	» Credit checks are conducted internally and through expert third party providers for new counterparties or in support of major contracts. » Bonds/guarantees backed by reputable financial institutions may be requested prior to contractual relationships being formalised. » Payment terms under contract are carefully managed. » Protection against non-payment is built into contractual documentation to ensure that the Group has a right of remedy in the event of delayed/non-payment. » Project debt facility only available for use by top tier clients, per lender requirements.

Compliance and legal risks

Risk description	Business implication	Mitigation
Contractual commitments **Risk to strategy** medium **Risk change** unchanged	Lamprell may be subject to onerous contractual terms for product defects, faulty workmanship or errors in design which could impact revenue or earnings as a result of breach or non-performance. With the Group's increased involvement in joint ventures, a failure to determine appropriately the liabilities between the parties could expose the Group to additional risks.	» Potential contract risks assessed at the outset following a full risk review, with mitigation plans created. » Robust training and inspection programmes implemented across all facilities and projects. » Lessons learned on earlier projects used to design work scopes, thus ensuring continual improvement in project execution. » Appropriate contract terms ensure that the Group's risk exposure is acceptable and risks may be passed to subcontracting parties or covered by contingency, as appropriate. » External advisory experts are engaged, as required.

Operational risks

Risk description	Business implication	Mitigation
Information management systems and cyber risks **Risk to strategy** medium **Risk change** decreased	The Group relies heavily on information technology systems, including crucial business management software and our enterprise resources planning systems, which may fail to operate effectively or be subject to disruption or cyber attacks. In such event, the activities of the Group may be severely disrupted and, subsequently, operations may be adversely affected.	» Employee cyber security training and awareness campaigns are undertaken regularly. » We have adopted the ISO 27001 Information Security Management System (ISMS) standard across our business. » Disaster recovery plans and procedures are in place and have been tested in a simulated environment to ensure adequacy. » Third party experts undertake penetration exercises to test adequacy of IT security.
Productivity and efficiency **Risk to strategy** medium **Risk change** decreased	The Group has incurred significant expenditure as part of its yard investment programme under Project Evolution page 12. Although thorough analysis of the requirement for such investment has been undertaken, such investments may not yield the targeted savings and efficiency improvements in practice, either because of the changing market environment or due to other unforeseen events.	» Embedded culture of continuous improvement and transparency demonstrated on all projects and on investment programme. » All Project Evolution measures completed on time and on budget, with many operating at full run rate already. » Flexibility in our staff cost base. » Management regularly assesses the status of and outputs from the investment programme. » Key performance indicators for productivity improvements and cost efficiencies including the annual incentive metrics.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code and taking into account the Group's principal risks, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a period of three years, which was selected for the following reasons: (i) the Group's strategic review covers a period with visibility on projects extending out for at least two years; (ii) most major projects undertaken by the Group last for a period of approximately two years; and (iii) the Company has a reasonable ability to project its likely backlog for a period of between two and three years.

The three year strategic review considers the Group's cash flows, dividend cover, available debt and other key financial ratios over the period. These metrics are subject to sensitivity analysis which involves varying a number of the main assumptions underlying the forecast both individually and in unison. Where appropriate, this analysis is carried out to evaluate the potential impact of the Group's principal risks actually occurring. The three year review also makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required. Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

OUR FINANCIAL PERFORMANCE REMAINS STRONG AND STEADY

In 2015, Lamprell delivered solid financial results, driven by consistent operational performance. After a year of exceptional results in 2014, the Group returned to normalised margins and retained its strong balance sheet, a notable achievement in the context of a challenging market environment.

Results from operations

We are pleased to deliver healthy and steady financial performance in 2015 following a year of exceptional financial results in 2014. The combination of strong operational execution and savings achieved as a result of Project Evolution page 12 allowed us to deliver good margins despite global headwinds in the sector.

The Group's total revenue for the year was USD 871.1 million, slightly below our earlier guidance due to the impact of the market downturn on our walk-in business. Our other businesses performed in line with expectations. The new build jackup segment page 25 remained the main source of revenue for Lamprell, with a record number of seven concurrent rigs under construction in the yard. Our revenues for 2015 were heavily weighted to the second half of the year due to the phasing of construction, as several of our projects were at the early stages in their build schedules in the six months to 30 June 2015.

The additional awards by Petrofac have provided a significant contribution to our module business.

Whilst we are seeing repeat business from our clients, the general weakness across the sector has driven a reduction in revenues from our rig refurbishment business page 27. We delivered 11 refurbishment projects in 2015. We also took on high quality projects, with a number of wins for important clients albeit of fairly modest value, in our E&C business unit.

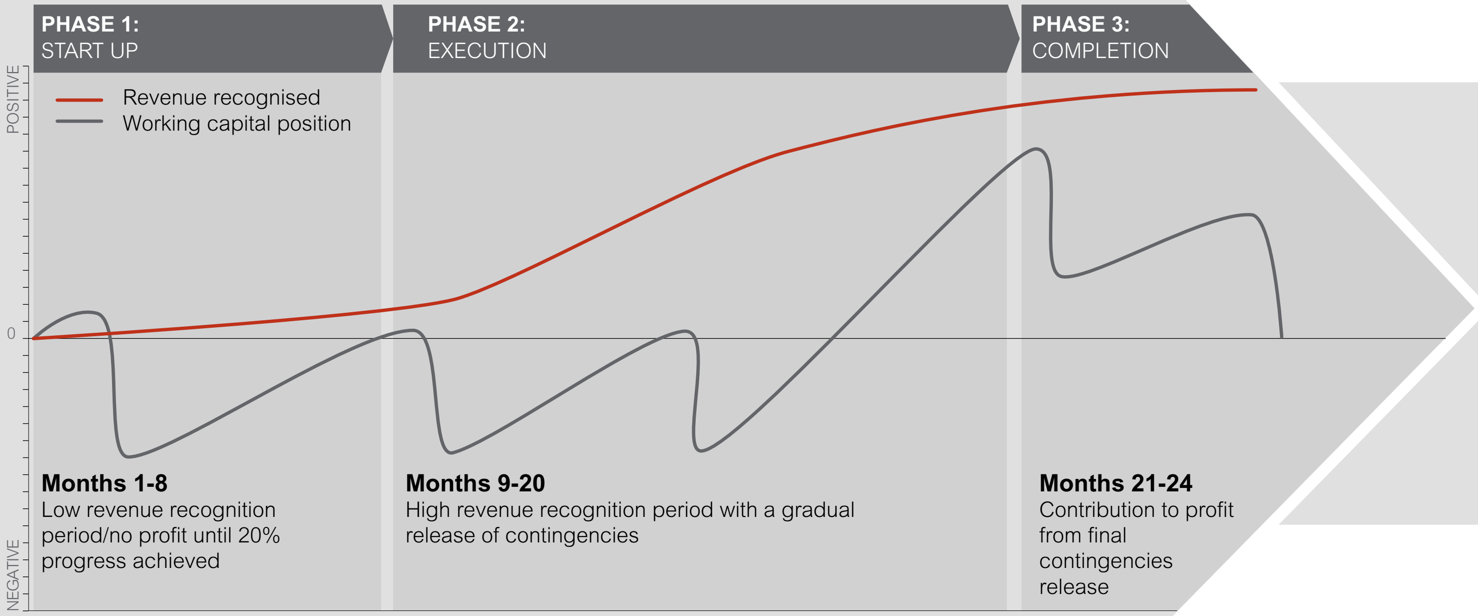
Margin performance

The Group completed the major part of the investment under Project Evolution page 12, with the realised savings partly utilised to protect Lamprell's margins whilst retaining our competitive position in an environment of increased pricing pressure. This investment programme allowed the Group to maintain its normalised margins despite the industry difficulties which impacted the financial performance of its sector.

The Group's gross margin decreased to USD 123.5 million from USD 182.1 million in the previous year primarily due to lower revenues, project phasing and a return to normalised performance. The drop in rig refurbishment revenue in the current environment had a minor negative impact on margins, whilst our new build jackup business managed to maintain stable margins at normalised levels. The main reason for this was the savings and productivity gains delivered by the Project Evolution initiatives.

EBITDA excluding discontinued operations and exceptional items for the period was USD 90.0 million (2014: USD 137.0 million). The Group's EBITDA margin decreased from 12.6% in 2014 to 10.3% in 2015, reflecting the absence of the 2014 exceptional items, partially offset by certain one off events in 2015 such as bad debt recoveries.

Illustrative example: financial cycle of a typical jackup project



Finance costs and financing activities

Net finance costs in the period decreased to USD 12.0 million (2014: USD 18.4 million). Gross finance costs were USD 5.9 million lower due to reduced interest margins and lower bonding costs, partially offset by increased commitment fees on our facilities following the refinancing in 2014. Finance income has increased by USD 0.5 million as a result of higher cash deposits.

Net profit after exceptional items and earnings per share

The Group recorded a profit for 2015 attributable to the equity holders of USD 64.7 million (2014: USD 118.1 million). The fully diluted earnings per share for the year was 18.84 cents (2014: 37.38 cents), based on strong underlying performance in the absence of the exceptional items reported in 2014.

Capital expenditure

The Group's capital expenditure in 2015 increased to USD 59.5 million (2014: USD 22.5 million). The main area of investment was yard improvement under Project Evolution page 12, which comprised of the purchase of new equipment including the new panel line page 24, beam cutting robots and some yard infrastructure enhancements page 34. The major part of the investment under Project Evolution is now complete, with the second phase of Project Compass page 22 live across the Group since 1 October 2015.

Cash flow and liquidity

The Group's net cash flow from operating activities for 2015 reflected a net outflow of USD 0.8 million (2014: net outflow of USD 39.8 million) arising predominantly from the Group's EBITDA and offset by increased working capital requirements due to the natural cycle on major projects.

Cash and bank balances decreased by USD 82.0 million, resulting from a net cash outflow from investing activities attributable to the major capital investment programme and an outflow from financing activities. The Group's net cash position remains strong at USD 210.3 million (2014: USD 272.6 million), a decrease in line with expectations due to capital spend on Project Evolution and the phasing of the construction cycle on our projects.

Balance sheet

The Group maintained a strong balance sheet, providing flexibility and security in a challenging environment for the industry.

The Group's total current assets at the period-end were USD 725.3 million (2014: USD 780.7 million). Trade and other receivables increased to USD 428.3 million (2014: USD 403.6 million) due to unfavourable timing on milestone payments as well as advance payments to suppliers to secure favourable terms for equipment procured.

Shareholders' equity increased from USD 672.2 million to USD 737.6 million at 31 December 2015. The movement mainly reflects increased retained earnings of USD 410.4 million (2014: USD 344.5 million).

Gross margin

14.2%

2014: 16.8%

EBITDA[1]
(USD million)

90.0

2014: USD 137.0m

Net cash
(USD million)

210.3

2014: USD 272.6m

1. EBITDA excludes discontinued operations and exceptional items.

Project Compass

Robust platform to streamline technology processes

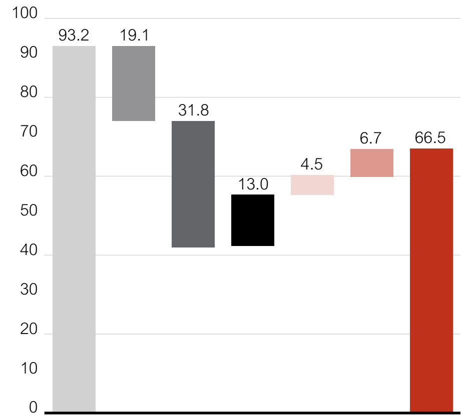
Project Compass was launched to implement a new Oracle-based ERP system at Lamprell. Along with streamlining processes and connecting our business functions to a single system, it is now also helping us to reduce our overall operational costs by providing greater visibility, control and increased employee productivity. The implementation of Project Compass provided Lamprell with a more robust and flexible platform to support future growth. Lamprell is better equipped to deliver higher levels of business process efficiency by leveraging the latest technologies in ways that directly impact the bottom line and create further value for our shareholders.

Approximate reduction in payroll department overhead

45%

Performance

Improvement driven by outstanding performance in project gross profit and cost efficiencies (USD millions)



- 2014 net profit
- Impact of EDC 2 in 2014
- Impact of competitive environment
- Movement of bad debts
- Overhead reductions
- Others
- 2015 net profit

The Group's debt/equity ratio of 10.8% at 31 December 2015 (2014: 14.7%) emphasises our low levels of leverage and balance sheet strength.

Borrowings and debt

In 2015, following the major debt refinancing the previous year, the Group's facilities comprised (a) a USD 100 million term loan amortised over five years, of which USD 20 million was repaid over the course of the year; (b) USD 50 million for general working capital purposes which remained undrawn; and (c) USD 200 million of working capital for project financing, which has not been taken up by our clients to date. Lamprell continued to market this facility as part of a number of bids and the aim remains to leverage it in future projects.

In addition, the related USD 250 million committed bonding facility, which is available for use in connection with new contract awards funded by the working capital facility detailed in (c) above, remained undrawn in 2015 and the Group has been able to leverage its bilateral bonding facilities for better commission rates.

The outstanding borrowings were USD 79.3 million as at 31 December 2015 (2014: USD 99.0 million).

Change of auditors

Following a formal tender process in line with market best practice, the Audit & Risk Committee made a recommendation for the appointment of Deloitte LLP as the external auditor for the Company, which the Board approved page 52. Deloitte LLP has expressed its willingness to act as external auditor and a resolution to appoint Deloitte LLP will be proposed at the forthcoming AGM for their services in respect of the 2016 financial year.

Going concern

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 Directors have concluded therefore that it is appropriate for the Group to continue to adopt the going concern basis in preparing its financial statements.

Dividends

Given the challenging market environment and the Group's strategy to retain a strong net cash position and balance sheet, the Directors do not recommend the payment of a dividend for the current financial year ending 31 December 2015. In the future the Directors will continue to review this position in light of market conditions at the relevant time.

Antony Wright
Chief Financial Officer

PERFORMANCE MEASURES

Safety TRIR
(rate per 200,000 manhours)

KPI

2015 **0.31**
2014 0.28
2013 0.67

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

Revenue
(USD million)

KPI

2015 **871**
2014 1,085
2013 1,092

Description
Measures level of operating activity and size of business.

Net profit
(USD million)

KPI

2015 **66.5**
2014 93.2
2013 39.1

Description
Measures net profitability of the business before exceptional items.

New awards
(USD million)

KPI

2015 **407**
2014 1,400
2013 756

Description
Indicates total awards/new work won during the year.

EPS (diluted)
(US cents)

2015 **18.84**
2014 37.38
2013 12.67

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

OUR BUSINESS IS BUILDING MOMENTUM

Lamprell continues to build on its solid foundation of operational excellence after getting back on track. We are delivering what we promised and have installed new processes and equipment to make our operations leaner, stronger and more competitive.

Business overview

The Company had to adjust its outlook in early 2015 in light of the challenging climate following the sharp oil price decline. Recognising the importance of being competitive in this market, we pressed on with implementing our various business improvement measures. This included the productivity improvements and cost efficiencies under Project Evolution page 12, refinement of our strategic objectives to align with market demands page 14 and our focus on maintaining our competitive position by leveraging our key strengths page 11.

In the early months of 2015, we delivered three major projects safely, on time, within budget and to high standards of quality. During the second half of 2015, the Group saw a significant ramp-up in manpower across all three yards as all ongoing projects reached critical, high intensity phases and, during this period, the Group increased its project workforce by approximately 1,500 people. We achieved another record for the Group as we constructed seven concurrent jackup rigs in the Hamriyah yard, which was made possible because of Project Evolution page 12.

Notably, given the limited number of awards during 2015, Lamprell was pleased to receive a new rig contract award in April 2015 by our largest client, NDC, one of only three global rig awards throughout the year. The Group also agreed with NDC to extend the outstanding two options and to include a third option on its next jackup rigs. The Group has seen further awards from Petrofac on the Abu Dhabi project under construction in our yards. As a result the original contract award of 26 pre-assembled racks has now grown to a total of 45 pre-assembled racks, units and modules.

2015 saw each of the Jebel Ali and Dubai yards reach the same milestone of having operated for more than three years without a single DAFWC. In addition, the Sharjah facility completed over five million manhours without a DAFWC, with its last recordable incident in June 2014. Overall, we are proud of the Group's proven safety record page 30. However, with the TRIR plateauing during 2015, management will make this a top priority for 2016 – we want an underlying safety culture which prevents incidents and allows our workforce to go home free from injury.

The Board made changes to the senior management team designed to create functions which are accountable either for winning new work (under the CCO), executing work (under the COO) or managing payments (under the CFO). Tony Wright was appointed as CFO page 20 and Board Director in August 2015, and Niall O'Connell was promoted to the role of COO in October. This simplified structure is considered to be the most efficient and cost-effective way of running a business of Lamprell's size and complexity.

PROCESSES

Project Evolution

Panel line delivering savings and efficiencies

In July 2015 the new state-of-the-art panel line was officially opened in our Hamriyah facility and provided Lamprell with a USD 13.6 million automated and more efficient solution to our panel fabrication process. The Evolution team delivered the new technology safely with over 300,000 manhours worked with no recordable incidents, in ten months, on time and within budget. The savings and efficiency benefits resulting from this investment programme have contributed to all seven ongoing new build jackup rig projects, and to maintaining the Group's competitive position by offsetting some of the pressure on margins experienced in the currently challenging environment worldwide in the oil & gas services sector.

In late 2015 the panel line was operating at full run-rate of six panels a day

6-a-day

The Group completed the disposal of one of its smaller non-core service businesses, Litwin PEL LLC, in April, and in July the Group launched phase two of its ERP system page 22 which was completed successfully and went live in October.

New build jackup rigs

Highlights

Three EPC projects successfully delivered during 2015

All projects completed on time and within budget

New contract awarded by National Drilling Company

Trading review

The Group delivered three new build jackup rigs in 2015, namely the "Jindal Pioneer" to the Jindal group in February, the rig "Greatdrill Chaaru" to Greatship in March and finally the rig "Butinah" to NDC in May. All projects were delivered within budget and on or ahead of schedule and all were designed according to the Cameron LeTourneau Super 116E (Enhanced) Class design.

The contract for the "Jindal Pioneer" rig was signed in January 2013 and this was the second of its kind which Lamprell delivered to this client.

The rig was deployed to compete for work offshore India.

Construction of the "Greatdrill Chaaru" rig was undertaken on a fast-track basis and completion was achieved in only 18 months after initial steel cutting. The rig joined its sister vessel, the "Greatdrill Chaaya" which Lamprell delivered in H1 2013. Both rigs were contracted to work for India's Oil and Gas Corporation in the offshore Indian territorial waters.

The "Butinah" rig, which achieved an exceptional safety record, departed Lamprell's Hamriyah facility in 1H 2015, for operations in its drilling location in the Zakum Field off Abu Dhabi. This was the sixth in a series of nine rigs being built and delivered by Lamprell to NDC. All of the NDC rigs are on charter to the ADNOC group of companies.

A further seven jackup rigs are under construction for three key clients for the Group and all are at different stages of completion. There are three rigs being fabricated for NDC and they are in relatively early phases of construction. With regard to the two rigs for our customer Ensco, they are nearing completion with deliveries expected to be in Q2 and Q3 of 2016. We are also constructing two rigs for first time client Shelf Drilling and they are both on schedule, with one of the rigs scheduled for delivery in Q3 2016. All seven rig EPC projects are proceeding as planned and have benefited from the yard optimisation measures under Project Evolution page 12.

Three rigs delivered and a further seven under construction in Lamprell's Hamriyah yard

Having seven new build jackup rigs under construction concurrently is a record for Lamprell and was made possible due to the yard optimisation initiative as part of Project Evolution page 12.

To date Lamprell have delivered a total of 27 new build jackup units, including both drilling units and multipurpose liftboats, to various clients during the last ten years. The Group is planning to deliver four further LeTourneau Super 116e jackup drilling rigs in 2016.

Offshore platforms

Trading review

The global energy markets have experienced a significant shift since mid-2014 and this has impacted all contractors operating in the sector including Lamprell, with limited numbers of overall contract awards. This has impacted the Group's ability to convert its pipeline into backlog, notably in the Offshore Platform business stream. Although Lamprell has not been successful with new awards in this major business stream in 2015, we anticipate growth in the long term and we have been able to strengthen and diversify our bid pipeline with a substantially higher proportion made up from projects in this sector. Lamprell's yards are strategically located in the Middle East which is proving to be more resilient to the current market challenges and we are therefore targeting projects in this region which are expected to proceed.

Modules

Highlights

- First 10 Petrofac modules loaded out successfully in 2015
- Excellent safety record with zero DAFWCs
- Awards of further modules in 2015 taking the total to 45

Trading review

In 2H 2015, one year after the start of construction, Lamprell successfully completed the load out of the first pipe racks for Petrofac in connection with the UZ750 project. By the close of 2015, 10 pre-assembled pipe racks had sailed away to the North Zakum Island in Abu Dhabi to undergo installation and commissioning. In early 2016 another seven modules were loaded out and the remaining modules and pipe racks will be delivered to the client over the course of 2016. In addition, Lamprell achieved a major milestone by reaching two million manhours without a DAFWC on this project which is an impressive achievement and shows our deep commitment to safety, one of our core values. Some of the modules have been fabricated in our Sharjah facility, which by the close of 2015 had celebrated achieving over 600,000 manhours without a DAFWC on the project, in addition to no lost time incidents to date in our Jebel Ali facility on this project. Lamprell has developed a close and effective working relationship with Petrofac based around our high quality and reliable project execution, and this follows our strong performance for this client on the Laggan Tormore project in the North Sea, during 2013.

Both Petrofac and Zakum Development Company, the end user client for this project and operator of the Abu Dhabi field, have recognised Lamprell's excellent performance when it comes to safety, quality and progress. In recognition of Lamprell's high standards on the project,

Petrofac UZ750 modules
Petrofac made further awards to Lamprell on the UZ750 project in 2015.

RESOURCES

Project Evolution

Efficient welding through FCAW

The quality of Lamprell welding has consistently been high, however we found that there were some inconsistencies in certain processes and techniques being applied, offering an opportunity for improvements. In 2013, 65% of welding at Lamprell was done using shielded metal arc welding, also known as stick welding. An alternative welding process called flux cored arc welding ("FCAW") has been introduced to a far greater extent. FCAW is more efficient, significantly reducing the number of manhours spent on this activity. In addition, welders have been given defined KPIs which has increased productivity and reduced consumable wastage. These welding improvements have made Lamprell more productive, reduced welding manhours by approximately 20%, improved our environmental footprint and made us more competitive.

Approximate reduction in welding manhours

20%

the Group was rewarded with additional work, including an award by Petrofac for an additional five pipe racks and a further three modules. This brings the total amount of modular structures awarded by Petrofac to date to 45, including 39 pre-assembled pipe racks, three pre-assembled units and three pre-assembled modules.

We focussed on our strong project execution and delivery throughout 2015, whilst ensuring that efficiency measures result in a competitive advantage in an increasingly challenging market.

Oil & gas contracting services

Highlights

- New land rig constructed according to Lamprell's proprietary design
- 11 rig refurbishment projects successfully delivered in 2015
- E&C business unit wins work on prestigious Kaombo project

Trading review

As part of its strategy refinement Lamprell has grouped its four smaller business streams under the name "Oil & Gas Contracting Services". Notwithstanding the low oil price environment, each business stream delivered a solid performance in 2015 and Lamprell views each as capable of generating long-term growth for the business.

Land rig services

Land Rig Services completed 13 projects in 2015, covering the refurbishment and upgrade of land rigs or component parts as well as support for onshore drilling activities, and has worked on three projects for a new Kuwaiti client. Lamprell has started the process of marketing its first land rig based on its own proprietary design. There has been considerable interest in the rig and the Group has been giving demonstrations of its capabilities to clients in early 2016.

Rig refurbishment

After a positive start in 2015, the rig refurbishment business saw a slowdown in later months. In 2015 we delivered a total of 11 rig refurbishment projects and won a total of nine new contracts, all repeat business from established customers.

Some clients have stacked their jackup rigs with Lamprell until market conditions improve, with a total of eight rigs located across our yards in 2015. This is an important service for clients while the market recovers and allows for a rapid response to refurbish or upgrade a rig when it is redeployed.

Engineering and construction

Lamprell's E&C business unit performed well in 2015 with the most significant contract being our involvement in the prestigious Kaombo project offshore Angola. E&C also renewed a key maintenance service contract with client Sharjah National Oil Corporation, which completes more than 15 years of service to this group. Much of the work under E&C is for clients with whom we have well-developed relationships, as they trust Lamprell to deliver as promised.

Operations and maintenance

Our O&M team continues to perform well and successfully retained the maintenance service contracts for the supply of manpower with key clients, some of whom they have worked for since the 1980s. In spite of its small size, O&M have been regular winners of safety awards from these clients, demonstrating that Lamprell's safety culture is well-established throughout the business.

FACILITIES

Project Evolution

Span & control and time management improvements

Key opportunities for improved efficiency were in the Group's time management and span and control ratios, meaning the number of supervisors compared to workers being placed under their control. In terms of supervisor to staff ratios, changes have been made to ensure that they are not only in line with industry standards, but also optimal by reference to the work being performed, and the potential safety hazards arising from that work. The Evolution team also took steps in measuring the time management culture of our people in every facility.

Following a series of audits, a number of improvement opportunities leading to greater efficiency were identified and safely implemented. The most significant was a targeted reduction in the non-productive time associated with each workman. We saw opportunities for enhanced work productivity and made various adjustments through a focused measurement campaign which was supported by yard management and key supervision, ensuring our workers are more productive during each shift. We also observed that there were lengthy queuing times associated with our tradesmen getting their equipment and consumables from our stores, and in order to improve this we have provided the majority of our tradesmen with personal tool kits and set up satellite stores in different areas of our yards, taking consumables and tools to the work area locations instead of our staff having to walk distances to warehouses for collection. We have implemented a work package system, in line with industry best practice, and now use dedicated systems to package construction and related works

into activities which ensures all inputs are verified as “ready” prior to production commencing. Manhour bookings, all consumables and tooling are now traced via work pack codes, capturing full costs for work activities.

Total manhours worked in 2015

24,922,987

WE ARE BUILDING A SUSTAINABLE BUSINESS

Essential to our long-term growth is a robust sustainability framework which enables us to deliver value for all stakeholders. We operate safely, to the highest standards, whilst at the same time managing our impact on the environment.

Sustainability at Lamprell

The successful implementation of new sustainability initiatives throughout the organisation during 2015 was a significant achievement for the Group. These initiatives contributed to the Company's financial performance for the period while maintaining a safe and efficient operating environment for our workforce. The promotion of accountability and transparency are of paramount importance to the Group, which is in part achieved through the maintenance of a healthy and well trained workforce. We believe that our operations can have a positive effect upon our clients, employees, subcontractors, the environment and communities in which we operate.

Health and safety

Highlights

Successful heat stress management campaign which resulted in zero recordable heat stress incidents

Three years without a DAFWC for both the Jebel Ali and Dubai facilities

6.1 million manhours and 551 days without DAFWC for the Sharjah facility

The best-in-class organisational health and safety management system which Lamprell deployed throughout 2015 continued to deliver positive health and safety performance results. These were achieved through a number of complementary mechanisms including:

» Company-wide occupational health and safety campaigns focused around fatal risk management;

» Dropped object safety awareness campaign to highlight and reduce the dangers associated with falling tools and materials on fabrication yards;

Our sustainability pillars

Our goals

Resource conservation

» Decrease in CO_2e emissions below 2015 emissions figures

» Investigate water saving initiatives

» Continue efforts to encourage waste minimisation and diversion

Financial performance

» Data capture systems to include capability to measure indirect economic benefits

» Increase in the performance of the organisation in customer satisfaction surveys

Worker welfare

» Increase in the diversity of the workforce

» Continue to design and implement organisational health campaigns

» Enhance and refine Training Centre capabilities

- 'Take 5' hazard evaluation initiative which requires all operational personnel to assess their work areas for potential hazards and rectify them prior to any work being undertaken; and
- The provision of external Institute of Occupational Safety and Health training courses for supervisors and Construction Industry Training Board certification for Company supervisors and scaffolders.

Lamprell is committed to achieving an incident and injury free culture for all stakeholders. To help achieve this goal, hazard identification workshops as well as client and Lamprell safety review meetings are now standard for each project, which subcontractors are required to attend. This process enables clear communication of health and safety expectations and standards, and allows all parties to share their industry experience on how to achieve a safer work environment.

The Company is proud of its TRIR achieved throughout 2015, however it acknowledges that this rate has plateaued and is now reviewing options to drive the TRIR down by implementing more extensive training programmes for Lamprell's supervision.

All Lamprell employees continually strive to ensure that operations are performed in a safe working manner. However, in November 2015, there was a tragic non-operational incident in which a guard received burn injuries as a result of a fire that broke out in a security office at Lamprell's facility in Erbil, Iraq. One week later he sadly passed away. As a result of this incident, a number of corrective actions were implemented including all gas appliances being connected via hard pipe and being fitted with a gas detection system initiating automatic emergency shutdown. In addition, a HSE audit was undertaken at all remote facilities to ensure that general safety standards are being maintained. The lessons from this incident were shared and further actions taken where appropriate.

Quality

Highlights

Successful third party recertification for ISO 9001 and ISO TS 29001

In 2015 Lamprell's Quality department successfully achieved recertification by Bureau Veritas and the American Petroleum Institute, demonstrating that we have maintained and complied with these internationally recognised standards. The Group also successfully completed the ISO 27001 information security management system certification audit. This certification confirms that we have robust, secure and reliable IT systems in place, ensuring greater stakeholder confidence.

Lamprell successfully completed a number of audit assessments for prospective clients as part of our ongoing business development efforts. These audits enable the Group's participation in bidding activities for potential clients. In addition Lamprell's Quality department designed and initiated a programme to train and further develop the skills of its Quality Control and Production department personnel. The programme is aimed at creating greater efficiency and continuous improvement across the department.

Another major accomplishment for the organisation in 2015 was the completion of a new Lamprell shipyard quality standard for new build rig projects which ensures that we are complying with the international code and class requirements.

Environmental protection

- Enhance environmental regulatory compliance
- Continue to decrease environmental incident rate
- Increase number of ecological initiatives undertaken annually

Stakeholder engagement

- Increase community programmes per operation
- Improved stakeholder engagement programmes with a focus on employee welfare

Environment

Highlights
Establishment of organisational carbon footprint analysis framework
Full regulatory compliance with all applicable environmental legislation
Majority of operational waste diverted from landfill to be recycled

Effective and compliant environmental management remains a cornerstone of Lamprell's operations. To drive this, we are using a standardised reporting regime, which enables timely and accurate measurement of all major environmental impacts from Group activities. A number of environmental management improvements were made possible through Project Evolution page 12 initiatives such as the realignment of compressors to maximise efficiency and the replacement of some diesel powered cranes. A total of nine overhead electric gantry cranes have been installed at our Sharjah and Hamriyah facilities to replace some of the diesel powered crawler cranes.

In 2015 Lamprell once again participated in the international Carbon Disclosure Project ("CDP") in which organisations submit operational data that has an impact upon the environment. The Disclosure Score for the CDP report submitted for 2015 reflected a significant improvement from previous years.

Year	Programme	Disclosure Score (/100)
2015	Climate Change 2015	87
2014	Climate Change 2014	38
2013	Climate Change (Investor CDP)	25

The CO_2e emissions from 2015 Lamprell Group operations are provided below:

Lamprell Group CO_2e emissions
52,410 tonnes Scope 1 – Emissions from Lamprell owned or operated entities
4,280 tonnes Scope 2 – Emissions from electricity and water purchased from government utilities
3,280 tonnes Scope 3 – Emissions from other third party activities purchased by Lamprell

Throughout 2015 the Group diverted the majority of operational waste away from landfill sites and into recycling plants. This was achieved through a best practice waste segregation source management approach and linking the organisation's waste recycling systems with a leading UAE recycling enterprise. While the overall Group waste diversion percentage dropped from the previous year, this was due to a short-term increase in un-recyclable waste products at one facility. Going forward, Lamprell will continue to investigate and implement ways to extend our waste management processes into other sectors and improve the overall percentage diverted from landfill.

Lamprell Group waste diversion from landfill operational waste diversion rate	
2014	85%
2015	75%

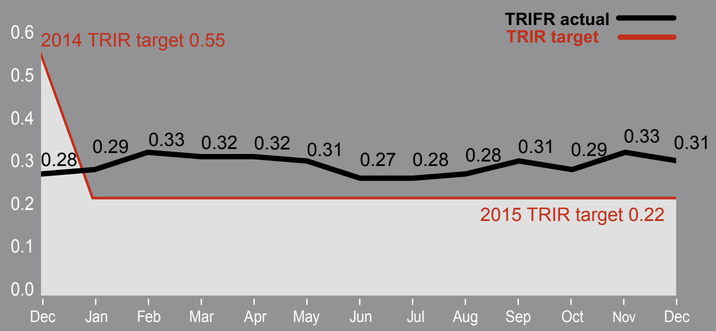
As part of Project Evolution page 12, the yard layout optimisation measures instigated at our Sharjah and Hamriyah facilities were undertaken to maximise efficiency and reduce operational costs. Part of this project incorporated the replacement of older diesel compressors with new electric models. This capital investment by the Company resulted in an annual diesel saving of 1,572,060 litres and the reduction of 2,330 tonnes of CO_2e emissions which were not emitted through the switch to the cleaner (electric) energy source.

Corporate social responsibility ("CSR")

Highlights
Management has implemented a robust CSR framework to help achieve the strategic objectives of the Group
Development of organisational sustainability pillars
Formulation of corporate social responsibility key performance indicators

The Group understands that the sustainability of business operations is achieved in part through the implementation of a robust Corporate Social Responsibility ("CSR") framework and that such a CSR framework is vital to the long-term value proposition of the Company. In 2015, the Company continued to support the Don Bosco Snehalaya shelter in Baroda, India through an apprenticeship programme that takes

Rolling monthly total recordable injury rate (TRIR) KPI
December 2014 to December 2015



TRIR = Total number of recordable incidents X 200,000 number of hours worked by all employees underprivileged children and provides craft training. Three graduates of this programme will start work with Lamprell in early 2016. Lamprell is in the process of developing KPIs around an organisational CSR framework. Completion and integration of the CSR framework is a work in progress for 2016.

Employee welfare

Highlights

- Lamprell wins major employee health and wellness award for second year running
- Almost 2,000 employees completed basic health screening
- 90 courses now available at Lamprell Assessment and Training Centre

Our core values page 47 include integrity and teamwork and 2015 was another landmark year for employee welfare which continues to be centred on these values. In November 2015 Lamprell received a major regional award for the second year in succession, for the "Most Improved Corporate Health and Wellness Performance" at the Daman Corporate Health Awards in Dubai. The Group was recognised for executing new initiatives such as health awareness campaigns on diabetes, breast cancer, heat stress, cholesterol management and dental and oral hygiene. In addition, almost 2,000 employees underwent basic health screening and were provided with their personal follow up health report.

In March 2015, the Company conducted an Employee Engagement Survey which provided valuable feedback from over 1,000 office-based employees, of whom 99% expressed their pride in working for Lamprell. We are implementing other lessons learned from this feedback.

We also recognise the importance of a good work-life balance and encourage employees to participate in a variety of internal sports tournaments and leisure activities which we organised during 2015. They included basketball, cricket, football, badminton and bowling tournaments as well as our employee talent show – "Lamprell's Got Talent". With the high employee participation in our extracurricular activities, the Group is continuing with similar activities during 2016.

In terms of staff training and development, the Company had a strong year supporting both professional and trade development. The Lamprell Assessment and Training Centre currently has over 90 individual courses available covering topics as diverse as leadership, English language, welding, fabrication, electrical and mechanical. Some of the courses have mandatory third party involvement including offshore survival, rigging and crane operations. Over 400,000 manhours of training and assessment were provided by Lamprell's dedicated training centre in the UAE compared to approximately 250,000 in 2014.

The Board and executive management continue to recognise that strong employee engagement stems from a focus on employee health, wellness and work-life balance and this commitment will continue in 2016.

Daman Corporate Health Awards
Lamprell retained its Daman Corporate Health Award for Employee Health and Wellness for a second successive year.

Voluntary attrition admin and professional KPI
Target KPI – 10% max

4.66%

Target in 2014: 8%
Actual in 2014: 13%

Total manhours 2015

24,922,987

Manhours in 2014: 26,741,858

INFRASTRUCTURE

Project Evolution

Yard optimisation and improvements made throughout our facilities

We have invested further in our yards with the purchase of several new fixed and telescopic cranes for operations in each of our three main facilities servicing multiple new concrete fabrication pads. In order to reduce costs and speed up the fabrication time associated with cutting and preparing thousands of beams and profiles needed in our various business lines, we installed high technology, 3D robotic beam cutting facilities in each of our Jebel Ali and Hamriyah yards.

We also established an in-house scaffolding department in Jebel Ali in order to reduce subcontractor costs as most of our projects have a high demand for scaffolding. In Sharjah, an additional blast and priming wheel abbrator unit with dedicated overhead cranage and an adjacent material laydown is now in operation. We also installed new pipe shops, paint sheds, cranes, a warehouse and have upgraded our blasting facilities with dedicated dust collection systems.

In our Hamriyah facility, we have installed new paint and leg blasting sheds with recovery, recycling and dust collection systems. Centralised gas systems are up and running and our new airline supply is being fed by integrated compressor stations servicing the yard economically which has removed the costly supply previously provided by handling of thousands of cylinders. Thanks to our new Oracle ERP system page 22, we now also have digitised, real time field access to commissioning and quality control systems, as well as new material handling equipment which have helped reduce our fabrication costs. A new yard transporter

was delivered in July and is providing more efficient movement for heavy parts and prefabricated sections. The power supply to our Hamriyah facility will be finalised in 2016 and will replace the generator power used previously.

We also completed an underground utilities upgrade at both our Hamriyah and Sharjah facilities, which has ensured savings on utility charges and increased productivity, as well as improved safety standards in the yards. Our efforts to modernise and optimise the layout of our yards are benefiting all of our current major projects and will provide a strong foundation on which to bid competitively for future projects.

USD million invested in multi-yard utilities upgrade project

20+ million

OUR EXPERIENCED BOARD IS WELL BALANCED

Rem Member of the Remuneration Committee

Nom Member of the Nomination & Governance Committee

Aud Member of the Audit & Risk Committee

Indicates Committee Chairman

Nom

John Kennedy
Executive Chairman
Aged 66

Appointed: June 2012

Strengths: public company boards, international oil & gas

Experience: John Kennedy trained originally as an engineer who subsequently spent much of his career in senior management roles. He started his career at Schlumberger and then moved to Halliburton where he held the role of Executive Vice President. He was Executive Chairman of Wellstream Holdings PLC from 2003 until its acquisition by GE. He is an adviser to several oilfield service companies. In 1993, Mr Kennedy received the Sloan Fellowship from the London Business School. He is a Chartered Engineer and Fellow of the Institution of Electrical Engineers.

External appointments: Non-Executive Chairman of Maxwell Drummond International Limited.

James Moffat
Chief Executive Officer
Aged 62

Appointed: March 2013

Strengths: fabrication yard operations, international oil & gas

Experience: James Moffat has over 40 years' experience in the offshore engineering, construction and project management sectors. From 1996 and until joining the Lamprell Group, Mr Moffat was employed with the KBR group of companies, working in various roles including heading up the Kellogg Joint Venture 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. He is a Chartered Engineer, has a BSc (Hons) in Civil Engineering from Edinburgh University and is a member of the Institution of Civil Engineers.

External appointments: None

Tony Wright
Chief Financial Officer
Aged 44

Appointed: August 2015

Strengths: financial & accounting, Middle East operations

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

External appointments: None

Aud Nom

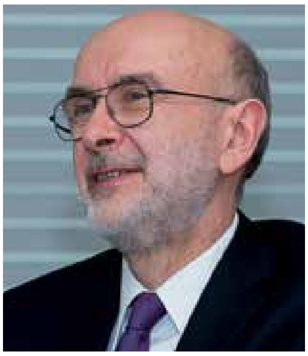
Ellis Armstrong
Senior Independent Director
Aged 58

Appointed: May 2013

Strengths: financial & accounting, international oil & gas, risk management

Experience: Ellis Armstrong is a senior executive within the energy industry with broad international experience. Mr Armstrong worked for more than 30 years with BP, where he held a range 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 (Exploration & Production). Mr Armstrong is a Chartered Engineer with a BSc and a PhD, both in Civil Engineering, from Imperial College, and a Master's in Business Administration from Stanford.

External appointments: Non-Executive Director of Lloyds Register Group, Non-Executive Director of InterOil.



Nom Rem Aud

John Malcolm
Non-Executive Director
Aged 65

Appointed: May 2013

Strengths: international oil & gas, Middle East operations

Experience: After 25 years with Shell, John Malcolm retired in 2010 to become an independent consultant to the energy industry. During his tenure at Shell, he held senior positions including as Managing Director for Petroleum Development Oman. He was recently appointed as Managing Director of Oman Oil Company Exploration & Production LLC. Mr Malcolm is a Chartered Engineer with the UK Engineering Council and has a PhD in Process Control Systems from Heriot Watt University, which he obtained in 1975.

External appointments: Non-Executive Director of Partex Oil & Gas (Holdings) Corp., Executive Director of Aquamarine Power Ltd., Managing Director of Oman Oil Co. Exploration & Production LLC, Director of Bellwood Enterprises Ltd.

Nom Aud

Mel Fitzgerald
Non-Executive Director
Aged 65

Appointed: August 2015

Strengths: fabrication yard operations, international oil & gas

Experience: Mel Fitzgerald has over 30 years' experience in the energy industry and currently acts as a Director to a number of companies, notably in the role of Chairman for Suretank Group Limited. Mr Fitzgerald served as CEO and Board Director at Subsea 7 for eight years until 2012 and has a Bachelor of Engineering from the University of Ireland and a Master's of Business Administration from the University of Kingston. He is also a chartered engineer. In July 2015 Mr Fitzgerald was awarded the Honorary Doctor of Business Administration (HonDBA) by Robert Gordon University in Aberdeen in recognition for his contribution to the UK oil & gas industry.

External appointments: Chairman for Suretank Group Limited

Nom Rem

Debra Valentine
Non-Executive Director
Aged 62

Appointed: August 2015

Strengths: risk management, legal

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

External appointments: None

LEADING WITH GOOD GOVERNANCE

We set a number of key priorities to enhance the Company's governance structures and leadership by the Board, and we have made excellent progress on them during the year.

Dear Shareholders,
Given the importance of high standards of corporate governance for the effective leadership of any company and in particular a publicly listed company, I am pleased to report on the excellent progress made in delivering on the priorities set for 2015. These priorities were chosen as a result of the feedback from the 2014 evaluation process and, in this way, the Board has been able to demonstrate accountability for its own performance and effective leadership of the Company.

Board changes

In line with its stated goals, the Board strengthened its independence and composition with the appointment of Mel Fitzgerald and Debra Valentine as independent Non-Executive Directors. This was doubly important with the unplanned departures from the Board of Peter Whitbread and Michael Press, for personal reasons. Peter and Michael were major contributors in navigating the Group through challenging times but Mel and Debra are highly experienced individuals who will enhance Board performance.

Leadership succession

We also focussed on development of our leadership succession plan for the Board and management team and there was progress in that regard. In August, James Moffat, our CEO, announced that he was planning to retire in June 2016 and so we started the search process to find a replacement CEO, which is now well under way. In addition, I agreed to take on the role of Executive Chairman until the 2016 AGM in order to help the transition process between James and the new CEO and to take on an outward-facing role looking at potential partnerships for the Group as it looks to implement its refined strategy page 14.

In addition, following extensive search and evaluation processes, we were pleased to be able to promote two internal candidates to leading management positions. Tony

Site visit

Board meeting at the Hamriyah facility

The Board committed to hold at least one Board meeting at a Group facility and, in 2015, the February meetings were held at the Hamriyah facility in the Northern Emirates. This site visit was planned to capture both presentations on key subject matters but also to allow the Directors to interact with other personnel aside from senior managers. This included presentations at the facility offices made during the course of the meetings. Then, having changed into full safety coveralls and after the necessary safety training course, the Directors took the opportunity to walk around the yard, meet some of the operations personnel and also to board the "Greatdrill Chaaru" rig which was ready for delivery at that time. This represented a prime opportunity to demonstrate greater visibility by the Directors with the wider workforce.

Wright moved from Deputy CFO to CFO and Executive Director in August and Niall O'Connell was promoted to COO in October. Tony and Niall have both been working in the Group for several years prior to their appointments, and so understand the business well.

Getting close to the business

An area for improvement identified in the 2014 evaluation process was communication between the Board and wider management. With that in mind, the Directors – both existing and new – participated in site tours around our Hamriyah facility where the Board held its February meeting. During the June Board meetings, members of the wider management team had one on one meetings with the Directors with a view to encouraging closer communication with Board members.

Strategy

Lamprell had set out a clear strategy page 14 during its rights issue in mid-2014 and has been successful in implementing the first phase over the last 18 months page 12. Given the industry economic downturn, the Board wished to verify that the current strategy was still appropriate for future growth in the business. As such, the management team undertook a detailed review of the strategy which was completed in August 2015, which the Board subsequently approved. The outcome of that review process is set out on page 14 and will, the Board believes, continue to deliver sustainable growth over the longer term to its shareholders.

Governance

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 makes considerable efforts to ensure that during the relevant period the Company applies and complies with the UK Corporate Governance Code 2014 as the pre-eminent set of global standards for corporate governance (the "Code", available at www.frc.org.uk). Where the Company does not comply, this is explained in this Annual Report and Accounts or in this Corporate Governance Report specifically.

In light of our achievements in 2015, Lamprell benefits from an improved governance structure that is appropriate for the size and complexity of our business, and we continue to move in the right direction. Nevertheless, we look for new ways to improve governance and so, following our Board's self-evaluation process for 2015 using an external facilitator, we have agreed our priorities for 2016 and the outcome of that process is on page 44.

John Kennedy
Chairman of the Board

The Directors present their report on the affairs of the Company and the Group together with the financial statements and the auditor's report for the year ended 31 December 2015.

Results and dividends

The financial statements of the Group for the year ended 31 December 2015 are set out on pages 70 to 117. The Group's profit from continuing and discontinued operations after income tax and exceptional items for the year amounted to USD 64.7 million (2014: USD 118.1 million). The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2015.

Other information

The following sections of the Annual Report contain all other information relating to and forming part of the Directors' Report:

EFFECTIVE LEADERSHIP ACROSS THE GROUP

As a result of the changes among the Directors during 2015, the Board composition, succession and integration have been key focus areas. The Board is collectively responsible for the long-term success of the Company and aims to achieve that through effective risk management and greater transparency.

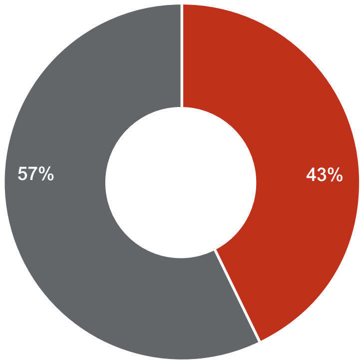
Board composition

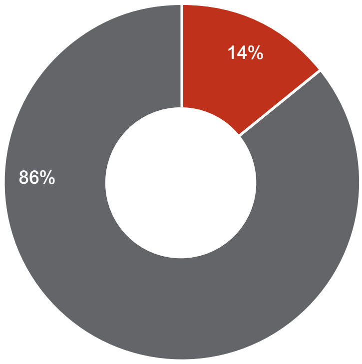
The Board is comprised of an Executive Chairman, CEO, CFO and four independent Non-Executive Directors ("NEDs"). Of the current Directors, Messrs Kennedy, Moffat, Malcolm and Armstrong served as Directors throughout 2015, with Mel Fitzgerald and Tony Wright joining the Board on 13 August and Debra Valentine being appointed as a Director with effect from 1 September 2015. The Executive Chairman, CEO and CFO are the Executive Directors on the Board.

There is a strong combination of industry, regional and operational experience among the Directors pages 36 and 37 enhanced by the diverse professional competences of each Board member. However, with the announcement by James Moffat of his planned retirement in 2016, the Board prioritised the process to identify a suitable replacement as CEO. That search has been under way for some months and, while a number of candidates have been identified and interviewed, the Board is continuing with the search as it aims to find a replacement with a broad array of skills, both in managing a business but also capable of delivering the longer-term aspects of the Company's strategy. This search process will continue to be the top priority for the Board in 2016. In the meantime, John Kennedy has agreed to take on the role of Executive Chairman in order to help with the transition to the new CEO.

The Board will aim to refresh its membership on a regular and phased basis in order to bring relevant experience and independence to the Board while at the same time ensuring continuity and stability.

Board composition
2015





Board composition

Name	Position	Nationality
John Kennedy	Executive Chairman	
James Moffat	Director and CEO	
Tony Wright	Director and CFO	
Ellis Armstrong	Senior Independent Director	
John Malcolm	Independent NED	
Mel Fitzgerald	Independent NED	
Debra Valentine	Independent NED	

Tenure on the Board	
Tony Wright Debra Valentine Mel Fitzgerald	0.5 years
Ellis Armstrong John Malcolm	2.5 years
James Moffat	3 years
John Kennedy	3.5 years

Board and committee functions

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

The Board
The board has ownership of the global policies

John Kennedy | James Moffat | Tony Wright | Ellis Armstrong | John Malcolm | Mel Fitzgerald | Debra Valentine

Executive | Non-executive

Board committees
Support the board in its work with specific review and oversight

Nomination & Governance Committee
Takes primary responsibility for succession planning, Board/Director selection and Board composition

Audit & Risk Committee
Monitors the integrity of the Company's financial statements and reviews financial and regulatory compliance and controls

Remuneration Committee
Agrees remuneration policy and sets individual compensation levels for members of senior management

Ad hoc Board committees
Set up for defined, time-specific tasks

Group leadership team
Responsible for implementation of the global policies

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

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

- Executive Committee
- Bid Approval Committee
- Risk Review Panel
- HSES Management Review
- Monthly Management Meeting

Chief Financial Officer

Global mandatory procedures

Business managers
Responsible for leading and delivering business streams

Function managers
Departmental head for enterprise-wide support services

Business teams
Structured around project execution

Function teams
Departmental policy and procedures

Local jurisdictional policies and procedures

Roles and responsibilities

The roles and duties of the Chairman and the CEO have been segregated, in line with the best practices set out in the Code, as agreed by the Board. This will ensure that effective governance is maintained throughout the temporary period until the new CEO has been transitioned into the Group.

The Executive Chairman is responsible for providing effective leadership of the Board and the Group as a whole including strategy and direction and chairs all Board meetings within an effective corporate governance framework. In addition, for the period until the Chairman reverts to a non-executive capacity, he has also taken on an outward-facing role looking at strategic initiatives for the Group as it looks to implement its refined strategy. The CEO is responsible for the day-to-day running of the Group's business, including execution of the Group's business plans and objectives and communicating its decisions from/recommendations to the Board.

The CFO is responsible for the financial stewardship, navigation and control activities of the Group as well as the investor relations activities. The role of the four independent NEDs is critical to ensure an effective counter-balance on the Board. The NEDs are primarily responsible for challenging constructively all recommendations presented to the Board, based on their broad experience and individual expertise.

The Senior Independent Director acts as a sounding board and confidante to the Chairman and is available to shareholders to answer questions which cannot be addressed by the Chairman or the CEO. With the departure of Michael Press on 13 August 2015, Ellis Armstrong was appointed as Senior Independent Director.

The biographical information of each Director as well as the memberships for each Board Committee are detailed on pages 36 and 37.

Board meetings and attendance

The Directors met in person on seven occasions (five times in Dubai and two in Paris) during the course of 2015. However, where required and in order to receive an interim update on ongoing matters, the Directors may convene ad hoc meetings at short notice by way of conference call, where required. Meetings in person will generally take place over the course of two days and will include meetings of both the Board and the Committees.

The Company Secretary is responsible to the Board and provides the Board and each of the individual Directors with advice and assistance on governance matters. He ensures that all Board materials and other information are delivered in a timely fashion, at least five days before scheduled Board meetings through a secure, online software system.

As well as the Directors and the Company Secretary, it is common for members of the executive committee to attend parts of the Board meetings and to deliver

Table for Board attendance

Committee member	No. of meetings attended	No. of meetings eligible	No. of Strategy meetings attended	No. of Strategy meetings eligible	Notes
John Kennedy	7	8	1	1	
James Moffat	8	8	1	1	
Tony Wright	3	3			Tony Wright joined the Board on 13 August 2015
Ellis Armstrong	8	8	1	1	
John Malcolm	8	8	1	1	
Mel Fitzgerald	3	3			Mel Fitzgerald joined the Board on 13 August 2015
Debra Valentine	2	2			Debra Valentine joined the Board on 1 September 2015
Michael Press	3	5	1	1	Michael Press left the Board on 13 August 2015
Peter Whitbread	0	2			Peter Whitbread left the Board on 12 May 2015

Table for Board agenda items

Standing	Periodic	Frequency
Review of actions from previous meetings	Full-year/interim financial statements	Every 6 months
Safety update on enterprise-wide statistics	Group budget, strategy and progress updates	Every 3 months
Reports from the CEO and the CFO, including investor feedback	Corporate transactions	Ad hoc
Reports from each of the principal Board Committees	Risk management	Every 6 months
Report on legal and corporate governance matters	Funding proposals	Every 12 months
	Business development and prospects	Every 2 to 3 months

presentations on operational or business topics in greater detail. In this way, the Board gains an in-depth understanding of business-critical functions and the presenting managers are able to interact with the Directors and gain experience for their own personal development.

Board topics

There is a formal schedule of matters reserved for the Board and the Board retains discretion to approve decisions on key subject matters such as the Group's strategy, annual budget and financial statements. The Board also reviews other relevant matters including standing agenda items (see above) and key topics for discussion at that relevant time of year or as a result of current business requirements. In all cases, the agenda focuses on topics in pursuit of the Company's strategic objectives underpinned by our core values page 47, rather than administrative matters. The Chairman sets the agenda for each meeting in consultation with the CEO and the Company Secretary. At the meeting, the Executive Directors give an update on business, operational and financial matters, thereby enabling the Board to understand progress within the business but also anticipate likely forthcoming risks page 16.

During 2015, there were detailed presentations from key managers including the COO, CCO and VP of HR on matters such as strategy, enterprise risk management, business development, security and leadership succession planning. In addition, from time to time, the Board invites external presenters to speak to the Directors. This included a detailed discussion on the oil & gas industry from an economics expert from a major UAE bank as well as information from the Company's brokers (JPMorgan Cazenove – "JPMC") and lawyers. The Board has been particularly keen to keep abreast of issues in the market in light of the prolonged downturn.

Between Board meetings, management distributes a monthly report to the Board providing a summary of the financial performance of the Group, highlighting developments and key risks page 16.

Principal Board Committees

There are three principal Board Committees – the Audit & Risk Committee, the Nomination & Governance Committee and the Remuneration Committee – and much of the Board oversight of the executive management team is conducted by delegation through these Committees. Given the time and resources invested in the appointment of the Directors, it is important for the Directors to operate in an environment of trust and responsibilities to be effective.

An open and forthright environment is also encouraged in meetings of the three Board Committees.

Meetings structure

The Board is primarily responsible for the leadership of the Company and wider Group; however it is ably supported both by the Board Committees and the management team which makes use of a number of management level committees see page 41 for details. It is a core principle for all that there is an effective working relationship between the Directors, between the Board and management and at the management level. Structurally and from a governance perspective, this provides a robust framework for achieving the Company's strategic objectives.

Board independence

Date	Board composition on relevant date	Reason for change in % independence	% independence (including C'man)	% independence (excluding C'man)
01/01/15	Non-Executive Chairman, CEO, NED and 3 independent NEDs	Start of year	50%	60%
12/05/15	Non-Executive Chairman, CEO and 3 independent NEDs	Retirement of P Whitbread	60%	75%
13/08/15	Executive Chairman, CEO, CFO and 3 independent NEDs	Appointments of T Wright & M Fitzgerald; departure of M Press	50%	60%
01/09/15	Executive Chairman, CEO, CFO and 4 independent NEDs	Appointment of D Valentine	57%	66%
31/12/15	Executive Chairman, CEO, CFO and 4 independent NEDs	Year-end	57%	66%

Accordingly, there are regular discussions outside of scheduled Board meetings, particularly between the Chairman and the other Directors, with a view to reaching a mutual understanding of views prior to wider discussions at meetings. At physical Board meetings, the NEDs, without the CEO or CFO present, share insights on matters of governance and sensitivity for management. The Chairman typically attends such meetings, notwithstanding his change of role to Executive Chairman.

Independence and conflicts

In accordance with the Code, at least half of the Board (excluding the Chairman) is comprised of independent NEDs who are free from any business or other relationships that could materially interfere in the exercise of their independent judgement. At the date of publication, John Malcolm, Ellis Armstrong, Debra Valentine and Mel Fitzgerald are all considered by the Board to be independent NEDs as defined by the Code.

At the beginning of each year, the Company asks each of the independent NEDs to re-confirm their independence. The Chairman of the Board was considered to be independent on his original appointment in June 2012.

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

» Any new Director is required to provide information on any conflicts of interest by means of a questionnaire prior to appointment;

» Conflicts are declared and addressed during Board meetings and noted in the minutes; and

» For conflicts arising between Board meetings, these are submitted to the Chairman for consideration, prior to deliberation at the next meeting.

No new, additional conflicts of interest were noted from the Directors in 2015, save as disclosed previously. John Kennedy remains as the Non-Executive Chairman of Maxwell Drummond (which is one of the companies who provide recruitment services to the Company) but the Board has determined that this potential conflict has been effectively managed as Mr Kennedy is not involved in any decision involving the appointment of Maxwell Drummond. All conflict management procedures were adhered to and operated effectively.

Appointments to the Board

There is a formal, rigorous and transparent process for the appointment of new Directors to the Board and this is led by the Nomination & Governance Committee which then makes any such recommendations to the full Board for approval. Prior to embarking on a search, the Committee on the advice of the VP of HR will prepare a list of key criteria for any candidates, taking into account the Board composition, and will ordinarily appoint external search consultants to prepare candidate lists and assist with the recruitment/evaluation process.

A key Board priority for 2015 included the appointment of at least one additional independent NED, which was achieved by the appointment of Mel Fitzgerald and Debra Valentine. They joined the Board following an extended recruitment process which also included interviews with the existing Directors and a number of senior managers.

Once appointed, the two new Directors were given full induction into the business including visits to the three main facilities in the UAE, presentations from key managers on business-related topics and a meeting with the Chairman and the Company Secretary, to discuss governance matters including the Listing Rule obligations for the Company, Directors' duties and responsibilities, share dealing restrictions in accordance with the Disclosure and Transparency Rules and the Model Code, and Board procedural matters.

All Directors are encouraged to attend relevant external seminars and, on an ongoing basis, there is training for the Directors as a whole by way of the presentations to the Board from guest presenters. The individual Directors also make efforts to remain current with the latest regulatory obligations for UK listed companies with the assistance of our brokers and lawyers. Similarly, any Director is entitled to take independent professional or legal advice on Company matters, as and when needed. No Director sought independent advice during the financial year.

The Audit & Risk Committee also benefits from regular briefings from the external auditors on any new accounting requirements as well as developments in the area of corporate governance.

Board performance evaluation

In last year's Annual Report, the Board committed to making use of an external facilitator to assist with the 2015 performance evaluation process. This process was conducted under the stewardship of the Nomination & Governance Committee, which met in mid-2015 to plan the evaluation process. The Committee considered the Code and, although the Company was not a constituent of the FTSE 350, decided

What were the results from the Board evaluation?

Matter(s) considered	Observation(s)	Board priority(ies)
Strategy and risk management	Recognition that the current market downturn will be longer than originally expected	Increased oversight of Group's KPIs and risk management, and in particular cash management by Audit & Risk Committee
Ongoing training and development of Directors	Training can sometimes be reviewed as subsidiary to other, more pressing Board agenda items	Draw up and commit to a formal induction, training and development programme for incoming and existing Directors
Roles and responsibilities	Risk of overlap between the responsibilities for the Chairman and CEO	Update the memorandum outlining the respective responsibilities of the Chairman and CEO

that appointment of an external facilitator was in the best interests of the Company. Accordingly, the Company appointed Value Alpha (www.valuealpha.com) to advise on and facilitate an externally-managed Board evaluation. Value Alpha has no other connection with the Group.

The process focussed on review of the Board performance and made use of both an online questionnaire (with questions asking for quantitative ranking and for qualitative feedback to the Board, Committees and the Directors) and review meetings with each Director. The facilitator, on behalf of the Board, also sought feedback from specific key executives that have regular interaction with either the Board or the Board Committees. The externally-compiled report summarised the results of the evaluation on an aggregated and confidential basis and was subsequently provided to the Board which then discussed the results in open session.

As a result of this external process, the Board has been able to structure its priorities for 2016 around the results page 44. The NEDs, led by the Senior Independent Director, evaluated the Chairman's performance and confirmed that he is performing effectively. While the Company was not required to use external facilitators, the Board consider that this has strengthened and enhanced the performance and transparency of discussions and decision-making at the Board level.

Annual general meetings

In May 2015, the Company held its AGM in Dubai, United Arab Emirates and all then-current Directors were present although it should be noted that Peter Whitbread decided not to stand for re-election for personal reasons. We encourage our shareholders to attend the AGM as an opportunity to engage in a constructive dialogue with the Board members. As has been the norm, all resolutions were passed on a show of hands; however as a matter of good governance and in accordance with the changes to the Code, voting on resolutions 7, 9 and 11 (which related to the re-election of the independent Non-Executive Directors) was conducted by independent shareholders only (i.e. excluding the "controlling shareholders") page 46.

The Company plans to hold its 2016 AGM on 15 May 2016 in Dubai and full details are set out in the Notice of Meeting which accompanies this report and is also available on our website. All Directors are planning to attend and will be available to answer questions from shareholders. Each item will be presented as a separate resolution. Any shareholder unable to attend in person but wishing to submit a question for consideration by the Directors, is invited to submit questions to investorrelations@lamprell.com.

Pursuant to the Company's Articles of Association, the Directors are required to submit themselves for re-election by shareholders at least every three years but, in line with the Code and best practice, the Board has decided that all Directors will retire and stand for re-election at the 2016 AGM.

As also required, the Company makes the terms and conditions of Directors' engagement 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.

Communications with shareholders

As in previous years, Lamprell has focussed on effective and open communications with its shareholders, not least because of the impact of the declining oil price on the Company's share price. Whilst the Chairman assumes overall responsibility for communication of shareholder views to the Board, investor relations activities are primarily handled by the CEO and CFO with the support of a dedicated investor relations team. During 2015, nearly 100 investor and analyst meetings were held by the investor relations team, of which the CEO or CFO attended approximately 65%.

As in previous years, Company representatives met with major institutional shareholders and market analysts following the announcement for our financial results and at other key times. In addition, the management arranged for an analyst site visit in November 2015 pursuant to which eight analysts and investors visited the Group's facilities in the UAE, listened to presentations from key members of

Consistent communication with our shareholders

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Trading update		Preliminary results	Annual Report published	AGM attended by all Directors	Trading update		Interim results published	Sell-side and buy-side roadshow		Major shareholder meeting	
		Sell-side and buy-side roadshow					Q&A on Board changes			Trading update	

Regular press releases regarding Company's business

Regular, ongoing dialogue and phone calls with major shareholders and analysts

Corporate presentations, market announcements including trading updates and contract wins, and other Company information on our website at www.lamprell.com management and had an opportunity to question the Lamprell team on all aspects of the business (within the boundaries of the listing rules requirements). Based on feedback, it was well-received and provided greater visibility on the Group's operations, which is of added value given the remote nature of the business from its listing in London. In light of this, the Company will aim to make such visits an annual occurrence.

The Chairman and Senior Independent Director are available to speak with shareholders and did communicate from time to time with shareholders on specific issues during 2015.

The Company has made use of the services of JPMC as its corporate broker since its listing in 2006 and JPMC has supported and advised the Board through a number of challenging corporate transactions since 2012. However, the Board decided to appoint a second broker with a view to accessing a wider shareholder base. Under the direction of the Board, a sub-committee comprising the CFO, Company Secretary and Investor Relations Officer managed a formal tender process for the appointment of the second broker and, following the process, the Company appointed Investec Bank plc as its joint corporate broker to act alongside JPMC.

The Company also views the AGM as an important process for liaising with shareholders page 45. In previous years, there had been significant minorities voting against certain resolutions at the relevant AGM. Following these meetings, the Company had engaged with investor advisory groups to understand the concerns and the Board was pleased to note that, at the 2015 AGM, all resolutions were passed with at least 97% of the votes cast in favour.

Significant shareholders

As at 17 March 2016, 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 based on the last request for confirmation as to the beneficial ownership of voting rights in the Company (at or above 5% beneficial ownership) were as follows:

	Voting rights attaching to issued ordinary shares	% of total voting rights
Lamprell Holdings Limited	113,182,291	33.12
Schroder plc	50,526,439	14.79
M&G Investment Management Ltd.	43,419,605	12.71
MFS Investment Management	21,249,185	6.22

By virtue of the size of its shareholding in the Company, Lamprell Holdings Limited and its ultimate owner, Steven Lamprell, are "controlling shareholders" for the purposes of the UK's Listing Rules. Accordingly, they were required to enter into an agreement with the Company to ensure compliance with the independence provisions set out in the Listing Rules ("Controlling Shareholder Agreement").

The Controlling Shareholder Agreement regulates the ongoing relationship between the Company and these controlling shareholders. The Company has complied with the independence and all other provisions in the Controlling Shareholder Agreement. So far as the Company is aware, the controlling shareholder has also complied with the independence and all other provisions in the Controlling Shareholder Agreement. The Controlling Shareholder Agreement represents a key component of the Company's corporate governance structure.

Communications with other key stakeholders

Lamprell's core lending group is another key stakeholder group for the business and the debt facility terms represent a fundamental part of the Group's governance structure as it includes certain banking covenants and restrictions. The management team provides regular updates on key aspects of the business to the lending group and the CFO communicates frequently with each of the lending banks to address any queries.

Finally, the Board places considerable importance on positive and effective interaction with the Group's workforce and Lamprell's internal Corporate Communications team coordinates campaigns for the management team to cascade key messages throughout the organisation. In 2015, there were campaigns relating to safety and IT security matters as well as the launch of the online training for the Company's Business Code of Conduct. In January and July 2015, the CEO presented a series of "town hall meetings" at each of the three main facilities in the UAE, which were focussed on the Company's performance and on developments within the business. The CEO also presented awards for long service and safety achievements to employees.

Directors' remuneration

The Remuneration Committee is primarily responsible for determining the Company's remuneration policy, taking into account the best practices as well as the advice from external consultants on peer companies. Details of the Company's policy on remuneration, the Directors' remuneration for the year ended 31 December 2015 and their interests in the ordinary shares of the Company can be found in the Directors' Annual Report on Remuneration page 61.

Directors' and Officers' insurance cover

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

GUIDED BY OUR VALUES

The Board recognises that Lamprell is an organisation which comprises stakeholders from a diverse array of cultural backgrounds and nationalities and so makes use of core values as a means to align the corporate culture. This ensures a common message around the key drivers for the business and ensures that all stakeholders are working towards the same goals.

1 Safety

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

2 Fiscal responsibility

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

3 Integrity

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

4 Accountability

We deliver what we say we will.

5 Teamwork

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

NOMINATION & GOVERNANCE COMMITTEE REPORT

It has been a busy year for the Committee with the appointment of three new Directors following the departure of Peter Whitbread and Michael Press. However the key 2016 priority for the Committee will be the executive search for the new CEO.

John Malcolm, Committee Chairman

Committee attendance

The Committee is comprised of five members, four of whom are considered to be wholly independent, plus the Executive Chairman of the Board. Aside from the members, the Company Secretary and the Group's VP of HR are typically invited to attend meetings.

Remit of the Committee

The Committee has primary responsibility for the structure, balance, diversity and experience on the Board and Committees, and for leading the evaluation of the Board's performance and effectiveness. It also assesses the succession planning needs at the senior level. In addition, the Committee considers the implications of changes in the regulatory framework and advises the Board on the same. With the increased global concerns around security, the Board also delegated responsibility for overseeing the Group's security activities to the Committee, which resulted in a major review of the Group's security policy.

The Committee's written terms of reference are reviewed annually and are available on the Company's website.

Activities during 2015

The Committee devoted most time and resources to two Board priorities, namely the appointment of at least one additional independent NED and the need to finalise the Group's long-term succession plan for the Board and management, with positive results.

Independence on the Board was greatly strengthened with the arrival of Mel Fitzgerald and Debra Valentine, both of whom became independent NEDs. Both individuals are highly experienced in their own fields and bring complementary skill sets to the Board which were welcomed following the departures of Peter Whitbread and Michael Press.

With these changes, the Committee reviewed the composition of the Board Committees as a result of the increased number of independent NEDs. In October 2015, the Board (on the recommendation of the Committee) reconstituted each Committee with at least three members, which reduces the risk of a lack of quorum.

Following a review of benchmark external candidates, the Committee was able to recommend the promotion of Tony Wright to the role of CFO and Executive Director and of Niall O'Connell to the position of Chief Operating Officer, which the Board approved. This is the first chief officer position for each of these individuals but they are experienced senior managers and have had the benefit of working several years within the Group. The Committee anticipates that Mr Wright and Mr O'Connell have the potential to hold these roles for the long term, helping to ensure stability at the executive management level.

Committee members

John Malcolm (Committee Chairman and Non-Executive Director)

John Kennedy (Executive Chairman)

Ellis Armstrong (Senior Independent Director)

Mel Fitzgerald (Non-Executive Director)

Debra Valentine (Non-Executive Director)

Meeting attendance

Committee member	No. of meetings attended	No. of meetings eligible
John Malcolm (Chairman)	7	7
John Kennedy	6	7
Ellis Armstrong	7	7
Mel Fitzgerald	2	2
Debra Valentine	2	2

With regard to the search for a new CEO, the Committee has made use of Korn Ferry and Maxwell Drummond, two executive recruitment specialist firms, because of their strong profiles in the industry, proven assessment processes and broad contact networks from which to source candidates. Save as disclosed, these companies had no other connection with the Company.

The Committee, and the Board as a whole, recognise the significance of ensuring that the candidate has the necessary skill set and experience to lead the Group through the current tough market environment and grow the business in the coming years. For this reason, the CEO recruitment process was the highest priority for the Committee during 2H 2015 and followed a defined path including the identification of candidates on long- and short-lists followed by interviews with a number of leading candidates for the role. As at the time of publication, the replacement CEO with the required credentials has not yet been identified and so the search process is continuing. The Company will make further announcements once the candidate is identified.

Leadership succession planning

The Board considers succession planning and internal talent management to be significant for delivery of the strategy. As part of the development process, the Board implemented formal, documented assessment and development programmes for Tony Wright and Niall O'Connell as part of their promotion processes. This helped the Board to assess their capabilities and competencies prior to their appointments and also ensures that they will be properly developed in the coming years to fulfil their more senior roles within the Group. The Committee received regular feedback from the VP of HR who administers the programme on behalf of the Board.

Looking at the broader management team, the Committee continued with the succession planning exercise initiated in 2014 to evaluate the leadership team's critical competencies and retention risks. The Committee continued to oversee that process and received regular feedback from management on talent development and training needs for the wider team.

The Committee considers that the Company has made considerable progress during 2015 in strengthening effectiveness and depth of the senior management team and governance structures at Lamprell.

Diversity policy

Noting the benefits of diversity, the Board implemented a diversity policy which included the recruitment of a minimum of one female Director by the end of 2016. During the search process for independent NEDs, the Committee identified a number of highly qualified candidates which included Debra Valentine who joined the Board as a NED with effect from 1 September 2015. This satisfied the goal well in advance of the proposed deadline but, more significantly, provides a broader range of competencies on the Board with Ms Valentine's experience working as general counsel for a leading global enterprise in the extractive industries page 37.

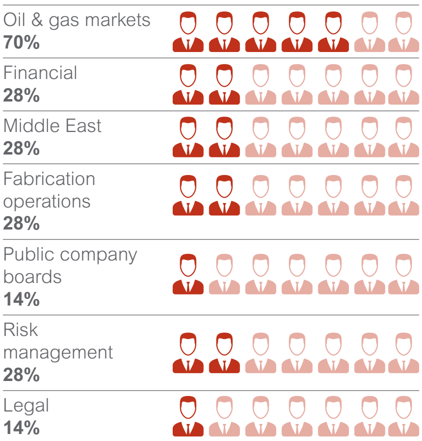
Within the wider management level, there is broader diversity of ethnicity and backgrounds.

Service agreements and letters of appointment

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

Non-Executive Directors are engaged pursuant to letters of appointment which do not have fixed terms but they are subject to re-election by the Company's shareholders at intervals of not more than three years. All existing Directors have been elected or re-elected by the shareholders within the last year and new Directors will be proposed for election by the shareholders at the 2016 AGM.

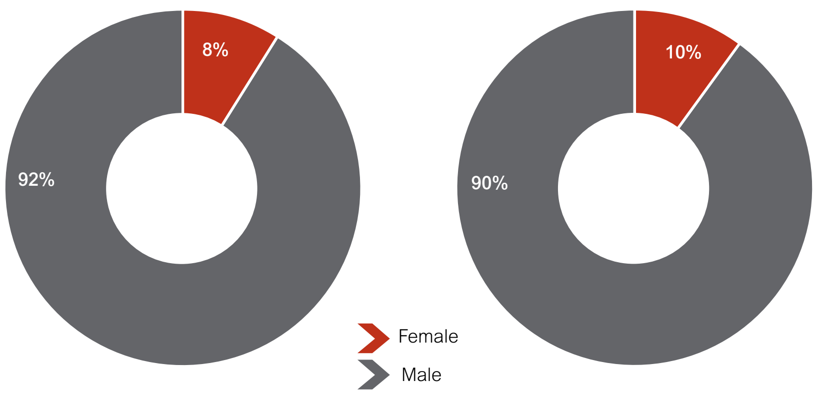
Board expertise



Employee gender split

Management 2015

Management 2014



AUDIT & RISK COMMITTEE REPORT

The Committee has been working closely with management to provide the necessary oversight on significant judgements and on enterprise risks, to ensure that the financial statements are fair, balanced and understandable.

Ellis Armstrong, Committee Chairman

Committee attendance

Throughout 2015, membership of the Committee was comprised solely of independent NEDs. As a "smaller company" under the Code, the Committee needs to only have two members but the Board determined that it was in the best interests for the Committee to have three members and so the Committee was pleased to welcome Mel Fitzgerald in October 2015. Ellis Armstrong has relevant financial experience for the purposes of the Code. In combination, these points ensured the appropriate balance of financial and industry experience to assess the matters presented to the Committee.

Aside from the members, the Company Secretary and the Group's CFO are typically invited to attend the meetings. In addition, the external and internal auditors are invited to meetings at key times during the year. On occasion, other Board members and managers attend by invitation.

Remit of the Committee

The Committee has primary responsibility for overseeing the integrity of all of the Company's announcements relating to its financial performance, including its financial results page 20, and for considering all matters relating to the terms of appointment for, performance and independence of the Company's external auditors. The Committee advises the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

The Committee also oversees the Company's risk management system page 16 as well as its internal control systems, and monitors the effectiveness of such systems particularly against potential ethical or fraudulent activities. This includes assessment of the whistleblowing hotline activities.

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

1st line of defence

Executive Committee	Internal controls and annual self-assessments	Internal policies and training

2nd line of defence

Financial control	Health and safety	Technology
Risk management	Environment	Legal

3rd line of defence

Audit & Risk Committee
Monitors the integrity of the Company's financial statements and reviews financial and regulatory compliance and controls

Committee members

Ellis Armstrong (Committee Chairman and Senior Independent Director)

John Malcolm (Non-Executive Director)

Mel Fitzgerald (Non-Executive Director)

Meeting attendance

Committee member	No. of meetings attended	No. of meetings eligible
Ellis Armstrong (Chairman)	6	6
John Malcolm	3	3
Mel Fitzgerald	2	2
Michael Press	3	3

Activities during 2015

The Committee's main activities during 2015 were as follows:

» reviewing the year-end/interim financial statements for the Company including ongoing risks and opportunities

» considering the financial aspects of the Company's strategy page 14 including the impact of the market downturn

» evaluating the external auditor's independence, objectivity and their effectiveness

» overseeing the audit tender process page 52

» assessing the Group's enterprise risk management systems and how risks are identified and mitigated page 16

» reviewing the internal audit reports and the 2016 audit plan

» ongoing assessment of the control environment and systems

» analysis by PricewaterhouseCoopers ("PwC") of the Group's IT systems and controls

» reporting on the whistleblowing statistics and reported cases

Significant judgements in 2015

The Committee considered the significant judgements below during 2015. The Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures have been included in the accounts.

External auditor – activities and performance

PwC have been the Company's auditors since listing in 2006. During 2015, PwC presented to the Committee on various matters (including their audit report on the 2014 financial results) on three occasions. PwC also provided the Committee with updates on changes to accounting, regulatory and corporate governance laws and regulations that impact the Company.

The Company's Policy on Auditor Independence, which is available on the Group's website, is designed to safeguard the objectivity of our external auditors and to ensure the independence of the audit is not compromised. This Policy was reviewed in detail by the Committee in 2015 and then re-issued after Board approval.

Under the policy, all audit-related services or non-audit services must receive specific pre-approval of the Audit & Risk Committee if the total annual fee for all such services exceeds 50% of the sum of the annual fees for audit services. Any and all audit-related services or non-audit services in excess of this amount must be expressly pre-approved by the Audit & Risk Committee. Further, in respect of all such other services, a tender process is required for any project or scope of work which is anticipated to generate fees in excess of USD 250,000. Accordingly, the auditor may, under certain conditions, be engaged to undertake non-audit services provided that it does not compromise the integrity of their audit work. However, it also sets out services that the auditor is prohibited from undertaking under any circumstances and there was no breach of the policy.

In 2015, PwC provided non-audit services with a total value of USD 101,014 (2014: USD 872,000) against an annual audit fee including Group audit fees with a total value of USD 568,061 (2014: USD 663,000). This represents a significant improvement in the balance between audit and non-audit services over previous years and has occurred as a result of the drive by the Committee and management to reduce the non-audit services being performed by PwC.

The majority of the non-audit services performed by PwC related to use of PwC for in-country tax compliance services.

Significant judgements in 2015

Significant judgements considered by the Committee	Views/actions of the Committee with respect to significant judgements
Impact of the disposal of the non-core service businesses on the financial statements	The Group completed the disposal of one non-core service business in 1H 2015. The Committee received summaries of the accounting areas such as the valuation of intangible assets, any gains or losses on disposal and any subsequent fair value adjustments made.
Review of provisions	At each meeting, the Committee evaluated management's report on material provisions taken in respect of matters including doubtful debts, contract accruals, project risks and warranty issues. The adequacy and appropriateness of these provisions and disclosures required were discussed and challenged.
Revenue recognition and estimated cost to complete on major projects	The Committee reviewed the reasonableness of judgements made regarding the cost to complete estimate, recognition of variation orders and adequacy of contingency provisions to mitigate contract specific risks. This was discussed with management and audited by internal audit to ensure the operating effectiveness of internal controls. 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.
Segmental reporting	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker at the reporting date, namely the Executive Directors. With effect from 1 January 2015 the business was reorganised into business units on the basis of services rendered. Segment comparatives are restated to reflect the organisational changes on the basis of the geographic location from where the services are rendered. The Committee reviewed the appropriateness of this segment reporting and were satisfied that this is consistent with the reporting structure for the Group.

External audit tender process for 2016

Performance and effectiveness of the external auditor

Under the Committee's terms of reference, it assesses the auditor's independence, performance and effectiveness at least on an annual basis, placing reliance on self-assessment by PwC of its performance, on feedback from certain senior managers that work closely alongside the auditors including the CFO and the Company Secretary, and on its own evaluation of PwC's services based on the results of its audit work and the challenges presented to the views of the management team.

Given these incremental benefits of PwC's involvement and the oversight by the Board, the Committee considers that the objectivity and independence of the external auditor were safeguarded throughout the financial year. The Committee also determined that PwC was effective in providing its services to the Group.

Auditor tender process for 2015

The Code provides that a listed company should put its external audit contract out to public tender at least every ten years. As noted in the Company's 2014 Annual Report, the Committee decided that it was appropriate and timely to re-tender for the external audit services during 2015.

The Committee led the audit tender process with the assistance of the CFO and the Company Secretary. Five audit firms – PwC as incumbent, Ernst & Young, Grant Thornton, Deloitte and KPMG – were invited to submit written proposals to act as the Company's external auditor, followed by an initial assessment of the quality and detail of these proposals. A shortlist of four audit firms was then asked to make a detailed presentation to the Committee and to answer questions about their proposals. The Committee then assessed the presentations and credentials for the shortlisted firms and made a recommendation for the appointment of Deloitte LLP as the external auditor for the Company, which the Board approved.

Deloitte LLP has expressed its willingness to be appointed and act as external auditor and a resolution to appoint Deloitte LLP will be proposed at the forthcoming 2016 AGM for their services in respect of the 2016 financial year.

Interaction with internal auditors

The Company has a well-established and embedded internal audit (IA) function and the Head of IA presents to the Committee at least on a bi-annual basis, providing updates and analysis for the internal audits, and submitting a proposal for the internal audits for the subsequent year.

Aside from leading the annual control self-assessment exercises that have been completed during the year, the IA function conducted the following audits during 2015:

» Analysis of implementation of Project Evolution
» Payroll Management
» Accounts Receivable Management
» Surprise Cash Count
» Service level agreement with key service providers
» Procurement and Supply Chain Management
» Equipment Hire Process
» Project Management – New Builds
» Project Management – Offshore/Onshore

There has been close interaction between the IA and Group risk functions in order to formulate the 2016 planned internal audits and necessary amendments to the IA plan may be made during the year, subject to the Committee's approval, in instances where the level of risk increases, or decreases significantly, or circumstances within the Group change.

As a matter of best practice the Committee meets with the internal auditor without executives present to discuss any sensitive matters or concerns. Equally and much in the same way as with the external auditors, the Committee reviews the performance and effectiveness of the IA function and remains satisfied of the effectiveness of the IA function.

Enterprise risk management

Each of the Directors acknowledges and accepts that the Board as a whole take responsibility for risk management page 16, in line with the Code requirements. The Board has delegated the administration and monitoring of the effectiveness of the Group's internal control and risk management systems to the Committee. However, the day-to-day responsibility for developing and implementing the internal control and risk management procedures resides with the executive management team which then reports on risk to the Committee. In 2015, management presented twice to the Committee, once in May and then again in December. The purpose of such presentations was to ensure that the Committee, and therefore the Board, has appropriate oversight of enterprise risks and their potential impact on the business, with a particular focus on the risks that are specific to the Group. A key emerging risk that received particular attention from the Committee was the heightened security threats from terrorism.

This two way disclosure and monitoring system for enterprise risks facing the Group provides the Directors with reasonable (but not absolute) assurance against material misstatements and losses. The structure of the risk management

Managing risk appropriately during 2015

At the Board level:	At the executive management level:	At the project/operational level:
Audit & Risk Committee conducts an annual review of the effectiveness of the systems of financial, operational and compliance controls and risk management systems	Meetings of the Risk Review Panel every other month – forum for management oversight of project and department risks	Project managers are directly responsible for identification and ensuring that risks are captured in the risk database
The Board regularly receives comprehensive written reports from the CEO and the CFO on the strategic and financial risks within the business respectively	Business unit/department heads are responsible for the identification, evaluation and mitigation of risks within their businesses/departments	As project risk owners, project managers implement the risk mitigation plans within their respective projects
Presentation by management to the Audit & Risk Committee on the status of the Group's risk management systems	The Group Risk Manager supports management on all risk management activities	Project managers report on project risks a monthly basis to the Group Risk Manager
Bi-annual report identifying the major, current risks and opportunities within the business is submitted by senior management to the Audit & Risk Committee	Creation of an online, interactive risk database which is used to capture all project and department risks and provide reports on risk trends and severity/likelihood of risk	Internal Audit ensures application and consistency of Group's risk policies and procedures by undertaking internal audits

mechanisms as well as the results of this system can be seen in the information relating to the principal risks and uncertainties faced by the Group, together with the mitigating factors pages 16 to 19.

Risk management is being embedded into the daily working life of Lamprell employees and how they complete projects, aside from the enterprise risk management being overseen by the Committee. This is being done with a view to identifying potential hazards and risks on a project at an early stage and taking mitigating actions accordingly. Risk is assessed formally at the business unit level through risk workshops and via the maintenance of project and department risk registers. In addition, a more comprehensive and rigorous bid authorisation model is being used by management bidding committees to evaluate proposals and cost breakdowns when bidding for new work.

Internal controls framework

The Company has a system of internal controls based around the following key features:

» a strategy defined and overseen by the Board

» financial planning including annual budgets, quarterly reviews and three year forecasting

» oversight and approval of projects and/or contract awards either through executive management or the Board

» implementation and use of an integrated ERP system, linking the various business functions

» policies and procedures which define the Group's standards of business including a schedule of matters reserved for the Board, a clear organisation structure and a delegation of authority matrix

» the Company's Business Code of Conduct framed according to the Group's core values

There are also various policies and procedures which embed regulatory requirements into the daily operations of the Group such as the anti-bribery and corruption policy, the share dealing code, the insider dealing and market abuse policy and the whistleblowing policy.

There is a multi-lingual, secure whistleblowing hotline which was set up to allow staff members to report ethical breaches, irregularities or simply concerns on a confidential basis without any fear of recrimination. They are all key elements of an internal control system which is designed to assist in the achievement of the Group's business objectives. The Group also launched an e-learning module on the Company's Business Code of Conduct in 2015 which was compulsory for administration staff and to date over 97% of such employees have completed the training. This is available in five languages, namely English, Arabic, Hindi, Malayalam and Tagalog, to help ensure greater completion. This training module is expected to be rolled out to the yard workforce, which does not typically have access to computers, in due course.

The Committee undertakes an annual review of the effectiveness of the systems of internal control including financial, operational and compliance controls and risk management systems. This is performed in collaboration with both the internal and external auditors and, where weaknesses have been identified, the management team was tasked with implementing further safeguards which will then be re-tested by the audit teams. The Committee reports on its monitoring and observations to the Board at least annually. The Directors are satisfied that, as a result of the systems and the oversight functions, the internal control environment is operating effectively.

DIRECTORS' REMUNERATION REPORT

The Committee has had to respond to challenging market conditions as well as changes within Lamprell and has successfully achieved a number of key milestones, notably in its succession planning at the senior management level.

Dear Shareholders,
On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2015.

Performance and reward in 2015

Despite difficult market conditions throughout 2015, the Company successfully delivered net profit in line with the performance target but fell short of the threshold target on new business awards. Along with performance against personal goals (which are detailed on page 65 of this report) and the impact of the non-operational fatality in the Group's Kurdistan operations page 31, these were the key factors driving the Company's bonus payment of 44.6% of annual base salary to the CEO.

The Company announced on 14 August 2015 that Mr Moffat would retire from his role as CEO effective 30 June 2016. The search for a new CEO is ongoing. Also on 14 August 2015, the Company announced that John Kennedy had agreed to take up the role of Executive Chairman until the next AGM and Tony Wright had been promoted to the position of Chief Financial Officer whereupon he also became an Executive Director of the Board. Details of Mr Kennedy's and Mr Wright's remuneration are detailed later in this report. Mr Kennedy's appointment and remuneration as Executive Chairman are very much focused around enabling the Company to drive shareholder value primarily through key strategic initiatives.

Long-term incentive awards were granted in April 2015, in accordance with the rules of the performance share plan, details of which are given on page 57. There were no long-term incentive awards vesting in 2015.

Remuneration policy for 2016

The proposed Remuneration Policy to take effect from the 2016 AGM is set out on pages 55 to 60. We believe that our Remuneration Policy must adapt to the challenging market conditions and continue to attract and reward executive management for delivering strong performance. As such, the policy contains two proposed revisions that will be submitted for approval at the 2016 AGM, specifically in relation to the long-term incentive plans. These are highlighted in the introduction to the policy on page 56. As a result, the Board is recommending two resolutions to be submitted for approval by the shareholders at the AGM on 15 May 2016, one to approve the revised Remuneration Policy and the second to approve the changes to the long-term incentive policy. The Committee considers that the revisions to the policy may be necessary to secure a replacement CEO of the calibre required to move the Company to the next level of its development and, in turn, drive shareholder value.

The Committee is satisfied that the revised Remuneration Policy will ensure that we can continue to recruit and retain the right calibre of senior management to maximise shareholder value and deliver sustainable growth over the longer term.

We shall be seeking your support for each part of this report at the forthcoming AGM on 15 May 2016. On behalf of the Committee, I recommend this Remuneration Report to you and I hope that you will find it clear, concise and understandable.

John Malcolm
Chairman of the Remuneration Committee

22 March 2016

Committee members

John Malcolm (Committee Chairman and Non-Executive Director)

Ellis Armstrong
(Senior Independent Director)

Debra Valentine (Non-Executive Director)

Remuneration Policy

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 Remuneration Policy for the Company 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 2016 onwards. The Policy Report will be put to a binding shareholder vote at the 2016 AGM and the policy will take formal effect from 15 May 2016.

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, the Committee considers the remuneration policy and levels of remuneration for the wider employee population, compensation policies and practices in the UAE and also in 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 broadly 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 outperformance; 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 or reduction 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.
- To maintain appropriate governance and risk management through the application of holding periods and clawback provisions on incentive plan awards.

Consideration of shareholder views

The Company is committed to maintaining good communications with investors and in particular around compensation matters. The Committee also considers the AGM to be an opportunity to meet and communicate with investors and consider shareholder feedback received as a result of 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. 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

For ease of reference, set out below are the proposed changes to the policy for 2016 onwards. These relate only to the Long-Term Incentive Plan component.

Component	Previous policy	Proposed policy from 2016 onwards
Normal maximum opportunity	100% of base salary for all Executive Directors	120% for CEO 100% for other Executive Directors
Exceptional maximum opportunity	100% of base salary	150% only in exceptional circumstances

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% 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 page 61.

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 apply to all vested awards granted from 2016 onwards (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 Exceptional maximum opportunity of 150% of base salary	Performance is assessed against challenging independent financial metrics that may include relative or absolute total shareholder return ("TSR"), cumulative EBITDA, end of period backlog and other equally challenging metrics On each element, 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 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, club membership and utility expenses	Actual value of benefits provided	None

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
Non-Executive Directors' ("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	Board Evaluation Process

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 outperformance 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 (such as, the vesting or exercise of past share awards).

Relative to pay and employment conditions in the Group

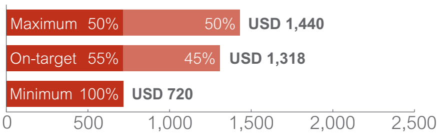
The Committee takes account of remuneration levels offered to the senior management team in the Group as well as the awards affecting the wider employee population. When considering the Executive Directors' remuneration structure and levels, the Committee reviews base salary and incentive arrangements 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, Executive Share Option Plan ("ESOP"), Retention Share Plan ("RSP") or Free Share Plan ("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 remuneration policy, although the Committee will keep this under review.

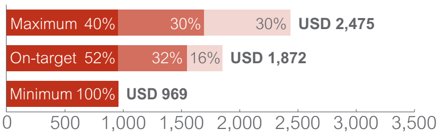
Remuneration scenarios for the Executive Directors

The charts below show an estimate of the potential range of remuneration payable for the Executive Directors in 2016 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a significant portion of the Executive Directors' total remuneration at maximum performance.

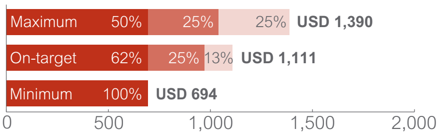
Executive Chairman[1]
Total remuneration USD'000



Chief Executive Officer
Total remuneration USD'000



Chief Financial Officer
Total remuneration USD'000



Total fixed pay
Annual bonus
Long-Term Incentive Plan

Assumptions:

1. The Executive Chairman's remuneration is expressed on an annualised basis for ease of presentation and will be pro-rated according to his contract.
2. Base salary levels applying on 1 January 2016.
3. Benefits are estimated, based on the annualised value for the year ended 31 December 2015.
4. For the purpose of the above charts, the end of service gratuity accrual is excluded.
5. Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP; at on-target, typically 80% of the maximum is earned under annual bonus plan and typically 40% vesting is achieved under the LTIP; and at maximum full vesting under both plans.
6. 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 was to be 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 an LTIP award up to 120% for the CEO and 100% for other Executive Directors, with discretion, in exceptional circumstances, to grant an award of up to 150% of base salary. 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 Non-Executive 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 up to 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 (e.g. 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
John William Kennedy	13 August 2015
James Moffat	25 November 2012
Antony Robert William Wright	13 August 2015

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

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

Non-Executive Directors' (NEDs) terms of engagement

The NEDs do not have service contracts and instead are appointed by letters of appointment, which are terminable by three months' notice on either side. All Directors are subject to re-election at the AGM of the Company on a regular basis.

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, four NEDs are considered to be independent of the Company.

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

Non-Executive Director	Date of appointment
John Malcolm[1]	27 May 2013
Ellis Armstrong[1]	27 May 2013
Mel Fitzgerald[1]	13 August 2015
Debra Valentine[1]	1 September 2015

1. John Malcolm, Ellis Armstrong, Mel Fitzgerald and Debra Valentine are considered to be independent NEDs of the Company.

DIRECTORS' ANNUAL REPORT ON REMUNERATION

This 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 2016 AGM. The information on pages 64 to 67 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 UK Corporate Governance 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 throughout the relevant period were Michael Press (Chair) (until 13 August 2015), John Malcolm (member throughout the year and as Committee Chair with effect from 5 October 2015), Ellis Armstrong (member as from 5 October 2015) and Debra Valentine (member as from 5 October 2015). Membership is comprised solely of independent 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 present and 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.

External advice received

During the year, the Committee received independent advice on remuneration matters from New Bridge Street ("NBS"), a trading name of Aon plc. NBS did not provide other services to the Group during the year under review and there is no other connection between NBS and the Company or the Directors. The Committee also consulted with the CEO and Chairman but not in relation to their own remuneration.

NBS is a signatory to the Remuneration Consultants' Code of Conduct and adheres 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 NBS during the year were £13,300.

Shareholder voting at AGM

At last year's AGM held on 12 May 2015, the Directors' Remuneration Report received the following votes from shareholders (see table below).

Implementation of the Remuneration Policy for 2016

Base salary

In accordance with an agreement made with shareholders in 2014, the base salaries of Executive Directors were frozen until 1 January 2016. In setting the base salaries for 2016, the Committee considered external market data, as well as any increase in base salary for the senior management team and the workforce generally, where the average increases across the Group will be 3% for the general workforce and 0% for management levels. In view of the market data and the general market conditions, the CEO's base salary for 2016 will remain the same as 2015.

Upon his appointment as Executive Chairman effective 13 August 2015, John Kennedy's base salary was set relative to external market data and to the nature and duration of the appointment.

Upon his promotion to the position of Chief Financial Officer effective from 13 August 2015, Tony Wright's base salary was set relative to external market data, his experience and on the basis that it would be subject to review, without commitment, on 1 October 2016.

Accordingly, base salaries for 2016 are as follows:

		Base salary from 1 January 2016	2015	% increase
John Kennedy	£	480,000	n/a	n/a
James Moffat	USD	753,000	753,000	0%
Tony Wright[1]	USD	410,000	341,281	20%

1. Tony Wright was promoted from Deputy Chief Financial Officer to Chief Financial Officer effective 13 August 2015.

Meeting attendance

Committee member	No. of meetings attended	No. of meetings eligible
John Malcolm (Chairman)	5	5
Ellis Armstrong	2	2
Debra Valentine	2	2
Michael Press	3	3

Resolutions held

Resolution	Total number of votes	% number of votes
For	244,470,733	97.4
Against	6,546,738	2.6
Total votes cast (for and against)	251,017,471	100
Votes withheld[1]	401	–
Total votes cast (including withheld votes)	251,017,878	–

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.

Annual bonus for 2016

For 2016 the annual bonus opportunity will be 100% of base salary for the CEO and 85% of base salary for the CFO, payable in cash. 40% of the bonus will be based on sales, 20% will be based on net cash, 15% will be based on net profit set in relation to the Group's budget and the remaining 25% will be based on strategic and/or personal targets, including safety performance. This structure is intended to provide a rounded assessment of the Group and management's performance against defined targets which are aligned with the Group's strategic objectives.

The sales targets will be within a range from USD 800m to USD 1.4bn with associated pay-outs within the range of 20 to 100% of target. The Committee considers any disclosure of future net profits and cash 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 to all bonus pay-outs.

Long-term incentives

Subject to compliance with the Listing Rules, awards will be made in 2016 and the maximum LTIP potential will be 120% of base salary for the CEO and 100% for the CFO. 50% of the award will be based on relative TSR (relative to the FTSE World Oil Equipment & Services Index), 25% on cumulative EBITDA and 25% on end of period backlog. In view of the short-term duration of the Executive Chairman's appointment, no long-term incentive awards are expected to be made in respect of his current appointment.

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 2016

	Threshold		Maximum		
Performance condition	**% vesting**	**Performance**	**% vesting**	**Performance**	**End measurement point**
TSR vs. FTSE World Oil Equipment & Services Index	20	Median	100	Upper quintile	31 December 2018
Cumulative EBITDA	20	USD 300m	100	USD 360m	31 December 2018
End of period backlog	20	USD 1.2bn	100	USD 1.6bn	31 December 2018

The awards will be subject to clawback provisions and a mandatory holding restriction of two years beyond vesting will apply to the 2016 awards.

For the sake of completeness, the Company discloses the performance conditions which are attached to the awards of LTIPs in 2014 and 2015, as follows:

LTIP 2014 (following shareholder consultation in mid-2014 as a result of which certain targets were increased)

	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	0	USD 300m	100	USD 400m	31 December 2016
End of period backlog	20	USD 1.0bn	100	USD 1.4bn	31 December 2016

LTIP 2015

	Threshold		Maximum		
Performance condition	**% vesting**	**Performance**	**% vesting**	**Performance**	**End measurement point**
TSR vs. FTSE World Oil Equipment & Services Index	20	Median	100	Upper quintile	31 December 2017
Cumulative EBITDA	20	USD 320m	100	USD 420m	31 December 2017
End of period backlog	20	USD 1.0bn[1]	100	USD 1.4bn[1]	31 December 2017

1. At least 33% of backlog must be derived from non-rig business otherwise vesting will be 50% of the above percentages.

End of Service Gratuity

As required under UAE Labour Law, the Company contributes to the End of Service Gratuity Fund on behalf of the Executive Directors, whereby the gratuity shall be 21 days' base salary for each year of the first five years of employment and 30 days' base salary for each additional year of employment thereafter, on the condition that the total gratuity does not exceed two years' base salary, payable upon termination of employment. In view of the short-term nature of the appointment, end of service gratuity does not apply to the Executive Chairman.

Directors' contracts

Following changes in directors' appointments during 2015, the following information regarding the service contracts of Executive Directors should be noted.

Service contract for Executive Chairman
Mr Kennedy was appointed to the position of Executive Chairman on 13 August 2015 and his Service Agreement dated 13 August 2015 is terminable by either party on three months' notice. Mr Kennedy's annual base salary is £480,000 and he is eligible to participate in a bonus arrangement with a maximum opportunity of 100% of base salary earned in the period which will be assessed over the period of his contract and paid wholly in shares. Mr Kennedy's award of 292,570 shares is expected to vest upon the earlier of (i) three months after the end of the executive appointment, and (ii) the Remuneration Committee determining satisfaction of the relevant performance conditions.

Service contract for CFO
As announced on 13 August 2015, aligned with the Company's stated intention of internal development and succession, Tony Wright was promoted to the position of Chief Financial Officer from his former role as Deputy CFO with the Group. Mr Wright was appointed on a Service Agreement dated 13 August 2015 which is terminable by either party giving nine months' notice until the first anniversary of Mr Wright's appointment at which point the agreement will be terminable on six months' notice. Mr Wright's annual base salary equates to USD 410,000 and his participation in the Company's benefit programmes and incentive plans reflects the Company's remuneration policy as set out elsewhere in this report.

Outside appointments

The Board allows Executive Directors to accept appropriate external, commercial Non-Executive Director appointments provided the aggregate commitment is compatible with their duties and does not cause a conflict of interest with the role of an Executive Director. Such Executive Directors may retain fees paid for these services, which will be subject to approval by the Board. During the year John Kennedy served as a Non-Executive Chairman of Maxwell Drummond International Limited.

Fees for the Chairman and Non-Executive Directors

The Non-Executive Chairman's remuneration is determined by the Committee and the Non-Executive Directors' 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 Non-Executive Directors do not take part in discussions regarding their own fees. The Non-Executive Chairman and Non-Executive Directors receive no other benefits. For the duration of 2016, the Non-Executive Directors' fees will be held at 2015 rates. A summary of the current fees are as follows:

	Fee at 1 January 2016 £000	Fee at 1 January 2015 £000	% increase
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%

Directors' remuneration earned in 2015

The table below summarises Directors' remuneration received in respect of 2015 with comparisons, where appropriate, to 2014[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 USD'000	Total remuneration USD'000
Executive Directors								
James Moffat	**2015**	**753**	**216**	**44**	**336**	**–**	**–**	**1,349**
	2014	753	205	76	682	–	–	1,716
John Kennedy[5]	**2015**	**294**	**–**	**–**	**–**	**–**	**–**	**294**
	2014	–	–	–	–	–	–	–
Tony Wright[6]	**2015**	**325**	**284**	**19**	**121**	**–**	**–**	**749**
	2014	n/a	–	–	–	–	–	–
Non-Executive Directors								
John Kennedy[5]	**2015**	**174**						**174**
	2014	307						307
Michael Press[7]	**2015**	**87**						**87**
	2014	146						146
John Malcolm	**2015**	**115**						**115**
	2014	125						125
Ellis Armstrong[8]	**2015**	**125**						**125**
	2014	121						121
Peter Whitbread[9]	**2015**	**40**						**40**
	2014	96						96
Mel Fitzgerald[10]	**2015**	**40**						**40**
	2014	–						–
Debra Valentine[11]	**2015**	**34**						**34**
	2014	–						–

1. All Directors' pay is reported above in USD. James Moffat's remuneration is determined and paid in USD. Tony Wright is remunerated in AED; Michael Press, Ellis Armstrong and Debra Valentine's remuneration is/was determined in GBP and paid in USD and the remuneration of John Kennedy, Peter Whitbread, John Malcolm and Mel Fitzgerald is/was 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 2015 and 2014. 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. (2014: 3%). The expected liability on the date of termination has been discounted to its net present value using a discount rate of 3.5% p.a. (2014: 3.5% p.a.).
4. The annual bonus for 2015 was based on performance against financial and non-financial performance targets. Performance against these targets is set out in the tables opposite.
5. John Kennedy transitioned from Non-Executive to Executive Director on 13 August 2015.
6. Tony Wright became a Director on 13 August 2015. The remuneration detailed above reflects the full year 2015.
7. Michael Press stood down as a Director on 13 August 2015.
8. Ellis Armstrong became Senior Independent Director on 13 August 2015.
9. Peter Whitbread stood down as a Director on 12 May 2015.
10. Mel Fitzgerald was appointed as a Director on 13 August 2015.
11. Debra Valentine was appointed as a Director with effect from 1 September 2015.

Annual Bonus 2015: Performance against targets

CEO

Metric	Weighting as % of maximum annual opportunity	Actual performance	Pay-out outcome as % of maximum annual opportunity
Net profit[1]	50%	83%	41.5%
Safety	3.8%	0%	0%
Sales[2]	32%	0%	0%
Overhead cost reduction	7.1%	100%	7.1%
Operating efficiencies	7.1%	100%	7.1%
Total	**100%**		**55.7%[3]**

1. Net profit targets were in the range of USD 55m (threshold) to USD 65m (target) and USD 75m (stretch). Target was exceeded.
2. Sales targets were in the range of USD 900m (threshold) to USD 1.1bn (target) and USD 1.4bn (stretch). Threshold was not achieved.
3. The CEO's final payment was reduced by 20% to 44.6% due to the non-operational fatality in the Group's Kurdistan facility.

CFO

Metric	Weighting as % of maximum annual opportunity	Actual performance	Pay-out outcome as % of maximum annual opportunity
Net profit[1]	50%	83%	41.5%
Safety	5.5%	50%	2.7%
Sales[2]	25%	0%	0%
Employee retention	2.75%	27%	0.8%
ERP Implementation and process improvements	8.25%	66%	5.6%
Other financial performance	8.5%	92%	7.8%
Total	**100%**		**58.4%[3]**

1. Net profit targets were in the range of USD 55m (threshold) to USD 65m (target) and USD 75m (stretch). Target was exceeded.
2. Sales targets were in the range of USD 900m (threshold) to USD 1.1bn (target) and USD 1.4bn (stretch). Threshold was not achieved.
3. The CFO's final payment was reduced by 15% to 49.6% due to the non-operational fatality in the Group's Kurdistan facility.

Long-term incentive awards granted during the year

An award of 416,569 performance shares was made to James Moffat on 9 April 2015 in accordance with the Performance Share Plan rules and associated performance conditions. The 2015 LTIP award vests in full on 9 April 2018, subject to achieving the performance conditions relating to relative TSR, three-year cumulative EBITDA and end of period backlog. The award is subject to a holding period of 18 months following the date of vesting.

Directors' interests in share plan awards

The Directors hold interests in long-term incentive awards under the Company's incentive plans as at 31 December 2015 as set out below.

Share option awards

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

Executive Director	At 1 January 2015	Granted in year	Exercise price at grant	Date of vesting	Vested	Exercised in 2015	At 31 December 2015
James Moffat	340,855	0	£1.4125	18.11.2017	N/A	Nil	340,855

LTIP awards

The following table sets out the interests of the Executive Directors in relation to LTIP award(s):

Executive Director	At 1 January 2015	Awarded in 2015	Date of vesting	Vested in 2015	Lapsed in 2015	At 31 December 2015 (cumulative)
James Moffat	321,691	–	2016[1]	Nil	Nil	321,691
James Moffat	321,691	–	18.11.2017	Nil	Nil	643,382
James Moffat	–	416,569	09.04.2018	Nil	Nil	1,059,951
Tony Wright	53,172	141,601	09.04.2018	Nil	Nil	194,773

1. The 2013 LTIP award is expected to be vest following announcement by the Company of the results for the financial period ending 31 December 2015.

In the ordinary course, awards will normally vest on the third anniversary of the date of grant of the award, subject to any applicable performance conditions having been satisfied. Further details are set out above.

RSP awards

The following table sets out the interests of the Chairman in relation to RSP award(s):

Director	At 1 January 2015	Granted in year	Exercise price at grant	Date of vesting	Vested	Exercised in 2015	At 31 December 2014
John Kennedy	122,499	0	Nil	18.11.2017	Nil	Nil	122,499

Directors' interests in ordinary shares

The Committee has adopted a formal policy requiring the Executive Directors to build and maintain, through the award of shares by the Company, a shareholding in the Company equivalent to 150% of base salary for the CEO and 125% of base salary for the CFO, when appointed. 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 Kennedy, Mr Moffat and Mr Wright have not currently achieved these guidelines.

In accordance with the Listing Rules, the Company discloses the beneficial interests of the Directors in the share capital of the Company as at 31 December 2015 as set out below. There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2016 to 17 March 2016, being the last practicable date that the Company is able to report on Directors' interests.

	Beneficially owned at 31 Dec 2015	Beneficially owned at 31 Dec 2014	Outstanding share awards	Shareholding as a % of base salary	Shareholding requirement met?
Executive Directors					
James Moffat	1,059,951[1]	643,382	1,400,806	Nil	No
John Kennedy[2]	1,894,509	122,499	415,069	Nil	No
Tony Wright	234,773	0	194,773	Nil	No
Non-Executive Directors					
Michael Press	–	–	–	–	–
John Malcolm	–	–	–	–	–
Peter Whitbread	N/A[3]	2,188,294	–	–	–
Ellis Armstrong	–	–	–	–	–
Mel Fitzgerald	–	–	–	–	–
Debra Valentine	–	–	–	–	–

1. This comprises two LTIPs awarded in 2014 and one LTIP awarded in 2015 both of which are subject to vesting and performance conditions.
2. Between 1 January 2015 and 18 March 2015, John Kennedy or his connected persons had acquired an additional 1,601,939 interests in the share capital of the Company, pursuant to a trading plan which was entered into on 15 January 2015 in accordance with the requirements of the Listing Rules and the Model Code. Further purchases may have been made under such trading plan after the date of this Annual Report on Remuneration.
3. Peter Whitbread passed away on 18 July 2015.

Note: 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

There were no payments to former directors during the year.

Payments for loss of office

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

Percentage change in remuneration levels

The table below shows the movement in base salary, benefits and annual bonus for the CEO between the 2015 and 2014 financial years, compared to that for the average employee of the Group:

	% change		% change
Chief Executive Officer		**All employees**	
Base salary	0%	Base salary	+1.5%
Benefits	0%	Benefits	+1.5%
Bonus	-50%	Bonus	-28%

Relative importance of the spend on pay

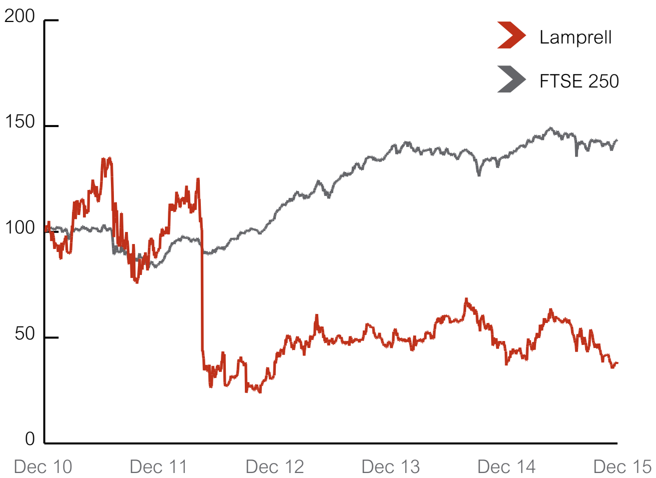
The table below shows the spend on staff costs in the financial year, compared to dividends:

	2015 £000	2014 £000	% change
Staff costs	120,611	116,490	3.5%
Dividends	–	–	0.00%

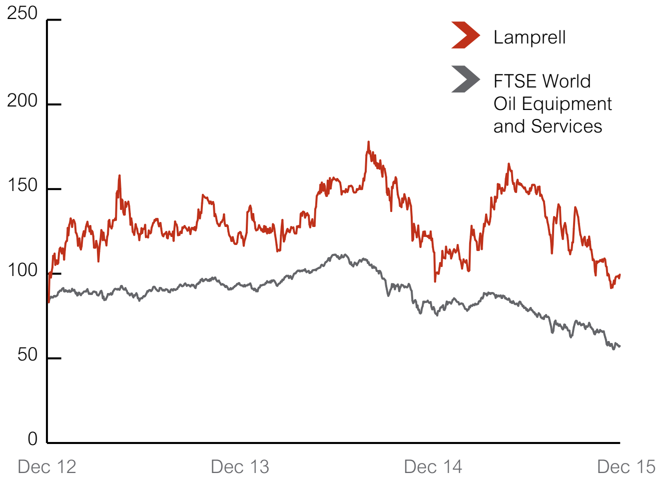
Performance graph and CEO pay

The first graph below shows the growth in value of a notional £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 2010 to 31 December 2015. The second graph below shows the growth in value of a notional £100 invested in the Company compared to the FTSE World Oil Equipment and Services Index, which is used as the basis for one of the Company's LTIP metrics. The graph covers the time period from 1 January 2013 to 31 December 2015.

Share price performance (rebased to 100)



Share price performance by reference to FTSE World Oil Equipment & Services Index since 1 January 2013 (rebased to 100)



The total remuneration figures for the CEO during the last seven 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)									
	2015	2014	2013	2013	2012	2012	2011	2010	2009	2009
CEO	Moffat	Moffat	Moffat[1]	Whitbread	Whitbread[2]	McCue[3]	McCue	McCue	McCue[4]	Whitbread[5]
Total remuneration	1,349	1,716	1,652	1,504	352	2,739	2,094	1,824	514	1,211
Annual bonus %	45%	91%	99%	0%	0%	0%	72.3%	100%	0%	0%
LTIP vesting %	0%	0%	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 CEO on 27 March 2009 with effect from 1 May 2009.
5. Peter Whitbread resigned as the CEO 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 22 March 2016.

John Malcolm
Chair of the Remuneration Committee

22 March 2016

STATUTORY INFORMATION AND DIRECTORS' STATEMENTS

The Board of Directors has taken into account the latest change in the UK Corporate Governance Code 2014 by including an appropriate viability statement, in addition to ensuring that this Annual Report is fair, balanced and understandable.

Memorandum and Articles of Association

The Company's Memorandum of Association sets out the objectives and powers of the Company. The Articles of Association detail the rights attached 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 of and voting at general meetings. The Articles also set out the rules relating to Directors (including by way of example, their appointment, election, retirement, duties and powers).

Capital structure and corporate authorities

Details of the authorised and issued share capital together with details of movements in share capital during the year are included in Note 8 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 Articles and applicable laws. There are no restrictions on the transfer of shares.

Details of the Company's employee share schemes are disclosed in the Directors' Remuneration Report page 54 and in Note 8 to the financial statements.

	Granted		Outstanding	
	2015	**2014**	**2015**	**2014 & prior**
Lamprell plc Free Share Award Plan	Nil	Nil	Nil	Nil
Lamprell plc Retention Share Plan	495,000	632,499	450,000	546,252
Lamprell plc Executive Share Option Plan	Nil	340,855	Nil	340,855
Lamprell plc Long-Term Incentive Plan	2,246,878	1,723,524	2,138,878	1,626,478

The awards under the Lamprell plc Free Share Award Plan, Retention Share Plan and Long-Term Incentive Plan are granted at nil price.

Pursuant to the Company's share schemes, the Employee Benefit Trust as at the year-end, held a total of 16,268 (2014: 16,217) ordinary shares of 5p, representing less than 0.01% (2014: 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 approved proportions, be allowed to vest early or to be exchanged for awards of equivalent value in the acquiring company.

The Company was given authority at the 2015 AGM to make market purchases of up to 33,000,000 ordinary shares of 5p, which represented approximately 10% of the Company's then issued ordinary share capital. This authority will expire at the 2016 AGM, where approval from shareholders will be sought to renew the authority for approximately 10% of the Company's current issued ordinary share capital.

Approval from shareholders will be sought to authorise the Directors to allot the unissued shares up to a maximum nominal amount of £4,900,000, representing approximately 30% of the Company's current issued ordinary share capital (excluding treasury shares) to existing shareholders 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 Articles or with a rights, scrip dividend, or other similar issue, up to an aggregate nominal value of £825,000 representing approximately 5% of the current issued ordinary share capital of the Company. Authorities were given by the shareholders at the 2015 AGM to issue a similar percentage of the Company's then issued ordinary share capital. 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.

Contracts of significance

Except for the debt facility agreements which were concluded in 2014 and the Controlling Shareholder Agreement page 46, the Company or Group does not have contractual or other arrangements which are significant to its business with any person.

Directors' responsibility statement

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, www.lamprell.com.

Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the principles of the Code, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The Audit & Risk Committee oversees the implementation of this approach. The Directors consider, on the advice of the Audit & Risk Committee, that the Annual Report, 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 pages 36 to 37 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 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.

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 or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report pages 4 to 35. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review pages 20 to 23. The Company's 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 Directors have concluded therefore that it is appropriate for the Group to continue 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.

Alex Ridout
Company Secretary

By order of the Board

22 March 2016

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 2015 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 2015, 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 2015, 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 to 2004 require us to report to you if, in our opinion:

» proper books of accounts 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' statements in relation to going concern and longer term viability; and

» the parts of the Corporate Governance Statement relating to the Company's compliance with the eleven 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
22 March 2016

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 USD'000	2014 USD'000
Continuing operations			
Revenue	5	**871,058**	1,084,890
Cost of sales	6	**(747,538)**	(902,810)
Gross profit		**123,520**	182,080
Selling and distribution expenses	7	**(1,771)**	(1,773)
General and administrative expenses	9	**(44,318)**	(72,700)
Other gains/(losses) – net	12	**260**	1,456
Operating profit		**77,691**	109,063
Finance costs	11	**(14,647)**	(20,516)
Finance income	11	**2,679**	2,166
Finance costs – net		**(11,968)**	(18,350)
Share of profit of an investment accounted for using the equity method	19	**1,318**	2,991
Profit before income tax		**67,041**	93,704
Income tax expense		**(541)**	(484)
Profit for the year from continuing operations		**66,500**	93,220
Discontinued operations			
Loss for the year from discontinued operations	23	**(1,866)**	(6,433)
Gain on disposal of subsidiary		**66**	31,270
Profit for the year attributable to the equity holders of the Company		**64,700**	118,057
Earnings per share for profit from continuing operations attributable to the equity holders of the Company	13		
Basic		**19.46c**	29.54c
Diluted		**19.36c**	29.52c
Earnings per share attributable to the equity holders of the Company	13		
Basic		**18.93c**	37.41c
Diluted		**18.84c**	37.38c

The notes on pages 79 to 117 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 USD'000	2014 USD'000
Profit for the year		**64,700**	118,057
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Currency translation differences	26	**(489)**	(372)
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefit obligations	27	**(1,988)**	(3,742)
Other comprehensive loss for the year		**(2,477)**	(4,114)
Total comprehensive income for the year		**62,223**	113,943
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arises from:			
Continuing operations		**64,023**	89,106
Discontinued operations	23	**(1,800)**	24,837

The notes on pages 79 to 117 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 USD'000	2014 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**175,286**	139,343
Intangible assets	17	**205,884**	204,726
Investment accounted for using the equity method	19	**5,285**	5,118
Trade and other receivables	21	**12,712**	11,876
Derivative financial instruments	28	**–**	55
Cash and bank balances	22	**8,950**	12,517
Total non-current assets		**408,117**	373,635
Current assets			
Inventories	20	**29,066**	14,560
Trade and other receivables	21	**415,614**	391,743
Derivative financial instruments	28	**–**	14
Cash and bank balances	22	**280,668**	359,108
		725,348	765,425
Assets of disposal group classified as held for sale	23	**–**	15,228
Total current assets		**725,348**	780,653
Total assets		**1,133,465**	1,154,288
LIABILITIES			
Current liabilities			
Borrowings	31	**(20,136)**	(20,136)
Trade and other payables	29	**(264,943)**	(317,603)
Derivative financial instruments	28	**(4)**	(269)
Provision for warranty costs and other liabilities	30	**(8,334)**	(15,812)
Current tax liability		**(451)**	(167)
		(293,868)	(353,987)
Liabilities of disposal group classified as held for sale	23	**–**	(10,546)
Total current liabilities		**(293,868)**	(364,533)
Net current assets		**431,480**	416,120
Non-current liabilities			
Borrowings	31	**(59,163)**	(78,843)
Derivative financial instruments	28	**(14)**	–
Provision for employees' end of service benefits	27	**(42,863)**	(38,752)
Total non-current liabilities		**(102,040)**	(117,595)
Total liabilities		**(395,908)**	(482,128)
Net assets		**737,557**	672,160
EQUITY			
Share capital	25	**30,346**	30,346
Share premium	25	**315,995**	315,995
Other reserves	26	**(19,144)**	(18,655)
Retained earnings		**410,360**	344,474
Total equity attributable to the equity holders of the Company		**737,557**	672,160

The financial statements on pages 71 to 117 were approved and authorised for issue by the Board of Directors on 22 March 2016 and signed on its behalf by:

James Moffat
Chief Executive Officer and Director

Antony Wright
Chief Financial Officer and Director

The notes on pages 79 to 117 form an integral part of these financial statements.

COMPANY BALANCE SHEET

	Note	As at 31 December 2015 USD'000	2014 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	18	**692,569**	593,747
Current assets			
Other receivables		**634**	507
Due from related parties	24	**12,510**	110,191
Cash at bank	22	**218**	286
Total current assets		**13,362**	110,984
Total assets		**705,931**	704,731
LIABILITIES			
Current liabilities			
Accruals		**(17)**	(2,487)
Total current liabilities		**(17)**	(2,487)
Net current assets		**13,345**	108,497
Non-current liabilities			
Provision for employees' end of service benefits	27	**(121)**	(75)
Total liabilities		**(138)**	(2,562)
Net assets		**705,793**	702,169
EQUITY			
Share capital	25	**30,346**	30,346
Share premium	25	**315,995**	315,995
Other reserves	26	**329,153**	329,153
Retained earnings		**30,299**	26,675
Total equity attributable to the equity holders of the Company		**705,793**	702,169

The financial statements on pages 71 to 117 were approved and authorised for issue by the Board of Directors on 22 March 2016 and signed on its behalf by:

James Moffat
Chief Executive Officer and Director

Antony Wright
Chief Financial Officer and Director

The notes on pages 79 to 117 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 2014		23,552	211,776	(22,133)	229,561	442,756
Profit for the year		–	–	–	118,057	118,057
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	27	–	–	–	(3,742)	(3,742)
Currency translation differences	26	–	–	(372)	–	(372)
Total comprehensive income for the year		–	–	(372)	114,315	113,943
Disposal of subsidiary	26	–	–	3,850	–	3,850
Transactions with owners:						
Proceeds from shares issued (net)	25	6,794	104,219	–	–	111,013
Share based payments:						
– value of services provided	8	–	–	–	1,084	1,084
Treasury shares purchased	25	–	–	–	(486)	(486)
Total transactions with owners		6,794	104,219	–	598	111,611
At 31 December 2014		30,346	315,995	(18,655)	344,474	672,160
Profit for the year		–	–	–	64,700	64,700
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	27	–	–	–	(1,988)	(1,988)
Currency translation differences	26	–	–	(489)	–	(489)
Total comprehensive income for the year		–	–	(489)	62,712	62,223
Transactions with owners:						
Share based payments:						
– value of services provided	8	–	–	–	3,174	3,174
Total transactions with owners		–	–	–	3,174	3,174
At 31 December 2015		**30,346**	**315,995**	**(19,144)**	**410,360**	**737,557**

The notes on pages 79 to 117 form an integral part of these financial statements.

COMPANY 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 2014		23,552	211,776	329,153	23,965	588,446
Profit for the year		–	–	–	2,079	2,079
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	27	–	–	–	45	45
Total comprehensive income for the year		–	–	–	2,124	2,124
Transactions with owners:						
Share based payments:						
– value of services provided	8	–	–	–	118	118
– investments in subsidiaries	18	–	–	–	966	966
Treasury shares issued	25	–	–	–	(498)	(498)
Proceeds from shares issued (net)	25	6,794	104,219	–	–	111,013
Total transactions with owners		6,794	104,219	–	586	111,599
At 31 December 2014		30,346	315,995	329,153	26,675	702,169
Profit for the year		–	–	–	443	443
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	27	–	–	–	7	7
Total comprehensive income for the year		–	–	–	450	450
Transactions with owners:						
Share based payments:						
– value of services provided	8	–	–	–	1,125	1,125
– investment in subsidiaries	18	–	–	–	2,049	2,049
Total transactions with owners		–	–	–	3,174	3,174
At 31 December 2015		**30,346**	**315,995**	**329,153**	**30,299**	**705,793**

The notes on pages 79 to 117 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2015 USD'000	2014 USD'000
		Year ended 31 December	
Operating activities			
Cash used in operating activities	36	**(522)**	(39,433)
Tax paid		**(257)**	(374)
Net cash used in operating activities		**(779)**	(39,807)
Investing activities			
Additions to property, plant and equipment		**(55,681)**	(18,947)
Proceeds from sale of property, plant and equipment		**543**	317
Additions to intangible assets	17	**(3,782)**	(3,595)
Finance income	11	**2,679**	2,166
Dividend received from a joint venture	19	**1,151**	3,488
Proceeds from disposal of a subsidiary – net	23	**2,091**	59,312
Movement in deposit with an original maturity of more than three months	22	**(6,706)**	5,633
Movement in margin/short-term deposits under lien		**1,519**	3,249
Net cash (used in)/generated from investing activities		**(58,186)**	51,623
Financing activities			
Proceeds from shares issued (net of expenses)	25	**–**	111,013
Treasury shares purchased	25	**–**	(486)
Proceeds from borrowings		**–**	100,000
Repayments of borrowings		**(20,000)**	(160,000)
Finance costs		**(14,386)**	(21,014)
Dividends paid		**–**	(18)
Net cash (used in)/generated from financing activities		**(34,386)**	29,495
Net (decrease)/increase in cash and cash equivalents		**(93,351)**	41,311
Cash and cash equivalents, beginning of the year from continued operations		**312,352**	275,479
Cash and cash equivalents, beginning of the year from discontinued operations		**5,652**	1,586
Exchange rate translation		**(489)**	(372)
Cash and cash equivalents, end of the year		**224,164**	318,004
Cash and cash equivalents from continuing operations	22	**224,164**	312,352
Cash and cash equivalents from discontinued operations		**–**	5,652
Total		**224,164**	318,004

The notes on pages 79 to 117 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT

	Note	Year ended 31 December 2015 USD'000	2014 USD'000
Operating activities			
Profit for the year	32	**443**	2,079
Adjustments for:			
Share based payments – value of services provided	8	**1,125**	118
Provision for employees' end of service benefits	27	**53**	68
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**1,621**	2,265
Payment of employees' end of service benefits	27	**–**	(23)
Other receivables		**(127)**	(138)
Accruals		**(2,470)**	2,458
Due from related parties	24	**908**	(102,560)
Due to related parties	24	**–**	(12,334)
Net cash used in operating activities		**(68)**	(110,332)
Financing activities			
Proceeds from shares issued (net of expenses)	25	**–**	111,013
Treasury shares purchased	25	**–**	(498)
Net cash generated from financing activities		**–**	110,515
Net (decrease)/increase in cash and cash equivalents		**(68)**	183
Cash and cash equivalents, beginning of year		**286**	103
Cash and cash equivalents, end of the year		**218**	286

The notes on pages 79 to 117 form an integral part of these financial statements.

Non-cash transaction
The non-cash transaction during the year is as follows:

» Management has decided to convert a loan receivable from LEL into an equity contribution. Accordingly, an amount of USD 96.8 million has been treated as further investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Legal status and activities

Lamprell plc ("the Company"/"the parent company") was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited ("LEL") from Lamprell Holdings Limited ("LHL"), under a share for share exchange agreement dated 25 September 2006 and this transaction was accounted for in the consolidated financial statements using the uniting of interest method (Note 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: assembly and new build construction for the offshore oil and gas and renewable sectors; fabricating packaged, pre-assembled and modularised units; constructing accommodation and complex process modules for onshore downstream projects; construction of complex living quarters, wellhead decks, topsides, jackets and other offshore fixed facilities; rig refurbishment; land rig services; engineering and construction and operations and maintenance.

The Company has either directly or indirectly the following subsidiaries:

Name of 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
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
Rig Metals LLC ("RIM")	49[1]	100	UAE
Litwin PEL Co. LLC ("LIT")	[5]	[5]	UAE
Maritime Industrial Services Co. Ltd. & Partners ("MISCLP")	49[1]	100	Sultanate of Oman
Global Investment Co. Ltd. Inc ("GIC")	100	100	Republic of Panama
Sunbelt Safety Services Co. Ltd. Inc. ("SSS")	100[4]	100	Republic of Panama
MIS Qatar LLC ("MISQWLL")	49[1]	100	Qatar
Lamprell Industrial Services Holdings Limited ("LISH")	100	100	British Virgin Islands
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. Sunbelt Safety Services Co. Ltd. Inc. was earlier known as Maritime International Agency Services Ltd ("MIAS"). It was renamed on 5 January 2014.
5. During 2014, the Group decided to dispose of Litwin. This transaction was completed on 21 April 2015.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

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

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 polices below.

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

(a) New and amended standards adopted by the Group
IFRS 2 (amendments), 'Share based payment' clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. The Group has adopted this amendment and it has no impact on the Group.

IFRS 8 (amendments), 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. The Group has adopted this amendment and it has no impact on the Group.

IFRS 13 (amendments), 'Fair value measurement' confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. It also clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9. The Group has adopted this amendment and it has no impact on the Group.

IAS 19 (amendments), 'Employee benefits' regarding employee or third party contributions to defined benefit plans. The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The Group has adopted this amendment and it has no impact on the Group.

(b) New and amended standards and interpretations mandatory for the first time for this financial year beginning 1 January 2015 but not currently relevant to the Group
IFRS 3 (amendments), 'Business combinations' clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. It also clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement. This amendment is currently not applicable to the Group, as the Group has no contingent consideration arrangements arising from a business combination.

IAS 16 (amendments), 'Property, plant and equipment' and IAS 38, 'Intangible assets' clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts. This amendment is currently not applicable to the Group, as the Group does not measure its assets at revalued amounts.

IAS 24 (amendments), 'Related party disclosures' clarifies that a management entity is a related party subject to the related party disclosures and is required to disclose the expenses incurred for management services. This amendment is currently not applicable to the Group, as the Group does not receive any management services from other entities.

IAS 40 (amendments), 'Investment property' clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination. This amendment is currently not applicable to the Group, as the Group has no investment property.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted
IFRS 5 (amendments), 'Non-current assets held for sale and discontinued operations' regarding assets (or disposal groups) disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IFRS 7 (amendments), 'Financial instruments: disclosures' regarding servicing contracts. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The amendment also clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

2 Summary of significant accounting policies continued

2.1 Basis of preparation continued

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted continued

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture, addresses an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016. These amendments are not anticipated to have any impact on the Group.

IFRS 11 (amendments), 'Joint arrangements' regarding acquisition of an interest in a joint operation, provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016. These amendments are not anticipated to have any impact on the Group.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases', replaces IAS 17 'Leases'. Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The effective date is 1 January 2019. The standard has not yet been endorsed by the EU. The Group is assessing the impact of IFRS 16.

IAS 1 (amendments), 'Presentation of Financial Statements' Disclosure Initiative clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1; that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; and that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation, clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IAS 27 (amendments), 'Separate financial statements' regarding the equity method, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IAS 19 (amendments), 'Employee Benefits' regarding the additional disclosures relating to the offsetting of financial assets and financial liabilities clarifies that these only need to be included in interim reports if required by IAS 34. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IAS 34 (amendments), 'Interim Financial Reporting' clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 Summary of significant accounting policies continued

2.2 Revenue recognition

(a) Contract revenue

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

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.

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

(b) Products and services

Revenue from sale of products and services is recognised in the accounting period in which the risks and rewards are transferred or the service is rendered.

(c) Interest income

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

2.3 Consolidation

(a) Subsidiaries

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

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

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

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

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

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

2 Summary of significant accounting policies continued

2.3 Consolidation continued

(b) Disposal of subsidiaries

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

(c) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interest in joint ventures 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.

(d) Associates

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

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2.4 Investment in subsidiaries

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's activities are primarily carried out from the UAE, whose currency, the UAE Dirham, is pegged to the United States Dollar ("USD") and is the functional currency of all the entities in the Group (except MISCLP whose functional currency is the Omani Riyal, MISQWLL whose functional currency is the Qatari Riyal, LAK whose functional currency is the Kazakh Tenge and 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 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'.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 Summary of significant accounting policies continued
2.5 Foreign currency translation continued
(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

» assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

» income and expenses for each income statement are translated at average exchange rates for the year; and

» all resulting exchange differences are recognised in other comprehensive income.

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

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

	Years
Operating equipment	3 – 15
Buildings and infrastructure	3 – 25
Fixtures and office equipment	3 – 5
Motor vehicles	5

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.22).

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 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 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. The useful life of a trade name is reviewed on an annual basis.

2 Summary of significant accounting policies continued

2.7 Intangible assets continued

(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. 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

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

(f) Work-in-progress

Work-in-progress is stated at cost. When commissioned, work-in-progress is transferred to intangible assets in accordance with Group policies.

2.8 Inventories

Inventories comprise raw materials, work-in-progress 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, direct labour and other costs incurred in bringing the inventories to their present location and condition.

2.9 Trade receivables

Trade receivables are amounts receivable from customers for billing in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the consolidated income statement.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 Summary of significant accounting policies continued

2.12 Employee benefits

(a) Provision for staff benefits

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

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

(b) Share based payments

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

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

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

2.13 Leases

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 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 consolidated income statement in the period in which they are incurred.

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

2.16 Dividend distribution

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

2.17 Segment reporting

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

2 Summary of significant accounting policies continued

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 and loans and receivables. Currently, the Group does not have any available-for-sale and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

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

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

(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), other receivables 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) 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 Summary of significant accounting policies continued
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'.

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 (or disposal groups) held for sale
Assets (or disposal groups) 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.

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 is credited to the share premium.

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

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

(a) Market risk – foreign exchange risk
The Group has foreign exchange risk primarily with respect to balances in Euro and Saudi Riyal with certain suppliers. During the year ended 31 December 2015, if foreign exchange rates on foreign balances had been 10% higher/lower, the exchange difference would have been higher/lower by USD 139,602 (2014: USD 122,918).

3 Financial risk management continued

3.1 Financial risk factors continued

(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 2015, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 1,395,304 (2014: USD 1,358,744).

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is covered by the Group by taking fixed interest rate swaps against the variable rates. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. During the year ended 31 December 2015, if interest rates on borrowings had been 0.5% higher/lower, the interest expense would have been higher/lower by USD 462,028 (2014: USD 543,411).

(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, financial assets carried at fair value through profit or loss, trade and other receivables and derivative financial instruments. The Group has a formal procedure of monitoring and follow up of customers for outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'B' are accepted. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2015, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 88% (2014: 57%) of trade receivables outstanding at that date. Management believes that this concentration of credit risk is mitigated as the Group conducts credit checks internally and through expert third party providers for new counterparties or in support of major contracts, payment terms under contract are carefully managed and protection against non-payment is built into contractual documentation to ensure the Group has a right to remedy in the event of delayed/non-payment.

The following table shows the rating and balance of the 13 major counterparties at the balance sheet date:

	2015		2014	
Counterparty	External rating[1]	USD'000	External rating[1]	USD'000
Bank A	**A+**	**171,549**	AA-	195,700
Bank B	**A+**	**51,922**	A+	115,362
Bank C	**AA-**	**34,268**	AA-	35,654
Bank D	**AA-**	**11,614**	AA-	11,511
		269,353		358,227

1. Based on Fitch's long-term ratings.

	2015		2014	
	Internal rating[2]	USD'000	Internal rating[2]	USD'000
Customer 1	**Group B**	**38,798**	Group A	4,888
Customer 2	**Group C**	**23,665**	Group C	3,928
Customer 3	**Group B**	**12,548**	Group B	3,892
Customer 4	**Group B**	**5,332**	Group B	3,359
Customer 5	**Group A**	**2,159**	Group A	3,091
Customer 6	**Group B**	**1,156**	Group C	2,753
Customer 7	**Group B**	**1,096**	Group B	2,081
Customer 8	**Group A**	**773**	Group A	1,935
Customer 9	**Group B**	**649**	Group C	1,851
		86,176		27,778

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

The above represents 94% (2014: 57%) of trade receivables of USD 94.1 million (2014: USD 48.6 million) (Note 21).

The counterparties in 2015 are not necessarily the same counterparties in 2014.

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

NOTES TO THE FINANCIAL STATEMENTS
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3 Financial risk management continued
3.1 Financial risk factors continued
(d) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group is currently financed from shareholders' equity and borrowings.

The Group's liquidity risk on derivative financial instruments is disclosed in Note 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 5 years USD'000
31 December 2015				
Trade and other payables (excluding due to customers on contracts) (Note 29)	**171,342**	**–**	**–**	**–**
Derivative financial instruments (Note 28)	**18**	**–**	**4**	**14**
Borrowings (Note 31)	**79,299**	**80,456**	**20,456**	**60,000**
	250,659	**80,456**	**20,460**	**60,014**
31 December 2014				
Trade and other payables (excluding due to customers on contracts) (Note 29)	168,923	–	–	–
Derivative financial instruments (Note 28)	269	–	269	–
Borrowings (Note 31)	98,979	100,456	20,456	80,000
	268,171	100,456	20,725	80,000

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 un-geared.

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

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

There are no assets at 31 December 2015 measured at fair value. The following table presents the Group's assets that are measured at fair value at 31 December 2014:

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Derivative financial instruments (Note 28)	–	69	–	69

3 Financial risk management continued

3.3 Fair value estimation continued

The following table presents the Group's liabilities that are measured at fair value:

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2015				
Derivative financial instruments (Note 28)	**–**	**18**	**–**	**18**
31 December 2014				
Derivative financial instrument (Note 28)	–	269	–	269

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 30.5 million (2014: USD 4.4 million) if the total costs to complete are decreased by 10% and the revenue and profit decreasing by USD 28.5 million (2014: USD 4.4 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 "cash generating unit 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" ("CGU_1"). This CGU also represents the operating segment UAE for the Group (Note 5).

The recoverable amount of CGU_1 is determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

The amount of headroom is USD 311.6 million (2014: USD 290.6 million).

If the revenue growth rate used was to differ by 0.5% from management's estimates, in isolation, there would be a reduction of USD 3.9 million (2014: USD 5.7 million) in the headroom if the revenue growth rate was lower or the headroom would be higher by USD 3.9 million (2014: USD 5.7 million) if the revenue growth rate was higher.

If the discount rate used was to differ by 0.5% from management's estimates, in isolation, there would be a reduction in the headroom of USD 48.0 million (2014: USD 55.2 million) if the discount rate was to increase or an increase in the headroom by USD 54.2 million (2014: USD 63.5 million) if the discount rate was to decrease.

If the net profit as a percentage of revenue used was to differ by 0.5% from management's estimates, in isolation, there would be an increase of USD 66.4 million (2014: USD 62.1 million) in the headroom if the net profit was to increase or there would be an reduction in the headroom of USD 66.4 million (2014: USD 62.1 million) in the headroom if the net profit was to decrease.

If the terminal value growth rate used was to differ by 0.5% from management's estimates, in isolation, there would be a reduction in the headroom of USD 35.5 million (2014: USD 43.4 million) if the terminal value growth rate was lower or an increase in the headroom of USD 40.8 million (2014: USD 49.8 million) if the terminal value growth rate was higher.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4 Critical accounting estimates and judgements continued

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% (2014: 5%). A discount rate of 10.39% (2014: 10.46%) 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.

The amount of headroom is USD 354.7 million (2014: USD 381.7 million).

If the revenue growth rate used was to differ by 0.5% from management's estimates, in isolation, the headroom would be lower by USD 3.9 million (2014: USD 5.8 million) if the revenue growth rate was decreased or the headroom would be higher by USD 3.9 million (2014: USD 5.8 million) if the revenue growth rate was increased.

If the discount rate used was to differ by 0.5% from management's estimates, in isolation, the headroom would be lower by USD 48.2 million (2014: USD 56.7 million) if the discount rate was increased or the headroom would be higher by USD 55.1 million (2014: USD 65.4 million) if the discount rate was decreased.

If the net profit as a percentage of revenue was to differ by 0.5% from management's estimates, in isolation, the headroom would be lower by USD 67.0 million (2014: USD 63.2 million) if the net profit as a percentage of revenue was lower or the headroom would be higher by USD 67.0 million (2014: USD 63.2 million) if the net profit as a percentage of revenue was higher.

If the terminal value growth rate was to differ by 0.5% from management's estimates, in isolation, the headroom would be lower by USD 35.9 million (2014: USD 44.7 million) if the terminal value growth rate was lower or the headroom would be higher by USD 41.3 million (2014: USD 51.4 million) if the terminal value growth rate was increased.

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 3.5% (2014: 3.5%). If the discount rate used was to differ by 0.5 points from management's estimates, the carrying amount of the employees' end of the service benefits provision at the balance sheet date would be an estimated USD 1.0 million (2014: USD 1.5 million) lower or USD 1.4 million (2014: USD 1.6 million) higher. If the salary growth rate used was to differ by 0.5 points from management's estimates, the carrying amount of the employees' end of the service benefits provision at the balance sheet date would be an estimated USD 1.4 million (2014: USD 1.5 million) higher or USD 1.0 million (2014: USD 1.6 million) lower.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker at the reporting date. 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.

In prior periods, the business reported on the basis of the facility from where the services were rendered. With effect from 1 January 2015, the business was reorganised into business units on the basis of services rendered. Segment comparatives are restated to reflect the organisational changes that have occurred since the prior reporting period to present a like-for-like view.

The Executive Directors manage the business on the basis of the business units from which the services are rendered. Management considers the performance of the business from New Build Jackup Rigs ("NBJR"), Modules, ("MOD"), Offshore Platforms ("OP") and Oil and Gas Contracting Services ("OGCS").

NBJR derives its revenue from assembly and new build construction for the offshore oil and gas and renewables sectors; MOD derives its revenue from fabricating packaged, pre-assembled and modularised units and constructing accommodation and complex process modules for onshore downstream projects; OP derives its revenue from construction of complex living quarters, wellhead decks, topsides, jackets and other offshore fixed facilities; and OGCS derives its revenue from rig refurbishment, land rig services, engineering and construction and operations and maintenance.

These business units are viewed by the management as three operating segments – United Arab Emirates "UAE", Qatar "QTR" and Kazakhstan "KZK" – based on common pool of resources and ability to execute the projects on an interchangeable basis.

5 Segment information continued

UAE is reported as a single segment (Segment A). Services provided from QTR and KZK do not meet the quantitative thresholds required by IFRS 8 and the results of these operating segments are included in the "all other segments" column.

	Segment A USD'000	All other segments USD'000	Total USD'000
Year ended 31 December 2015			
Revenue from external customers	**865,802**	**5,256**	**871,058**
Gross operating profit	**173,179**	**1,696**	**174,875**
Year ended 31 December 2014			
Revenue from external customers	1,077,921	6,969	1,084,890
Gross operating profit	233,292	2,511	235,803

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

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

The reconciliation of the gross profit is provided as follows:

	2015 USD'000	2014 USD'000
Gross operating profit for the reportable segments as reported to the Executive Directors	**173,179**	233,292
Gross operating profit for other segments as reported to the Executive Directors	**1,696**	2,511
Unallocated:		
Employee and equipment costs	**(14,523)**	(11,841)
Repairs and maintenance	**(18,636)**	(21,776)
Yard rent and depreciation	**(12,667)**	(15,249)
Others	**(5,529)**	(4,857)
Gross profit	**123,520**	182,080
Selling and distribution expenses (Note 7)	**(1,771)**	(1,773)
General and administrative expenses (Note 9)	**(44,318)**	(72,700)
Other gains/(losses) – net (Note 12)	**260**	1,456
Finance costs (Note 11)	**(14,647)**	(20,516)
Finance income (Note 11)	**2,679**	2,166
Others	**777**	2,507
Profit for the year from continuing operations	**66,500**	93,220

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5 Segment information continued
The breakdown of revenue from all business units is as follows:

	2015 USD'000	2014 USD'000
New build jackup rigs	**675,821**	748,391
Oil & gas contracting services	**136,216**	253,870
Modules	**47,121**	4,636
Offshore platforms	**11,900**	77,993
	871,058	1,084,890

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 865.8 million (2014: USD 1,077.9 million), and the revenue recognised from the operations in other countries is USD 5.3 million (2014: USD 7.0 million).

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

	2015 USD'000	2014 USD'000
External customer A	**275,296**	275,026
External customer B	**196,462**	155,768
External customer C	**147,251**	144,952
	619,009	575,746

The revenue from these customers is attributable to Segment A. The above customers in 2015 are not necessarily the same customers in 2014.

6 Cost of sales

	2015 USD'000	2014 USD'000
Materials and related costs	**445,461**	420,939
Subcontract costs	**77,561**	187,357
Staff costs (Note 10)	**150,979**	163,614
Subcontract labour	**20,968**	38,394
Equipment hire	**5,136**	19,252
Depreciation (Note 16)	**16,818**	23,979
Repairs and maintenance	**18,636**	21,776
Yard rent	**6,754**	6,707
Warranty costs and other liabilities – net	**(4,000)**	6,989
Others	**9,225**	13,803
	747,538	902,810

7 Selling and distribution expenses

	2015 USD'000	2014 USD'000
Travel	**628**	1,055
Advertising and marketing	**359**	480
Entertainment	**143**	144
Others	**641**	94
	1,771	1,773

8 Share based payments

Group

	2015 USD'000	2014 USD'000
Amount of share based charge (Note 10):		
– relating to free share plan	**126**	143
– relating to executive share option plan	**130**	15
– relating to performance share plan	**2,918**	926
	3,174	1,084

Company

	2015 USD'000	2014 USD'000
Amount of share based charge:		
– relating to free share plan	**90**	11
– relating to executive share option plan	**130**	15
– relating to performance share plan	**905**	92
	1,125	118

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
2014				
30 June 2014	40,000	36 months	£ 1.55	–
18 November 2014	122,499	36 months	£ 1.41	–
	162,499			

A charge of USD 125,661 (2014: USD 143,000) 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 90,356 (2014: USD 11,000).

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 2014	127,500
Shares granted under the free share awards	162,499
Shares vested under the free share awards	(127,500)
Shares expected to vest in future periods at 31 December 2014 and 31 December 2015	**162,499**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8 Share based payments continued

Executive share option plan

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

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

	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 and 2013				
Granted in 2014	1.41	340,855	17 November 2017	27 November 2027
At 31 December 2014 and 2015		**340,855**		

The outstanding options as at 31 December 2015 have a fair value per option of £0.73.

5,876 options under this plan were vested on the due date but not exercised or lapsed at 31 December 2015 (2014: 5,876).

A charge of USD 130,470 (2014: USD 15,000) 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 130,470 (2014: USD 15,000).

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	–
2014					
30 June 2014	1,080,142	36 months	£ 1.35	No	–
30 June 2014	470,000	36 months	£ 1.55	No	–
18 November 2014	321,691	24 months	£ 1.41	No	–
18 November 2014	321,691	36 months	£ 1.23	No	–
	2,193,524				
2015					
9 April 2015	416,569	36 months	£ 1.05	No	–
9 April 2015	1,671,505	36 months	£ 1.05	No	–
9 April 2015	495,000	36 months	£ 1.20	No	–
21 September 2015	292,570	14 months	£ 0.67	No	–
	2,875,644				

8 Share based payments continued

Performance share plan continued

Accordingly, a charge of USD 2,918,062 (2014: USD 926,000) is recognised in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings. During 2015, this includes a charge recognised in the income statement of the Company with a corresponding credit to retained earnings of USD 905,000 (2014: USD 92,000).

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

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

	Number of shares
Shares expected to vest in future periods at 1 January 2014	157,471
Shares granted under performance share plan	2,193,524
Shares vested under performance share plan	(60,080)
Shares lapsed due to non-satisfaction of vesting conditions	(34,333)
Shares expected to vest in future periods at 31 December 2014	2,256,582
Shares granted under performance share plan	2,875,644
Shares lapsed due to non-satisfaction of vesting conditions	(336,293)
Shares expected to vest in future periods at 31 December 2015	**4,795,933**

9 General and administrative expenses

	2015 USD'000	2014 USD'000
Staff costs (Note 10)	**34,054**	38,519
Legal, professional and consultancy fees	**3,346**	5,067
Depreciation (Note 16)	**2,560**	3,627
Amortisation of intangible assets (Note 17)	**2,624**	11,895
Utilities and communication	**932**	718
(Release)/provision for impairment of trade receivables – net	**(6,100)**	6,871
Bank charges	**184**	286
Others	**6,718**	5,717
	44,318	72,700

10 Staff costs

	2015 USD'000	2014 USD'000
Wages and salaries	**120,611**	116,490
Employees' end of service benefits (Note 27)	**6,313**	6,229
Share based payments – value of services provided (Note 8)	**3,174**	1,084
Other benefits	**54,935**	78,330
	185,033	202,133
Staff costs are included in:		
Cost of sales (Note 6)	**150,979**	163,614
General and administrative expenses (Note 9)	**34,054**	38,519
	185,033	202,133
Number of employees at 31 December	**7,736**	6,912

Staff costs capitalised during the year and not included above amount to USD 7.5 million (2014: USD 0.5 million).

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10 Staff costs continued
Directors' remuneration comprises:

	Salary 2015 USD'000	Fees 2015 USD'000	Allowances & benefits 2015 USD'000	Share based payments 2015 USD'000	Post-employment benefits 2015 USD'000	Total 2015 USD'000	Total 2014 USD'000
Executive Directors							
John Kennedy[1]	–	294	–	105	–	399	–
Jim Moffat	753	–	551	1,034	44	2,382	1,823
Antony Wright[2]	157	–	150	44	7	358	–
Joanne Curin[3]	–	–	–	–	–	–	2,170
Non-Executive Directors							
John Kennedy[1]	–	174	–	55	–	229	318
Peter Whitbread[4]	–	40	–	–	–	40	96
Michael Press[5]	–	87	–	–	–	87	146
John Malcolm	–	115	–	–	–	115	125
Ellis Armstrong	–	125	–	–	–	125	121
Mel Fitzgerald[6]	-	40	–	–	–	40	–
Debra Valentine[7]	–	34	–	–	–	34	–
Total	910	909	701	1,238	51	3,809	4,799

The emoluments of the highest paid Director were USD 2.4 million (2014: USD 2.2 million) and these principally comprised salary, bonus and benefits.

1. Appointed Executive Chairman with effect from 13 August 2015.
2. Appointed as Chief Financial Officer and Director on 13 August 2015.
3. Appointed as Chief Financial Officer and Director on 1 October 2013 and resigned with effect from 17 November 2014.
4. Retired as Non-Executive Director with effect from 12 May 2015.
5. Retired as Non-Executive Director with effect from 13 August 2015.
6. Appointed as Non-Executive Director on 13 August 2015.
7. Appointed as Non-Executive Director on 1 September 2015.

11 Finance costs – net

	2015 USD'000	2014 USD'000
Finance costs:		
Bank guarantee charges	5,300	11,232
Interest on bank borrowings	3,588	6,006
Commitment fees	3,829	1,728
Others	1,930	1,550
	14,647	20,516

Finance income
Finance income comprises interest income of USD 2.7 million (2014: USD 2.2 million) from bank deposits.

12 Other gains/(losses) – net

	2015 USD'000	2014 USD'000
Exchange (loss)/gain – net	**(16)**	1,164
Profit on disposal of assets	**315**	162
Net loss on derivatives	**(780)**	(156)
Others	**741**	286
	260	1,456

13 Earnings per share

(a) Basic

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

The calculations of earnings per share are based on the following profit and numbers of shares:

	2015	2014
Profit for the year (USD'000)	**64,700**	118,057
Weighted average number of shares for basic earnings per share	**341,710,302**	315,591,024
Adjustments for:		
– Assumed exercise of the free share awards	**51,331**	3,640
– Assumed vesting of performance share plan	**1,683,467**	242,361
Weighted average number of shares for diluted earnings per share	**343,445,100**	315,837,025
Earnings per share:		
Basic	**18.93c**	37.41c
Diluted	**18.84c**	37.38c
Earnings per share from continued operations:		
Basic	**19.46c**	29.54c
Diluted	**19.36c**	29.52c
(Loss)/earnings per share from discontinued operations:		
Basic	**(0.53c)**	7.87c
Diluted	**(0.52c)**	7.86c

The 340,855 options (2014: 340,855 options) granted on 18 November 2014 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2014 and 2015. These options could potentially dilute basic earnings per share in future.

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

	2015 USD'000	2014 USD'000
Depreciation	**19,378**	27,654
Operating lease rentals – land and buildings	**12,437**	16,609
(Release)/provision for impairment of trade receivables (Note 21)	**(6,100)**	7,798

(b) Auditor's remuneration
Services provided by the Group's auditors and its associates comprised:

	2015 USD'000	2014 USD'000
Auditor's remuneration – audit and related services	**568**	663
Auditor's remuneration – taxation and other services	**101**	229
Auditor's remuneration – other services[1]	**–**	643

1. Comparative numbers mainly relate to capital markets support for the rights issue.

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

	Classification	2015 USD'000	2014 USD'000
Derivative financial instruments (Note 28)	Fair value through profit or loss	**–**	69
Trade receivables net of provision (Note 21)	Loans and receivables	**88,926**	37,000
Other receivables excluding prepayments	Loans and receivables	**6,404**	8,315
Due from related parties (Note 24)	Loans and receivables	**13**	68
Cash and bank balances (Note 22)	Loans and receivables	**289,618**	371,625
		384,961	417,077

Liabilities as per balance sheet

	Classification	2015 USD'000	2014 USD'000
Derivative financial instruments (Note 28)	Fair value through profit or loss	**18**	269
Trade payables (Note 29)	Liabilities at amortised cost	**44,065**	30,390
Due to a related party (Note 24)	Liabilities at amortised cost	**122**	364
Accruals (Note 29)	Liabilities at amortised cost	**127,155**	138,169
Provision for warranty costs and other liabilities (Note 30)	Liabilities at amortised cost	**8,334**	15,812
Borrowings (Note 31)	Liabilities at amortised cost	**79,299**	98,979
		258,993	283,983

15 Financial instruments by category continued

Company

Assets as per balance sheet

	Classification	2015 USD'000	2014 USD'000
Cash at bank	Loans and receivables	**218**	286
Due from related parties (Note 24)	Loans and receivables	**12,510**	110,191
Other receivables	Loans and receivables	**635**	507
		13,363	110,984

Liabilities as per balance sheet

	Classification	2015 USD'000	2014 USD'000
Accruals	Liabilities at amortised cost	**17**	2,487

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:

	2015 USD'000	2014 USD'000
Trade receivables		
Group A	**4,473**	17,127
Group B	**12,502**	976
Group C	**21,668**	2,088
	38,643	20,191

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.

	2015 USD'000	2014 USD'000
Derivative financial instruments		
Fitch's ratings		
A+	**–**	23
AA-	**–**	46
	–	69

None of the financial assets that are fully performing have been renegotiated in the last year.

NOTES TO THE FINANCIAL STATEMENTS
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15 Financial instruments by category continued
Credit quality of financial assets continued
Group continued

	2015 USD'000	2014 USD'000
Cash at bank and short-term bank deposits		
Fitch's ratings		
AA-	**46,463**	242,865
A+	**230,471**	124,745
A	**10,547**	1,564
A-	**–**	395
B	**963**	917
BBB+	**395**	–
BBB–	**–**	104
Not rated	**202**	202
	289,041	370,792
Cash in hand (unrated)	**577**	833
Cash at bank and in hand (Note 22)	**289,618**	371,625

Company

	2015 USD'000	2014 USD'000
Due from related parties (Note 24)	**12,510**	110,191

Due from related parties is neither past due nor impaired.

	2015 USD'000	2014 USD'000
Cash at bank		
Fitch's ratings		
AA–	**218**	286

16 Property, plant and equipment

	Operating equipment USD'000	Buildings & infrastructure 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 2014	116,853	123,232	16,207	2,522	3,689	262,503
Additions	8,842	1,991	1,978	1,113	4,944	18,868
Transfers	1,332	1,445	154	315	(3,246)	–
Assets of disposal group classified as held for sale (Note 23)	–	–	(820)	(95)	–	(915)
Other disposals	(643)	(48)	(109)	(766)	–	(1,566)
At 31 December 2014	126,384	126,620	17,410	3,089	5,387	278,890
Additions	25,104	10,793	2,121	1,372	16,159	55,549
Other disposals	(1,760)	(370)	(3,118)	(295)	–	(5,543)
Transfers	3,597	1,088	129	83	(4,897)	–
At 31 December 2015	**153,325**	**138,131**	**16,542**	**4,249**	**16,649**	**328,896**
Depreciation						
At 1 January 2014	(70,814)	(27,272)	(13,970)	(2,124)	–	(114,180)
Charge for the year	(14,052)	(9,042)	(3,485)	(1,075)	–	(27,654)
Accumulated depreciation of disposal group classified as held for sale (Note 23)	–	–	781	95	–	876
Other disposals	588	41	88	694	–	1,411
At 31 December 2014	(84,278)	(36,273)	(16,586)	(2,410)	–	(139,547)
Charge for the year	(10,906)	(7,209)	(803)	(460)	–	(19,378)
Other disposals	1,723	331	3,001	260	–	5,315
At 31 December 2015	**(93,461)**	**(43,151)**	**(14,388)**	**(2,610)**	**–**	**(153,610)**
Net book amount						
At 31 December 2015	**59,864**	**94,980**	**2,154**	**1,639**	**16,649**	**175,286**
At 31 December 2014	42,106	90,347	824	679	5,387	139,343

Buildings have been constructed on land, leased on a renewable basis from various Government Authorities. The remaining lives of the leases range between two to seventeen 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 with a carrying amount of USD 115.2 million (2014: USD 124.8 million) are under lien against the bank facilities (Note 31).

A depreciation expense of USD 16.8 million (2014: USD 24 million) has been charged to cost of sales; USD 2.6 million (2014: USD 3.6 million) to general and administrative expenses (Notes 6 and 9) and USD 0.04 million (2014: USD 0.1 million) is presented within profit for the year from discontinued operations (Note 23).

Capital work-in-progress represents the cost incurred towards construction and upgrade of infrastructure and operating equipment.

NOTES TO THE FINANCIAL STATEMENTS
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17 Intangible assets

	Goodwill USD'000	Trade name USD'000	Customer relationships USD'000	Leasehold rights USD'000	Software USD'000	Work-in-progress USD'000	Total USD'000
Cost							
At 1 January 2014	180,539	22,335	19,323	8,338	1,536	2,615	234,686
Additions	–	–	–	–	56	3,539	3,595
Transfers	–	–	–	–	2,777	(2,777)	–
At 31 December 2014	180,539	22,335	19,323	8,338	4,369	3,377	238,281
Additions	–	–	–	–	6	3,776	3,782
Transfers	–	–	–	–	7,153	(7,153)	–
At 31 December 2015	**180,539**	**22,335**	**19,323**	**8,338**	**11,528**	**–**	**242,063**
Amortisation							
At 1 January 2014	–	6,770	11,876	1,478	1,536	–	21,660
Charge for the year (Note 9)	–	3,765	7,447	488	195	–	11,895
At 31 December 2014	–	10,535	19,323	1,966	1,731	–	33,555
Charge for the year (Note 9)	–	1,804	–	488	332	–	2,624
At 31 December 2015	**–**	**12,339**	**19,323**	**2,454**	**2,063**	**–**	**36,179**
Net book amount							
At 31 December 2015	**180,539**	**9,996**	**–**	**5,884**	**9,465**	**–**	**205,884**
At 31 December 2014	180,539	11,800	–	6,372	2,638	3,377	204,726

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.

Leasehold rights represent a favourable operating right acquired upon the acquisition of MIS and existing leasehold rights in the books of MIS on acquisition of Rig Metals LLC in 2008. The value of the intangible assets has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease terms of eleven to seventeen years.

During 2014 and 2015, work-in-progress represents the cost incurred towards the implementation of a new Enterprise Resource Planning software ("ERP software").

The Group amortises intangible assets with a limited useful life using the straight line method over the following periods:

	Years
Trade name	10
Leasehold rights	17
Software	15

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.

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 Group budget 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.

17 Intangible assets continued

The key assumptions, revenue growth rate, discount rate, net profit rate and terminal value growth rate used in the value-in-use calculations are as follows:

	2015 USD'000	2014 USD'000
Revenue growth rate[1]	**5%**	5%
Discount rate[2]	**10.42%**	10.55%
Net profit rate[3]	**3%**	5%
Terminal value growth rate[4]	**3.25%**	3.25%

1. Revenue growth rate for the first three-year period is based on the Group budget. Beyond this period, the growth rate is determined based upon past performance and management expectations of future market development.
2. In determining the appropriate discount rate, the Group considers the weighted average cost of capital employed, which takes into consideration the risk free rate of US treasury bonds with a long-term maturity period, the UAE inflation rate, an Equity risk premium on the entities operating from the UAE, the Group's beta and the cost of the Group's debt.
3. Net profit rate for the first three-year period is based on the Group budget. Beyond this period, the net profit rate is determined based upon management expectations of future market development.
4. Terminal value growth rate is based upon management expectations of future market development.

18 Investment in subsidiaries

	2015 USD'000	2014 USD'000
At 1 January	**593,747**	592,781
Additions – conversion of loan	**96,773**	–
Share based payments to employees of subsidiaries in accordance with IFRS 2	**2,049**	966
At 31 December	**692,569**	593,747

The Company granted free and performance shares to employees of its subsidiaries under various plans (Note 8). These shares have a vesting period of thirty six months. Accordingly, the proportionate share based charge for the year of USD 2.0 million (2014: USD 1.0 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

During the year, management has decided to convert a loan receivable from LEL into an equity contribution. Accordingly, an amount of USD 96.8 million has been treated as a further investment in the subsidiary.

19 Investment accounted for using the equity method

Investment in a joint venture

	2015 USD'000	2014 USD'000
At 1 January	**5,118**	5,615
Dividends received during the year	**(1,151)**	(3,488)
Share of profit for the year	**1,318**	2,991
At 31 December	**5,285**	5,118

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
Maritime Industrial Services Arabia Co. Ltd. ("MISA")[1]	Jubail, Kingdom of Saudi Arabia	30%	Operational

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

NOTES TO THE FINANCIAL STATEMENTS
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19 Investment accounted for using the equity method continued

Investment in a joint venture continued

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

MISA

	2015 USD'000	2014 USD'000
Total non-current assets	6,902	5,450
Total current assets	21,452	24,684
Total non-current liabilities	(2,600)	(2,152)
Total current liabilities (excluding income tax payable)	(6,977)	(8,117)
Net assets (excluding income tax payable)	18,777	19,865
Income tax payable	(628)	(1,232)
Net assets	18,149	18,633
Group's share of joint venture's net assets (excluding income tax payable) – 30%	5,633	5,960
Group's share of joint venture's income tax payable	(348)	(842)
Group's share of joint venture's net assets – net of Group's share of income tax	5,285	5,118
Revenue	30,809	39,824
Expenses	(25,077)	(27,037)
Profit before tax	5,732	12,787
Group's share of joint venture's net profit – net of Group's share of income tax	1,318	2,991

MISA is a private company and there is no quoted market price available for its shares.

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

	2015 USD'000	2014 USD'000
Letters of guarantee	2,532	1,695
Operating lease commitments	119	187

20 Inventories

	2015 USD'000	2014 USD'000
Raw materials and consumables	21,917	16,301
Work in progress	9,604	–
Less: Provision for slow moving and obsolete inventories	(2,455)	(1,741)
	29,066	14,560

21 Trade and other receivables

	2015 USD'000	2014 USD'000
Trade receivables	**94,146**	48,622
Other receivables and prepayments	**30,206**	21,620
Advance to suppliers	**19,435**	6,533
Receivables from a related party (Note 24)	**13**	68
	143,800	76,843
Less: Provision for impairment of trade receivables	**(5,220)**	(11,622)
	138,580	65,221
Amounts due from customers on contracts	**133,487**	185,476
Contract work in progress (Note 2.2)	**156,259**	152,922
	428,326	403,619

Non-current portion:		
Advance to suppliers	**–**	4,932
Prepayments	**12,712**	6,944
Current portion	**415,614**	391,743

During 2015, the Group paid an amount of USD 8.5 million to the Sharjah Electricity & Water Authority for construction, installation and maintenance of an electric mainline at its Hamriyah facility. The Group has decided to amortise this amount over the remaining period of the leasehold rights for the facility.

Amounts due from customers on contracts comprise:

	2015 USD'000	2014 USD'000
Costs incurred to date	**1,098,234**	1,042,589
Attributable profits	**204,586**	190,090
	1,302,820	1,232,679
Less: Progress billings	**(1,169,333)**	(1,047,203)
	133,487	185,476

As required under our current contracts with Ensco, we note that all related materials and equipment and the vessel itself being constructed under these contracts are the exclusive property of Ensco.

An analysis of trade receivables is as follows:

	2015 USD'000	2014 USD'000
Fully performing	**38,643**	20,191
Past due but not impaired	**50,283**	16,809
Impaired	**5,220**	11,622
	94,146	48,622

At 31 December 2015, trade receivables of USD 50.3 million (2014: USD 16.8 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:

	2015 USD'000	2014 USD'000
Up to three months	**48,446**	11,524
Three to six months	**785**	3,173
Over six months	**1,052**	2,112
	50,283	16,809

NOTES TO THE FINANCIAL STATEMENTS
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21 Trade and other receivables continued
At 31 December 2015, trade receivables of USD 5.2 million (2014: USD 11.6 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in a difficult economic situation. The ageing analysis of these trade receivables is as follows:

	2015 USD'000	2014 USD'000
Not yet overdue	–	3,090
Up to three months	569	–
Over six months	4,651	8,532
	5,220	11,622

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

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

	2015 USD'000	2014 USD'000
At 1 January	11,622	7,715
Provision for receivables impairment	1,309	8,328
Receivables written off during the year as uncollectable	(302)	(2,774)
Amounts recovered during the year	(7,409)	(1,116)
Reclassified as asset held for sale	–	(531)
At 31 December	5,220	11,622

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

	2015 USD'000	2014 USD'000
Cash at bank and on hand	92,301	82,945
Term deposits and margin deposits – current	188,367	276,163
Cash and bank balances	280,668	359,108
Term deposits and margin deposits – non-current	8,950	12,517
Less: Margin/short-term deposits under lien	(11,787)	(12,312)
Less: Deposit with original maturity of more than three months	(53,667)	(46,961)
Cash and cash equivalents (for the purpose of cash flow statement)	224,164	312,352

At 31 December 2015, the cash at bank and short-term deposits were held with thirteen banks (2014: fifteen banks). The effective interest rate on short-term deposits was 0.96% (2014: 0.51%) per annum. Margin and short-term deposits of USD 11.8 million (2014: USD 12.3 million) and deposits with an original maturity of more than three months amounting to USD 43.9 million (2014: USD 37.3 million) are held under lien against guarantees issued by the banks (Note 35).

Company
Cash at bank comprises of cash held with one bank.

23 Assets held for sale and discontinued operations

Discontinued operations

Profit/(loss) from discontinued operations comprises:

	2015			2014		
	Inspec USD'000	Litwin USD'000	Total USD'000	Inspec USD'000	Litwin USD'000	Total USD'000
Revenue	–	1,640	1,640	3,008	16,385	19,393
Cost of sales	–	(1,763)	(1,763)	(2,080)	(21,082)	(23,162)
General and administrative expenses	–	(1,849)	(1,849)	(193)	(2,550)	(2,743)
Other gains/losses – net	–	165	165	2	280	282
Finance costs – net	–	(59)	(59)	–	(203)	(203)
Profit/(loss) from discontinued operations	–	(1,866)	(1,866)	737	(7,170)	(6,433)
Re-measurement of post-employment benefit obligations	–	–	–	–	13	13
Total comprehensive income arising from discontinued operations	–	(1,866)	(1,866)	737	(7,157)	(6,420)

The main elements of the cash flows are as follows:

	2015			2014		
	Inspec USD'000	Litwin USD'000	Total USD'000	Inspec USD'000	Litwin USD'000	Total USD'000
Operating cash flows	–	702	702	2,954	5,315	8,269
Investing cash flows	–	(123)	(123)	(74)	30	(44)
Financing cash flows	–	(59)	(59)	–	(203)	(203)
Total cash flows	–	520	520	2,880	5,142	8,022

Inspec

During 2013, the Group decided to dispose of Inspec. This transaction was completed on 3 March 2014.

Litwin

During 2014, the Group decided to dispose of Litwin. This transaction was completed on 21 April 2015.

Disposal group

At 31 December 2014, the major classes of assets and liabilities of a disposal group (Litwin) were as follows:

	2014 USD'000
Assets classified as held for sale	
Property, plant and equipment (Note 16)	39
Trade and other receivables (net of provision for impairment of trade receivables)	8,543
Cash and bank balances	6,646
	15,228
Liabilities classified as held for sale	
Provision for employees' end of service benefits (Note 27)	333
Trade and other payables	10,213
	10,546

The commitments of disposal group were as follows:

Bank guarantees	9,395

NOTES TO THE FINANCIAL STATEMENTS
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23 Assets held for sale and discontinued operations continued

Disposal group continued

Litwin

Net cash inflow on the subsidiary disposed during the year is as follows:

	2015 USD'000
Property, plant and equipment	**163**
Trade and other receivables	**7,315**
Cash and cash equivalents	**749**
Provision for employees' end of service benefits	**(298)**
Trade and other payables	**(3,906)**
Net assets	**4,023**
Accruals	**1,362**
Net assets retained	**(2,611)**
Expenses on disposal	**500**
Gain on disposal	**66**
Cash consideration on disposal	**3,340**
Less: Expenses on disposal	**(500)**
Less: Cash and cash equivalents transferred as a part of disposal	**(749)**
Net cash inflow for the purpose of consolidated cash flow statement	**2,091**

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:

Group

	2015 USD'000	2014 USD'000
Key management compensation	**7,099**	8,746
Legal and professional services	**–**	730
Sales to joint ventures	**315**	267
Purchases from joint ventures	**342**	350
Sponsorship fees and commissions paid to legal shareholders of subsidiaries	**294**	866

Company

	2015 USD'000	2014 USD'000
Key management compensation	**3,139**	3,993
Revenue (Management fees charged to subsidiaries)	**6,119**	10,129

24 Related party balances and transactions continued

Key management compensation comprises:

Group

	2015 USD'000	2014 USD'000
Salaries and other short-term benefits	**5,075**	6,537
Share based payments – value of services provided	**1,832**	435
Post-employment benefits	**192**	1,774
	7,099	8,746

Company

	2015 USD'000	2014 USD'000
Salaries and other short-term benefits	**1,905**	2,200
Share based payments – value of services provided	**1,183**	107
Post-employment benefits	**51**	1,686
	3,139	3,993

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

Due from/due to related parties

Due from related parties

	2015 USD'000	2014 USD'000
Group		
MISA (current) (Note 21)	**13**	68
Company		
MIS[1]	**11,236**	10,972
EBT[2]	**13**	43
LEL[3]	**1,261**	99,176
	12,510	110,191

1. Primarily comprises a receivable in respect of management fees charged by the Company.
2. Primarily comprises of payments made for treasury shares acquired by EBT on behalf of the Group.
3. Primarily comprises of a receivable in respect of management fees charged by the Company (2014: the balance primarily comprises a receivable in respect of amount advanced to LEL from the proceeds of the rights issue).

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.

Due to a related party

	2015 USD'000	2014 USD'000
Group		
MISA (current) (Note 29)	**122**	364

NOTES TO THE FINANCIAL STATEMENTS
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25 Share capital
Issued and fully paid ordinary shares

	Equity number	Share capital USD'000	Share premium USD'000
At 1 January 2014	260,363,101	23,552	211,776
Add: New shares issued during the year	81,363,469	6,794	112,785
Less: Transaction costs relating to the rights issue	–	–	(8,566)
At 31 December 2014	341,726,570	30,346	315,995
At 31 December 2015	**341,726,570**	**30,346**	**315,995**

The total authorised number of ordinary shares is 400 million shares (2014: 400 million shares) with a par value of 5 pence per share (2014: 5 pence per share).

During 2014, the Company successfully carried out a fully underwritten rights issue. The rights issue offered five new ordinary shares for every 16 ordinary shares held by each shareholder at an issue price of 88 pence per new ordinary share. The rights issue was fully subscribed and paid up as at 30 June 2014. The Company issued 81,363,469 new ordinary shares through the rights issue and received proceeds amounting to USD 119.6 million.

The paid-in capital from the rights issue is split between the par value of the shares issued (USD 6.8 million) and the share premium at the date of issue (USD 112.8 million) less any directly attributable transaction costs (USD 8.6 million). These new ordinary shares rank pari passu in all respects with the existing ordinary shares, including the right to all future dividends and other distributions declared, made or paid.

During 2015, Lamprell plc employee benefit trust ("EBT") acquired 51 shares (2014: 189,111 shares) of the Company. The total amount paid to acquire the shares was USD Nil (2014: USD 0.5 million) and has been deducted from the consolidated retained earnings. During 2015, no shares (2014: 187,580 shares amounting to USD 0.5 million) were issued to employees and 16,268 shares (31 December 2014: 16,217 shares) were held as treasury shares at 31 December 2015. The Company has the right to reissue these shares at a later date. These shares will be issued on vesting of the free shares/performance shares/share options granted to certain employees of the Group.

26 Other reserves
Group

	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Total USD'000
At 1 January 2014	98	(22,422)	191	(22,133)
Currency translation differences	–	–	(372)	(372)
Disposal of a subsidiary	–	3,850	–	3,850
At 31 December 2014	98	(18,572)	(181)	(18,655)
Currency translation differences	–	–	(489)	(489)
At 31 December 2015	**98**	**(18,572)**	**(670)**	**(19,144)**

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

Merger reserve
On 11 September 2006, the Group acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition was accounted for using the uniting of interest method.

On 25 September 2006, the Company entered into a share for share exchange agreement with LEL and LHL under which it acquired 100% of the 49,003 shares of LEL from LHL in consideration for the issue to LHL of 200,000,000 shares of the Company. This acquisition has been accounted for using the uniting of interest method.

26 Other reserves continued

Company

Other reserve

	2015 USD'000	2014 USD'000
At 1 January and 31 December	**329,153**	329,153

The other reserve arose on acquisition of LEL and is not available for distribution.

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 2015 and 2014, using the projected unit credit method, in respect of employees' end of service benefits payable under the labour laws of the countries in which the Group operates. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. The obligation for end of service benefit is not funded.

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

Group

	2015 USD'000	2014 USD'000
At 1 January	**38,752**	36,046
Current service cost	**4,871**	4,739
Interest cost	**1,442**	1,701
Remeasurements	**1,988**	3,742
Benefits paid	**(4,190)**	(7,143)
Liabilities of disposal group classified as held for sale (Note 23)	**–**	(333)
At 31 December	**42,863**	38,752

Remeasurements consist of actuarial losses from a change in demographic assumptions USD 1.0 million (2014: USD Nil), a change in financial assumptions USD 0.6 million (2014: USD 2.2 million) and other experiences 0.4 million (2014: USD 1.0 million).

Company

	2015 USD'000	2014 USD'000
At 1 January	**75**	75
Current service cost	**40**	64
Interest cost	**13**	4
Remeasurements	**(7)**	(45)
Benefits paid	**–**	(23)
At 31 December	**121**	75

Remeasurements consist of actuarial gains from change in demographic assumptions of USD 0.03 million and other experiences USD 0.04 million.

Group

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

	2015 USD'000	2014 USD'000
Current service cost	**4,871**	4,626
Interest cost	**1,442**	1,603
Total (included in staff costs) (Note 10)	**6,313**	6,229

Of the total charge, USD 4.9 million (2014: USD 5.1 million) and USD 1.4 million (2014: USD 1.1 million) are included in cost of sales and general and administrative expenses (Note 6 and 9 respectively).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

27 Provision for employees' end of service benefits continued

Company

	2015 USD'000	2014 USD'000
Current service cost	**40**	64
Interest cost	**13**	4
Total (included in staff costs)	**53**	68

The above charge of USD 0.1 million (2014: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	**3.50%**	3.50%
Future salary increase:		
Management and administrative employees	**3.00%**	3.00%
Yard employees	**3.00%**	2.50%

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 3.5% (2014: 3.5%). The rates used for future salary increase are long-term assumptions which take into account inflation, relevant factors in the employment market and the Group's own expectations. Based on these factors, the future salary increase rate for Yard employees has increased from 2.5% to 3%.

Due to the nature of the benefit, which is a lump-sum payable on exit for any cause, a combined single decrement rate has been used as follows:

	Percentage of employees at each age exiting the plan per year	
	2015	2014
Yard employees:		
20 – 29 years	**16%**	16%
30 – 44 years	**10%**	10%
45 – 59 years	**6%**	6%
60 years and above	**100%**	100%
Management and administrative employees:		
20 – 29 years	**8%**	8%
30 – 44 years	**6%**	6%
45 – 54 years	**4%**	4%
55 – 59 years	**1%**	1%
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

	2015			2014		
	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	**–**	**–**	**–**	2,889	–	269
Interest rate swaps	**80,000**	**–**	**18**	100,000	69	–
Total	**80,000**	**–**	**18**	102,889	69	269
Non-current portion	**60,000**	**–**	**14**	80,000	55	–
Current portion	**20,000**	**–**	**4**	22,889	14	269

During 2014, the Group entered into an interest rate swap to switch floating interest rates to fixed interest rates on the Group's borrowings. This derivative did not qualify for hedge accounting and is carried at fair value through profit or loss. The notional principal amount at the date of inception of these contracts was USD 100 million. This contract matures in various instalments within fifty seven months from the date of inception. The fair value liability at the 31 December 2015 of this derivative was USD 0.2 million (2014: USD 0.7 million).

29 Trade and other payables

	2015 USD'000	2014 USD'000
Trade payables	**44,065**	30,390
Accruals	**127,155**	138,169
Payables to a related party (Note 24)	**122**	364
Amounts due to customers on contracts	**93,601**	148,680
	264,943	317,603
Amounts due to customers on contracts comprise:		
Progress billings	**357,154**	477,583
Less: Cost incurred to date	**(226,975)**	(299,010)
Less: Recognised profits	**(36,578)**	(29,893)
	93,601	148,680

30 Provision for warranty costs and other liabilities

	Warranty costs USD'000	Minimum purchase obligations USD'000	Total USD'000
At 1 January 2014	5,400	–	5,400
Charged during the year	9,000	3,423	12,423
Released/utilised during the year	(2,011)	–	(2,011)
At 31 December 2014	12,389	3,423	15,812
Charge during the year	1,200	–	1,200
Released/utilised during the year	(5,489)	(3,189)	(8,678)
At 31 December 2015	**8,100**	**234**	**8,334**

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

31 Borrowings

	2015 USD'000	2014 USD'000
Bank term loans	**79,299**	98,979
The bank borrowings are repayable as follows:		
Current (less than 1 year)	**20,136**	20,136
Non-current (2 to 5 years)	**59,163**	78,843
	79,299	98,979

At 31 December 2015, the Group has banking facilities of USD 1,381 million (2014: USD 1,189 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 55.7 million (2014: USD 49.6 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.

The borrowings are stated net of the unamortised arrangement fees and other transaction costs of USD 1.2 million (2014: USD 1.5 million) and accrued interest of USD 0.5 million (2014: USD 0.5 million).

The banking facilities relating to overdrafts and revolving facilities carry interest at LIBOR + 3.5%. However, the Group has entered into interest rate swaps against the variable interest rate at a fixed interest rate of 1.2375% (2014: 1.2375%).

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

32 Profit of the Company
The profit of USD 0.4 million (2014: USD 2.1 million) in respect of the Company is included in these consolidated financial statements.

33 Dividends
There were no dividends declared or paid during the year ended 31 December 2015 or 31 December 2014.

34 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 seventeen years and are renewable at mutually agreed terms.

The future minimum lease payments payable under operating leases are as follows:

	2015 USD'000	2014 USD'000
Not later than one year	**6,988**	7,570
Later than one year but not later than five years	**9,992**	10,912
Later than five years	**36,530**	39,236
	53,510	57,718

(b) Other commitments

	2015 USD'000	2014 USD'000
Capital commitments for construction of facilities	**196**	4,219
Capital commitments for purchase of operating equipment and computer software	**4,791**	14,966

35 Bank guarantees

	2015 USD'000	2014 USD'000
Performance/bid bonds	**126,375**	90,063
Advance payment, labour visa and payment guarantees	**315,200**	276,757
	441,575	366,820

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

36 Cash generated from operating activities

		Year ended 31 December	
	Note	2015 USD'000	2014 USD'000
Operating activities			
Profit before income tax including discontinued operations		**65,241**	118,541
Adjustments for:			
Share based payments – value of services provided	8	**3,174**	1,084
Depreciation		**19,386**	27,935
Amortisation of intangible assets	17	**2,624**	11,895
Share of profit from investment in joint venture	19	**(1,318)**	(2,991)
Profit on disposal of property, plant and equipment		**(315)**	(162)
(Release)/provisions for warranty costs and other liabilities	30	**(7,478)**	5,989
Provision for slow moving and obsolete inventories	20	**714**	24
(Release)/provision for impairment of trade receivables – net	21	**(6,100)**	5,278
Provision for employees' end of service benefits	27	**6,313**	6,560
Gain on disposal of a subsidiary	23	**(66)**	(31,270)
Loss on derivative financial instruments	12	**780**	156
Finance costs		**14,706**	20,719
Finance income	11	**(2,679)**	(2,166)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**94,982**	161,592
Payment of employees' end of service benefits		**(4,225)**	(7,182)
Changes in working capital:			
Inventories before movement in provision		**(15,220)**	(2,898)
Derivative financial instruments	28	**(962)**	205
Trade and other receivables before movement in provision for impairment of trade receivables		**(14,768)**	(94,857)
Trade and other payables, excluding movement in dividend payable		**(60,329)**	(96,293)
Cash used in operating activities		**(522)**	(39,433)

37 Events after the balance sheet date

On 26 January 2016, the Group has signed a Memorandum of Understanding ("MOU") with Saudi Aramco (the National Oil Company of the Kingdom of Saudi Arabia), the National Shipping Company of Saudi Arabia ("Bahri") and Hyundai Heavy Industries in connection with a potential partnership collaboration on establishing a Maritime Complex in Saudi Arabia. The intended Maritime Complex will provide engineering, manufacturing and repair services for offshore rigs, commercial vessels and offshore service vessels. The MOU covers joint participation and due diligence on all activities and work streams required to make a final investment decision by all participating parties. The outcome of the agreement to engage in the potential joint venture partnership will be determined upon finalisation of all activities and required due diligence.

GLOSSARY

"AED"	United Arab Emirates Dirham
"ADNOC"	Abu Dhabi National Oil Company
"AGM"	Annual General Meeting
"AIM"	Alternative Investment Market – a market operated by the London Stock Exchange plc
"API"	American Petroleum Institute
"ASME"	American Society of Mechanical Engineers
"bn"	Billion
"Board" or "Directors"	the Board of Directors of the Company
"CAGR"	Compound Annual Growth Rate
"CBL"	Cleopatra Barges Limited
"CDP"	Carbon Disclosure Project
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"CGU"	Cash Generating Unit
"Code"	UK Corporate Governance Code 2014
"Company"	Lamprell plc
"COO"	Chief Operating Officer
"COP 21"	Conference of Parties 21
"CSR"	Corporate Social Responsibility
"DAFWC"	Day away from work case
"E&C"	Engineering & Construction
"E&P"	Exploration and Production
"EBITDA"	Earnings before Interest, Taxes, Depreciation and Amortisation
"EBT"	Lamprell plc Employee Benefit Trust
"EPC"	Engineering, Procurement and Construction
"EPCI"	Engineering, Procurement, Construction and Installation
"EPS"	Earnings Per Share
"ERM"	Enterprise Resource Management
"ERP"	Enterprise Resource Planning
"ESOP"	Lamprell plc Executive Share Option Plan
"EU"	European Union
"FCAW"	Flux Cored Arc Welding
"FPSO"	Floating, Production, Storage and Offloading
"FPU"	Floating Production Units
"FSP"	Free Share Plan
"FTSE"	Financial Times Stock Exchange index
"FZCO"	Free Zone Company
"GBP"	Great Britain Pound
"GE"	General Electric
"GIC"	Global Investment Co. Ltd. Inc
"Group"	The Company and its subsidiaries
"HMRC"	HM Revenue & Customs
"HR"	Human Resources
"HSE"	Health, Safety and Environment
"HSESQ"	Health, Safety, Environment, Security and Quality
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"IHS"	Information Handling Services
"INSPEC"	International Inspection Services Limited
"IOC"	International Oil Company
"ISO"	International Organization for Standardization
"IA"	Internal Audit
"IT"	Information Technology
"JIL"	Jebel All Investments Limited
"JPMC"	JP Morgan Cazenove
"KBR"	Kellogg Brown & Root
"KPI"	Key Performance Indicators
"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
"LNG"	Liquid Natural Gas

"LS"	Lamprell Sharjah WLL
"LSE"	London Stock Exchange Limited
"LTIP"	Long-Term Incentive Plan
"m"	Million
"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
"MOCL"	Maritime Offshore Construction Limited
"MOD"	Modules
"MOL"	Maritime Offshore Limited
"NBJR"	New Build Jackup Rigs
"NBS"	New Bridge Street
"NDC"	National Drilling Company
"NED"	Non-Executive Director
"NOC"	National Oil Company
"NY"	New York
"O&M"	Operations & Maintenance
"OGCS"	Oil and Gas Contracting Services
"OP"	Offshore Platforms
"PwC"	PricewaterhouseCoopers
"RIM"	Rig Metals LLC
"RSP"	Retention Share Plan
"TRIR"	Total Recordable Injury Rate
"TSR"	Total Shareholder Return
"UAE"	the Federation of the United Arab Emirates
"UK"	United Kingdom
"United States" or "US"	the United States of America
"USD"	US Dollar
"VP"	Vice-President

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