Directorate changes amending the Annual Report and Accounts 2016

Subsequent to the approval and printing of the Annual Report and Accounts 2016, Lamprell announced on 24 April 2017 the following changes to the Board and senior management of the Company: following a successful transition to the new CEO, Mr John Kennedy has decided to stand down from his position as Executive Chairman, and to resume his role as Non-Executive Chairman with immediate effect. Mr Kennedy continues in his previous role as Non-Executive Chairman and Director of the Company until he retires fully from the Board on 20 September 2017, to allow for a smooth handover of his responsibilities. A search to find a new Non-Executive Chairman will commence shortly and a further announcement will be made as appropriate.

The Annual Report and Accounts 2016 has been prepared on the basis that Mr Kennedy was acting in the capacity of Executive Chairman and therefore, in light of this recent announcement, all references in this document to that role should be considered as superseded and read as if Mr Kennedy is now acting in the capacity of Non-Executive Chairman. Similarly the composition of the Board as detailed on pages 34-35 of the Annual Report and Accounts 2016 are amended and updated to reflect the change in role of Mr Kennedy to Non-Executive Chairman.

Annual General Meeting 2017

On page 38 of the Annual Report and Accounts, the Company advised that it proposed to submit four Directors for re-election at the 2017 AGM in compliance with the Company's Articles of Association. However, in line with the Code and best practices, the Board has decided that all Directors will retire and stand for re-election at the 2017 AGM except for Mr Kennedy due to his decision to stand down later in 2017, as stated above.

Lamprell

Lamprell plc Annual Report and Accounts 2016

40 YEARS OF EXPERIENCE

PLAYING A KEY ROLE IN THE GLOBAL ENERGY INDUSTRY

1976 – 2016

1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

In its 40-year history, Lamprell has survived many changes in the industry, and has ridden the many ups and downs of the market.

Who we are

Lamprell is based in the United Arab Emirates ("UAE") and celebrated its 40th anniversary in 2016. Lamprell 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 high quality, complex offshore and onshore process modules as well as fixed platforms and topsides, and hold leading market positions in the fabrication of jackup drilling rigs, multi-purpose liftboats, land rigs and rig refurbishment projects.

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

Lamprell is a mature and robust business that is well equipped to meet the challenges the industry is facing.

For an in-depth account of our 40-year history go to www.lamprell.com

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**

Contents

Strategic report

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.

Cover image: In 2016 Lamprell delivered 31 out of a total of 45 modules to Petrofac for the Upper Zakum UZ750 project.

CREATING NEW OPPORTUNITIES

- Solid operational performance driving underlying margins
- Improved levels of productivity and efficiency enabled the yard to construct seven rigs concurrently
- Delivered four jackup rigs and multiple modules for a large onshore construction project during 2016
- Progressing joint venture agreement in Saudi Arabia with Saudi Aramco
- World-class safety record of 0.29 TRIR maintained
- Resolved technical issues with Cameron LeTourneau's rig jacking systems
- Market conditions reducing order book for 2017

The next stage of our journey starts here.

Revenue
(USD million)

705.0

2015: USD 871.1m
2014: USD 1,084.9m

KPI EBITDA*
(USD million)

30.6

2015: USD 90.0m
2014: USD 137.0m

Net profit before income tax and exceptional items from continuing operations
(USD million)

2.0

2015: USD 67.0m
2014: USD 93.7m

KPI Net (loss)/profit
(USD million)

(184.3)

2015: USD 64.7m
2014: USD 118.0m

(Loss)/earnings per share – diluted
(cents)

(53.94)c

2015: 18.84c
2014: 37.38c

KPI Net cash*
(USD million)

275.2

2015: USD 210.3m
2014: USD 272.6m

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

* Throughout the Annual Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including underlying profitability, underlying gross profit, underlying gross profit margin, underlying EBITDA and net cash are not defined under IFRS, and are termed 'Alternative Performance Measures' (APMs). Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help evaluate the ongoing financial performance and position of the Group. We have defined and explained the purpose of each of these measures on pages 114 to 115, where we provide more detail, including reconciliations to the closest equivalent measure under IFRS. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APMs may not be comparable with similarly titled measures and disclosures by other companies.

CONFRONTING MARKET CHALLENGES

Lamprell is a key player in the offshore and onshore oil & gas and renewable energy industries having firmly established itself as one of the world's leading fabricators serving customers across the globe.

Four new build jackup rigs delivered to three major clients in 2016

page 23

Our core services

New build jackup rigs

Lamprell has some of the world's leading facilities for the construction of new build jackup rigs. With a sophisticated engineering capability and state-of-the-art construction and load out facilities, Lamprell has a reputation as a leading and reliable builder of drilling rigs and multi-purpose jackup liftboats for the international market. In December 2016, the Group successfully delivered its 25th jackup drilling unit since listing in 2006, including seven Friede & Goldman Super M2's and 18 LeTourneau Super 116E's.

Offshore platforms

Lamprell has successfully undertaken a variety of offshore construction projects including complex living quarters, wellhead decks, topsides, major parts for FPSOs/FPUs and other offshore fixed facilities. In 2014 Lamprell was recognised by Guinness World Records for moving the heaviest load on trailers in respect of the Golden Eagle Area Development in the North Sea. Lamprell also fabricates foundations for the global energy industry, whether for the oil & gas sector or the renewables market.

Modules

Lamprell fabricates packaged, pre-assembled and modularised units and has expertise fabricating accommodation modules as well as complex process modules for onshore LNG and downstream modular construction projects. Lamprell's modular fabrication and construction activities offer a number of advantages over conventional construction. Fabrication and assembly are performed at our modernised facilities, allowing us to ensure that the project is undertaken on a cost-competitive basis whilst maintaining industry-leading safety and quality standards.

Oil & gas contracting services

Oil & gas contracting services encompass our smaller business streams. Our Land Rig Services unit completed our first land rig built to Lamprell's proprietary design; our E&C and Rig Refurbishment businesses enjoy reputations of delivering quality products safely, within budget and on schedule; our O&M division has an excellent reputation for bringing our strong safety and quality culture into every yard in which it operates; and Sunbelt provides complete safety solutions to clients through specialised products and services.

31 new modules delivered for the Zakum UZ750 Abu Dhabi based project in 2016

page 25

Employees

Lamprell employs more than 5,000 people across multiple facilities, has project focused and experienced execution teams with 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.

2015: 9,312

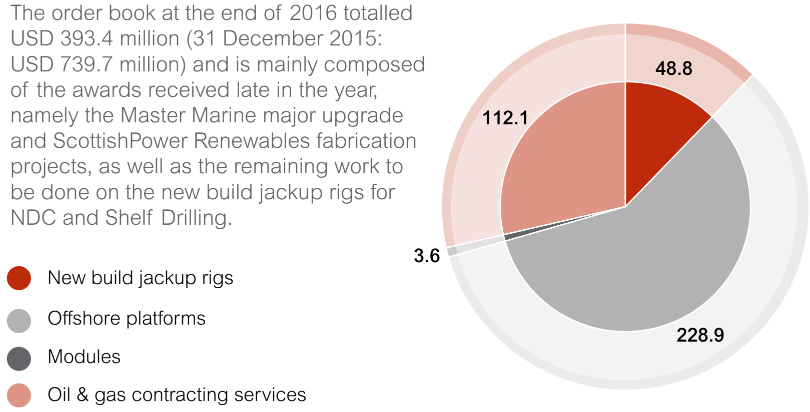
2015: 46

2015: male 92% female 8%

Order book

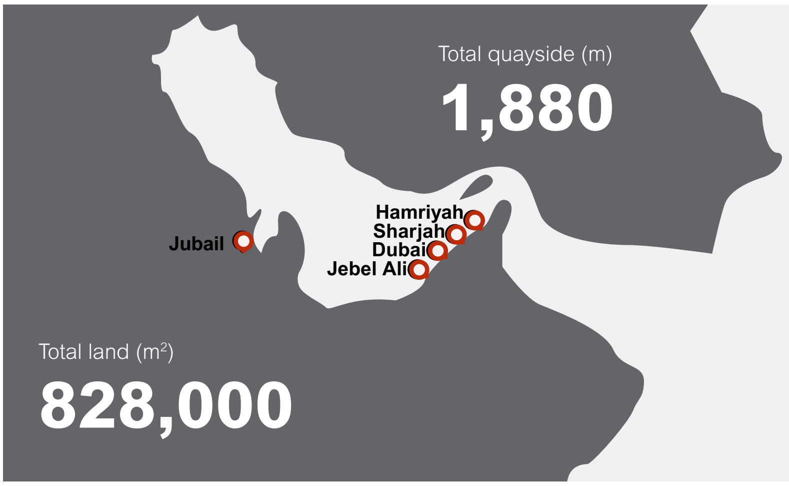
The order book at the end of 2016 totalled USD 393.4 million (31 December 2015: USD 739.7 million) and is mainly composed of the awards received late in the year, namely the Master Marine major upgrade and ScottishPower Renewables fabrication projects, as well as the remaining work to be done on the new build jackup rigs for NDC and Shelf Drilling.

Our order book 2016 (USD million) as at 31 December 2016 KPI



Two new major contracts awarded in H2 of 2016
page 20

Twelve rigs cold and warm stacked throughout 2016
page 25



Importance of strategic 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 called MIS Arabia, 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 800,000m^2 and almost 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.

Nine jackup rigs refurbished throughout the year
page 25

BUILDING A FUTURE IN A DOWNTURN

In tough times, it is easy to lose sight of long-term ambitions amid immediate challenges. As the downturn continued to affect the energy industry, Lamprell worked hard to retain its strong position and focus on its future.

Adapting to market environment

The turbulence in the oil & gas market continued throughout 2016 and Lamprell has had to adapt its business to respond to the changing market. Looking ahead, whilst there are early signs of recovery appearing, we expect that 2017 will probably be the toughest year to date for Lamprell. The timing of our projects partially shielded us from the full impact of the downturn, but the Group is now shifting from a period of record activity in its facilities to a quieter 2017 as projects have progressed to final stages.

This temporary scaling down is a consequence of a general slowdown in project awards around the world. Bid pipeline conversions have been challenging, with many projects suffering delays. In the near term, diversification has proven difficult. However, we are able to draw on well-established and solid foundations as well as a long history of technical and operational expertise, both to broaden our offering and to maintain performance during difficult times.

In this context, the Group has adapted its strategy to the new environment and the Board has done an extensive analysis of our core skills, to identify those transferable to other industries that are less affected by this downturn. This innovative approach led Lamprell to win a major windfarm contract from ScottishPower Renewables, following a very competitive process. As we expect the global jackup rig market to remain subdued for some time, we will be focusing our efforts on similar diversification strategies in the future.

With profitability, prudent management and investor accountability in mind, the Board has also reviewed Lamprell's cost base closely. We started the process of reducing overheads early in 2016; in addition, we took a number of difficult decisions to shrink and adapt the size of the organisation to align with the expectations for the year ahead. We were strategic in our approach to personnel reductions to retain our competitive strengths so that Lamprell remains well positioned should industry conditions improve.

We were also able to draw on our past experience to overcome the jacking equipment failures caused by the supplier which affected multiple rig projects in our yards in 2016. Under Jim Moffat's leadership, our team showed extraordinary dedication, knowledge and teamwork to address the issues on all the jackup rigs impacted. Since then, Lamprell has successfully delivered the rig projects.

Aiming higher

I would like to thank Jim Moffat for his excellent work over the past four years to build strong foundations that will enable a promising future for Lamprell. I am delighted to welcome the new Chief Executive, Christopher McDonald, whose primary task is to define and lead the way to a successful recovery and then growth of the business. We also welcomed Nicholas Garrett as a new Non-Executive Director who was only recently appointed to the Board.

Considerable progress on our strategic objectives has been achieved:

- Appointment of a new CEO and successful transition from Jim Moffat
- Progressing towards a strategic alliance offering step-change growth opportunities

Many elements of this path to success are already in place. One of Lamprell's major strengths is its position within one of the most important regions in the world of oil & gas, the Middle East, with its vast reserves of and economic reliance on hydrocarbons. Lamprell's position here is optimal for an oilfield services business, and Saudi Arabia, the largest regional player, represents a significant potential source for growing our business.

Last year, I outlined our focus on strategic partnerships and over the past year we have worked to deliver on this objective. Having signed a Memorandum of Understanding on the Saudi Maritime Yard in January 2016, within months we had progressed it to the stage of a Joint Development Agreement. This involved operational work-streams, with a focused team dedicated to due diligence and planning work, to ensure the project is viable for Lamprell as a company with public listing duties, and is in the interest of its shareholders. The negotiations have progressed significantly since then and the partnership is working its way towards project final investment decision ("FID").

This project would offer Lamprell significant growth opportunities with a potential step-change in scale, but it is not the only strategic opportunity being explored and developed by the Group. With Christopher's extensive experience in EPC, Lamprell is aiming to use its broad range of capabilities to move up the value chain on larger projects.

Enabling growth

Whilst 2017 will be a tough year in terms of revenue performance, the Board remains firmly focused on the Company's longer-term vision. The Company has a strong balance sheet and we have implemented the necessary short-term measures to ensure Lamprell can ride out the storm; accordingly, we are able to focus on our strategic objectives, combining the benefits of a fresh approach from Christopher McDonald and the strong foundations laid by Jim Moffat.

Recognising that Lamprell celebrated its 40th anniversary in 2016, I would like to thank the many people that have contributed to its rich history. This depth of experience and expertise provides me with confidence as we look to delivering our vision in the future.

John W. Kennedy

John Kennedy
Executive Chairman

KPI Total shareholder return

(3.4)%

2015: (17.8)%

Ensuring the business is geared to face the downturn

Identifying opportunities for organic growth and diversification

POSITIONED FOR GROWTH

After a difficult 2016 and in anticipation of a tougher 2017, Lamprell is focused on ensuring it is positioned to grow in the medium term. We have adapted the business structure to the tough current environment whilst investing time and effort into building for the future.

Q. You joined Lamprell as CEO in October 2016 – what are your first impressions?

First of all, I've been impressed by the excellent reputation Lamprell has for providing a 'value for money', safe and quality service which is clearly appreciated by our clients and has been created over four decades of experience. I experienced Lamprell's commitment to safety, quality and client service first-hand when I worked at Petrofac: Lamprell's work on the Abu Dhabi project was high quality. With these strong foundations and an established track record, I see a large number of growth opportunities within Lamprell's reach in the coming years.

Q. What specific new skills do you bring to the Company?

With over 20 years of experience in leading oil & gas services companies, I have a firm understanding of the dynamics in the wider industry and the key drivers for success of a business. Whilst I'm a mechanical engineer by training, my main strength lies in business development and I like to think ahead – anticipating the future demand and target market opportunities. In this way, we can develop Lamprell's strategy to broaden its addressable markets and to identify and reach the best prospects.

Q. What do you think of the achievements of your predecessor, Jim Moffat?

During my period of hand-over I came to appreciate Jim's deep knowledge of fabrication and yard operations. He has taken Lamprell to the next level, ensuring that we remain competitive notwithstanding the changing market landscape. Jim has also implemented a step change improvement in the HSE culture across the Lamprell Group. I believe the Company now has a strong base to deploy in new projects.

Q. What are your priorities for your first full year as CEO?

I am focused on the immediate challenges facing the business and also on developing and implementing a strategy for Lamprell's step-change growth in the medium term. Together with the rest of the sector, we believe that we are approaching the bottom of the market downturn. Whilst we have healthy cash balances, we need to ensure that the business exits this period in a position of strength by retaining core competencies and maintaining our solid financial position.

Q. What near-term measures have been undertaken to protect Lamprell's position?

Over the past three years Lamprell has gradually undergone a material restructuring as a result of which the Company has emerged more streamlined and efficient. As a newcomer I was impressed to see that considerable time and effort have been spent in developing Lamprell's infrastructure and making it more productive and efficient through initiatives such as Project Evolution (productivity improvements and cost efficiencies installed in our yards) and the new ERP system. The overhead reduction effort has continued this year.

As the market downturn deepened and in anticipation of a difficult year in 2017, we had to right-size the organisation to align with the expected lower levels of activity. It was a tough but necessary decision. Our administrative staff was reduced by approximately 20% through several rounds of redundancies and I have purposefully flattened the management structure to be more flexible at a lower cost. We have approached this exercise with careful consideration, aiming to achieve the right balance in adjusting our cost-base without jeopardising our ability to rebound quickly with the early signs of recovery. We have been mindful of the importance of preserving our core skill-sets and I would like to thank all our staff for their hard work through these tough times.

Q. When do you expect this recovery to occur?

I don't underestimate the difficulties the sector has undergone over the past few years but I am fully confident that the long-term outlook will offer Lamprell significant opportunities for growth. 2017 will probably be our most difficult year yet in terms of top-line performance, as there is often a substantial lag in awards for a typical E&C business model, but I'm starting to see early indications that a market recovery isn't too far away. I am hopeful that in 2018 we will start seeing a pick-up in market activity.

Q. Are you expecting any particular challenges for 2017?

We need to stay on top of our operational performance to eliminate any potential factors which could impact our results. Before I joined the Company, a significant issue with essential jackup rig equipment supplied by Cameron LeTourneau resulted in Lamprell having to reach a settlement with our client, Ensco, for delayed delivery. We resolved the technical issue and have since been on track with rig deliveries but we need to ensure our operational performance remains a key strength for Lamprell. That also applies to our need to ramp up as new projects kick off and we will be able to leverage our flexible labour structure to grow capacity quickly as our yards start filling up again.

Next, we need to define the path for Lamprell's growth and ensure that all the right resources are in place. With this in mind, I have a keen focus on Lamprell's business development capabilities and pipeline conversion, particularly in a prolonged downturn when competition for new projects will be fierce.

Q. Have you identified any gaps to fill in order to achieve long-term growth?

My priority is to set Lamprell in the strongest possible position to win new, profitable and strategically important business. For this we need to strengthen the Company in three directions: expanding the business development function, maintaining a competitive and attractive offering, and broadening Lamprell's addressable markets. With my background in business development, I have identified ways to do this and to improve the sales function. We have already started diversifying our offering, and our renewables win from ScottishPower Renewables page 20 demonstrates how versatile our expertise is. The possibilities of diversification for Lamprell are also in the scaling up of its services, by targeting larger EPC projects and by tapping new markets where its skills are transferrable. Finally, I will continue Jim's efforts to broaden our market reach and our potential partnership in Saudi Arabia is a prime example of a step-change strategic initiative.

Q. What is your vision for the Group? How do you see the Saudi project playing a role in it?

In the longer term, I want Lamprell to materially grow in size compared to its best year outturn by performing value-added, profitable EPC work as a primary contractor for NOCs, IOCs and large international drillers. In the meantime we need to secure ways and means to achieve this target. We have a strong financial and operational platform, which we need to leverage to grow the scale at which we operate. The Saudi Maritime Yard, one of the largest projects of its kind in the world, is a partnership with leading global companies in their respective fields and so represents an extremely attractive opportunity to elevate Lamprell to the next level. Accordingly, as a Board we feel it is our duty to shareholders to explore it. Whilst Lamprell's participation is still uncertain at this stage, our negotiations are progressing and I'm looking forward to shedding further light on this opportunity when I'm in a position to do so.

Q. In three words, how will you judge the success of your first year in the job?

It takes longer to deliver on the long-term strategy for a business and I expect to see the market recovery in full swing before I get judged on my performance, but if I had to describe it in three words then it would be: positioned for growth.

Christopher McDonald
Chief Executive Officer

KPI Total awards (USD million)

358.8

2015: USD 407.1m

COMPETITIVE PLAYER IN A CHALLENGING MARKET

Market conditions were tough throughout 2016 and the 2017 outlook remains challenging as operators approach investment cautiously. However, with some improvement in market sentiment, it is an appropriate time for key players such as Lamprell to plan for the longer term.

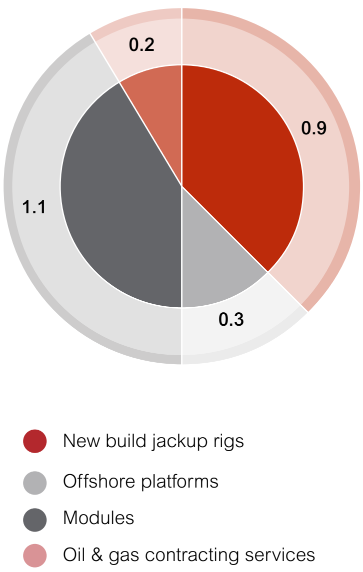
Macro-economic factors and strategy

In 1H 2016, energy prices hit ten-year lows but have since recovered and been relatively stable with Brent crude oil in a range of USD 45-55/bbl between 1H 2016 and 1H 2017[1]. This turnaround has been driven by the significant reductions in capex investment in the oil & gas sector and further underpinned by an agreement between OPEC and non-OPEC countries in 2H 2016 to reduce production by a combined 1.7 million barrels[2]. Accordingly, market analysts are projecting modest increases in energy prices over the course of the next three to four years (interspersed with some volatility)[3]. This trend of improving energy prices is expected, with a certain lag, to lead to increased capital investment. These green shoots of recovery are likely to start slowly with a continued low rate of project awards in 2017 but 7% higher than 2016[4]. Such project awards will typically take 12 months or more to filter down the supply chain. In the longer term however, the outlook for the energy sector remains positive with growth in world energy consumption anticipated to rise by a forecast 1% per annum out to 2035[5]. In the meantime, certain geographies and notably several within the Middle East, have made fewer cuts to their oil & gas capex programmes. This is driven by the region's reliance on revenues from the hydrocarbon sector and also by their stated intention to maintain market share.

Targeting diversified business opportunities

Lamprell has worked towards a diversified portfolio by targeting a wider set of addressable markets. This is essential in light of the current over supply of jackup drilling rigs, resulting in few orders in the near term. Our highest priority is to gain access to the untapped but significant Saudi Arabian market, both through the proposed joint venture and through working on projects directly for key clients such as Saudi Aramco. Other opportunities exist in complementary industries where Lamprell can readily transfer its existing expertise such as fabrication for the offshore renewables sector, which has already grown by 28 mtoe from 2003 to 2015 and is expected to grow substantially in the coming decades[5].

Bid pipeline 2016 (USD billion) as at 31 December 2016 KPI



Bid pipeline and bidding activity

- Bid pipeline was approximately USD 2.5 billion at the end of 2016 (2015: USD 5.4 billion)
- New awards valued at USD 358.8 million in 2016 (2015: USD 407.1 million)
- Shallow water fixed platforms represent the largest bid pipeline segment
- Prospects identified within the offshore wind sector building on the recent competitiveness
- New build jackups currently represent only 36% of total current prospects
- With reducing day rates and utilisation levels for the world drilling fleet[3], potential near-term opportunities for rig refurbishment and conversion work once industry recovers
- Lamprell continues to market its proprietary LAM2K land rig to various clients

Market sectors and our opportunities

New build jackup rigs

The global jackup drilling rig market is oversupplied with utilisation figures of approximately 49% in February 2017[6] and that will continue throughout the year although many deliveries for the new build rigs under construction have been deferred. Drilling operators are preferring to stack their existing jackup rigs rather than scrap them because of the low stacking charges but significant numbers of rigs will have to be scrapped in order to normalise rig utilisation and drive new international orders. This is expected to be accelerated by the advanced age of the world fleet. However, demand for operating rigs in the Middle East is projected to rise from 113 to 120 rigs over the 12 months to October 2017[6]. Lamprell sees opportunities for new rig orders in Middle Eastern markets where domestic requirements may drive demand.

Offshore platforms

Demand for shallow water EPC/EPCI projects in the Middle East, particularly in Saudi Arabia, remains active with Saudi Aramco awarding several USD billion worth of projects in 2016. With additional field development planned by Saudi Aramco to maintain and enhance field production in the medium term, Lamprell is actively working to participate in that market. The European offshore platform market is suffering the economic effects of the lower oil price environment more acutely than the Middle East although there are opportunities in both the North Sea sectors. Given Lamprell's recent contract win to build foundations for the UK offshore windfarm industry, we are also monitoring future new major windfarm projects closely including extensions to the East Anglia project itself. FPSO project awards have also declined with 2017 expected awards lower than historic averages[7], however this remains an important target for Lamprell in the future.

Modules

With feedstock input pricing lower because of oil prices, capex programmes associated with the downstream processing plants have been less affected by the downturn. In particular, the onshore EPC mid/downstream sectors in the Middle East remain targets for Lamprell. EPC contract awards in the GCC during 2016 were limited but EPC projects which support key hydrocarbons industries continue to be made as seen with more than USD 5 billion of awards by Saudi Aramco in the 18 months to the end of 2016. Many such projects are being broken up in order to maximise efficiencies from the supply chain and this includes modularisation of certain components, much in the same way that Lamprell has been doing on the UZ750 project for Abu Dhabi. In the LNG market, there is expected to be saturation until 2021[8] and new projects are unlikely to materialise in 2017. While LNG modular fabrication remains of interest, this will be of lower priority for the time being.

Oil & Gas contracting services

Land rig and rig refurbishment projects have suffered significantly as a result of the low energy prices. The total rig count has declined by approximately 50% from December 2014 to the end of 2016[6]. Many rigs – onshore and offshore – have been stacked at low cost until the market recovers. Positively though, 'warm-stacked' jackup drilling rigs (such as those at Lamprell) are easier to redeploy once contracted and the stacking yard will often undertake refurbishment activities to make them ready for operations. Certain clients are also looking to fabricate major component parts for land rigs in anticipation of new drilling work in the Middle East, which holds more than 40% of the global proven hydrocarbon reserves. Whilst many onshore greenfield projects have been delayed, the demand for routine operations and site works services is relatively constant as process operators maintain their essential safety and maintenance regimes through term maintenance contracts.

1. Goldman Sachs Research, Bloomberg
2. The Guardian
3. GS Research, Bloomberg
4. Barclays E&P Spending Survey (on 15 global oil & gas companies)
5. BP Outlook to 2035
6. IHS Petrodata – Short-term Trends Report
7. Fearnley Offshore
8. Poten & Partners, February 2016

FLEXIBLE BUSINESS MODEL

Relying on our key strengths, we look to deliver high quality products safely and at the best value, consistently time after time.

Creating long-term value

The underlying business model for Lamprell is to provide high quality and reliable products and services that fully satisfy our clients' requirements and that are delivered to industry-leading safety standards, at a competitive cost and acceptable margins. Maintaining historic margins during this industry downturn continues to be challenging as most competitors are focused heavily on delivering the lowest price. However, Lamprell has won new profitable work by using its competitive advantages to target the markets and clients which recognise the importance and value of our key strengths. Building on this, Lamprell is targeting greater participation in larger and more complex EPC projects, in some cases in combination with project partners whose expertise complement Lamprell's experience as the industry emerges from the current downturn.

Our competitive advantages

First and foremost, our modernised facilities are strategically located in the Middle East which is arguably the most important region for oil & gas production in the world, with more than 40% of the global proven hydrocarbon reserves[1]. As a result we are culturally aligned with client expectations for regional projects; there is also a financial benefit because transportation costs and risks for major construction projects in this region are reduced significantly as compared to delivery from yards in Asia.

We also have an established culture of improvement, which has been developed over our 40 years of existence and has been honed in particular by the management over the last three to four years through projects such as Compass (new ERP system) and Evolution. Overseen by a strong and experienced leadership team, these measures have been successful in ensuring the survival of Lamprell through the downturn and setting a robust foundation for growth when the market recovers.

Most importantly, we work closely with clients to identify their requirements and execute a plan to deliver on our promises. Where there are issues that threaten the execution plan, we are transparent and work collaboratively with our clients to find a solution and overcome any challenges. In this way, we aim to create a long-term relationship of trust with our clients.

1. BP Outlook to 2035

How our strengths add value

First class safety and quality

Lamprell has a strong commitment to health, safety, environment and security and is committed to continuously improving the safety performance of our employees and contractors.

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

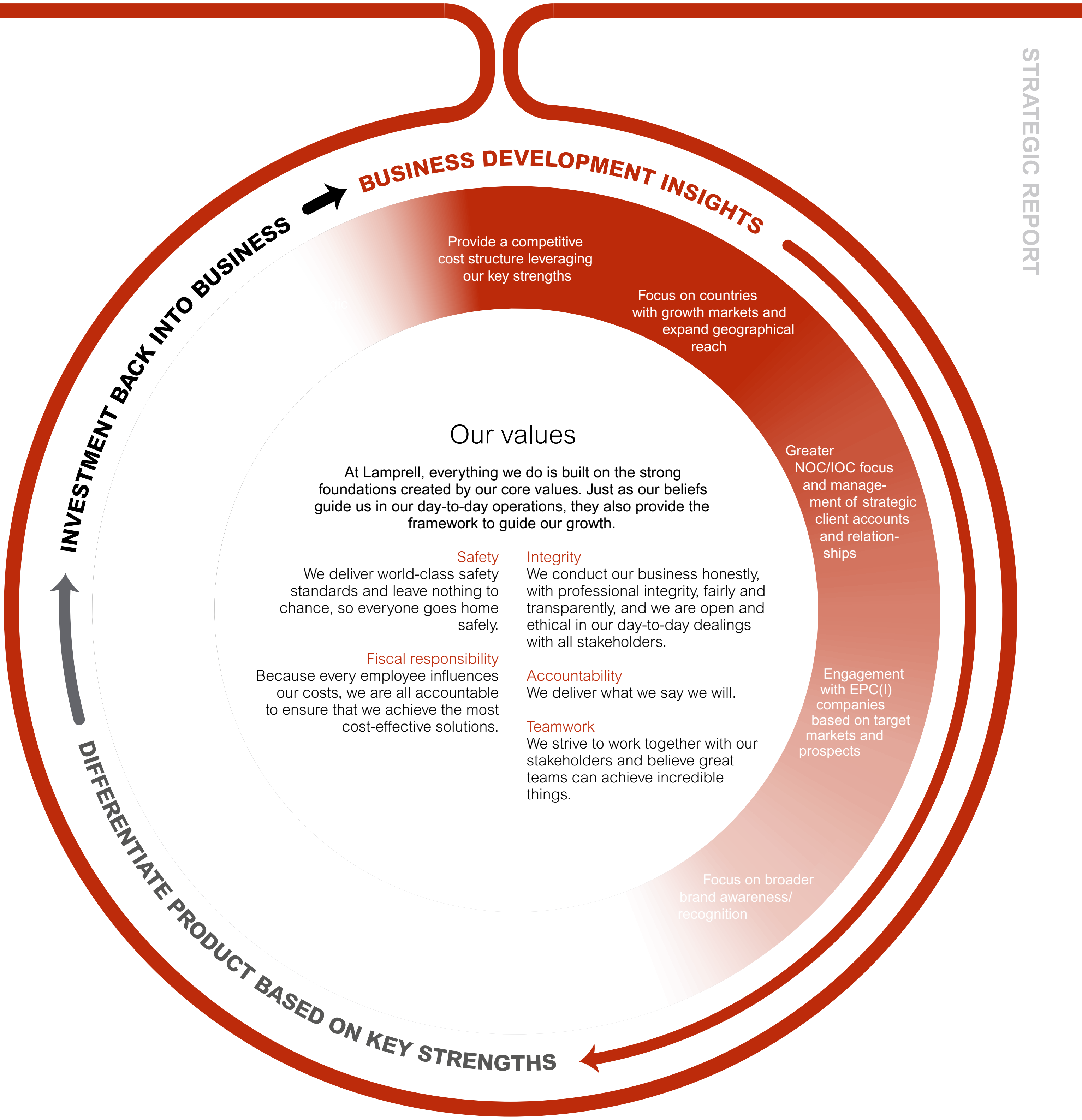
Lamprell is committed to customer service and close client relationships throughout the project lifecycle. This has resulted in strong support from our major clients and a proud record of repeat business.

Skilled workforce

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

Strategic location

Lamprell is advantageously located and has excellent facilities including over 800,000m^2 of fabrication space and almost 2km of deep water quayside access.



Our values

At Lamprell, everything we do is built on the strong foundations created by our core values. Just as our beliefs guide us in our day-to-day operations, they also provide the framework to guide our growth.

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

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

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

Accountability
We deliver what we say we will.

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

BUILDING ON STRATEGIC PILLARS

By 2020 Lamprell aims to be a leading global fabrication and EPC service provider to the energy industry, consistently delivering safe, high quality, competitive, on time solutions to our customers while providing steady growth and predictable returns for our shareholders.

WHAT THE CLIENT WANTS

- Safety
- Competitive delivery model
- Reliability
- 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

Our ability to deliver on our vision is based on a number of strategic objectives, that is to say building blocks from which the strategy can be developed and implemented, and the vision ultimately achieved.

Lamprell has an international reputation for building complex offshore and onshore process modules as well as fixed platforms and topsides, and holds leading market positions in the delivery of EPC projects such as jackup drilling rigs and multi-purpose liftboats. We also have a proven track record for a variety of oil & gas contracting services such as land rigs, rig refurbishment projects and for our maintenance operations and site works services. This reputation has been earned over the course of 40 years of business and the depth of our experience reflects the maturity of the business.

In order to diversify our revenue streams more evenly across the portfolio and generate sustainable growth, we have a stated intention to broaden our addressable markets. We will pursue this in a variety of ways. We have successfully extended our client base into new top tier clients over the last two to three years and this remains a key priority. We are adapting our expertise in ways to apply transferable skills into complementary sectors. Our bid pipeline is constantly being refined and updated to reflect the changing circumstances of the market and to take into account these new markets. Looking further to the future, we have a broader prospects pipeline which considers both our strategic objectives and those target prospects which align with them.

We are building our capabilities to take on larger and more complex EPC projects. Depending on the size of a project, we may look to create and develop partnerships that enable participation in the project and offer the greatest potential to grow the business going forward. We speak to potential partners in connection with participation in a single project or on a longer-term basis, such as seen with the Saudi Maritime Yard. We recognise that this can often

WHERE WE ARE GOING

1. Maintain position as a regional market leading jackup rig builder servicing clients with niche requirements.
2. Maintain our market leading position in jackup rig refurbishment based on differentiated competitive 'one stop shop' service solutions.
3. Broaden our offshore platform fabrication offering.
4. Broaden our onshore module fabrication service offering and target large scale downstream projects.
5. Implementing a strategy to enter into the Saudi Arabian market including the potential investment in the Saudi Maritime Yard.
6. Continue to offer differentiated service offerings to our regional land rig, 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
- Continuous investment in improving and upgrading our facilities for enhanced and additional production
- Reinforce business development, targeting growth countries and strengthening relationships with clients and EPC contractors
- Target strategic alliances in our core markets

be in the clients' best interests as this improves competition in the market and it allows specialist businesses to team up and provide the best-in-class solution to suit a client's needs. This is aligned with our objective of providing best value for money.

We have core values of Safety, Fiscal Responsibility, Integrity, Accountability and Teamwork page 11; we ensure that our workforce understands the importance of them in our business and we apply them in our practices and processes. Along with our key strengths, they help us to differentiate our offering and to define a clear roadmap to achieve our strategic vision for Lamprell.

MANAGING RISK IN A BUSINESS ENVIRONMENT

Lamprell uses risk management processes within each business area across the organisation to ensure that business decisions are balanced appropriately against Group strategic objectives.

Implementing an improved risk management process

In 2016, we continued to develop our existing risk management processes to provide a framework whereby decisions take account of possible impacts to the project and the wider business. The process reported in previous years has been retained whereby all risks are ranked taking into account both a probability and an impact assessment, and on a gross (pre-mitigation) and net (post-mitigation) basis. We have worked to streamline the process of development of mitigation plans that follow from such rankings and refine the process and strategy associated with the monitoring of these plans by allocated risk owners. Our senior management team meets regularly to review Lamprell's risk processes which includes the following components:

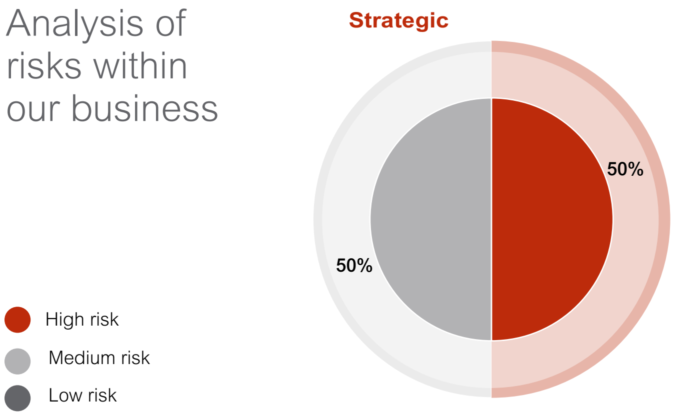
- early identification of risks within projects and the wider business
- more comprehensive audit assessments
- thorough risk management strategies based on the ability to identify clear risk trends experienced by the Group
- improved contingency management

Our Enterprise Risk Management (ERM) system continues to be fundamental for achieving a clear focus on the profile and trend of risks that Lamprell faces and we continue to utilise this system for identification, reporting and management of our enterprise risks. The ERM process and all major risks are reviewed between senior management and the Audit & Risk Committee twice a year, as a minimum.

Principal risks and uncertainties for Lamprell

Our profiling of project risks confirms that the strategic category has the highest number of key risks for this reporting period and we consider this to be a fair reflection of the continued uncertainty that the energy industry is facing. Lamprell implements appropriate risk mitigation plans and activities in order to minimise the potential impact of each risk.

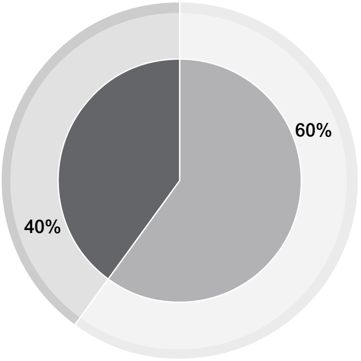
Analysis of risks within our business



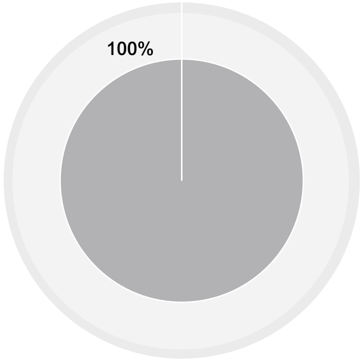
Strategic risks

Risk description	Business implication	Mitigation
Macro-economic conditions **Risk to strategy** high **Risk change** unchanged	With the continuing energy market downturn, a fall in the levels of expenditure by oil & gas and renewable energy companies may impact demand for Lamprell's products and services. The timeline for any such demand may also be affected by the potential for delay in project awards and execution due to re-alignment of project investment decisions in the market.	• Strong network of market intelligence sources to ensure Lamprell is kept aware of viable opportunities and associated project timelines in addressable markets. • Refinement of Group strategy page 12 to allow for exploration of new (and existing) geographical markets which offer potential for growth. • Development, where appropriate, of strategic alliances/partnerships enhancing competitiveness for the penetration of markets. • Regular use of Client Relationship Management systems to ensure existing relationships are maintained and that new, viable opportunities are investigated appropriately. • Strong balance sheet and cash position; low gearing.
Lack of product diversification **Risk to strategy** high **Risk change** unchanged	A significant proportion of Lamprell's revenue derives from new build jackup rigs, which places undue reliance on demand for a single product line. Such reliance is exacerbated by current energy market conditions which have led to a reduction of new build investment programmes by rig owners and/or operators. Without diversification of its product line portfolio, the Company's revenue streams could be threatened by a prolonged downturn in the rig market.	• Strategy continues to focus on diversification of business streams away from new build jackup rigs. • Maintaining a strong bid and prospect pipeline that targets growth markets to diversify the portfolio. • Development of a strong brand awareness campaign for new target markets. • The forming of strategic alliances to enable access to additional sectors. • Strong balance sheet enabling access to other markets.

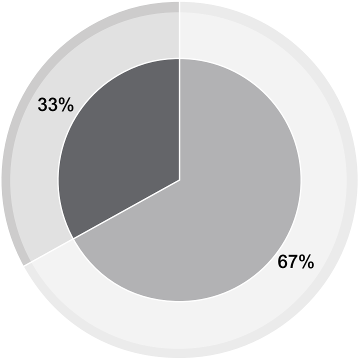
Financial



Operational



Compliance and legal



Strategic risks continued

Risk description	Business implication	Mitigation
Ability to win new work Risk to strategy: high Risk change: unchanged	The Group's dependency on a relatively small number of contracts, coupled with a core customer group in certain business sectors, means that strong client relationships and a good reputation are critical for a sustainable business. Lamprell is dependent on its ability to provide on time, high quality products and services at low cost to remain successful in the current, highly competitive market.	• Focus on delivering high quality products and services that will provide a robust platform for repeat business. • Clear business objectives and business development goals exist in each business sector. • Client account management structure ensures that good, effective client relationships are maintained. • Successful implementation of Project Evolution has enabled cost reductions and productivity improvements, maintaining our competitiveness.
Third party alliances Risk to strategy: medium Risk change: unchanged	In order to diversify its client and product base, Lamprell actively investigates opportunities for viable joint ventures and consortia. In addition, Group entities may partner with a regional third party prior to offering products to a particular market due to legal requirements. Failure to adequately determine liabilities between the parties in any such arrangements could expose the Group to broader regulatory, contractual and/or project execution risks.	• Thorough due diligence of proposed partner using internal and external resources. • Legal review of all agreements to ensure adequacy of terms and conditions and sufficient contractual protection to the Group. • Board visibility of key relationships and key risks via reporting through senior management. • Appointment of external advisory experts when necessary. • A recent example of a potential joint venture is the new opportunity in Saudi Arabia.

Financial risks

Risk description	Business implication	Mitigation
Availability of funding Risk to strategy: medium Risk change: unchanged	The Group's growth in the longer term will be dependent on the availability of financing through dept or equity. Debt financing typically includes banking covenants which, if breached, would constitute an event of default.	• Solid balance sheet. • Medium-term debt facility in place until mid-2019 providing a financial platform. • Maintain close working relationship with banking syndicate with a view to considering options for alternative or improved financing terms/facilities. • Group financial reporting structure includes long range plan indicating future funding needs and cashflow planning/forecasts. • Strong modelling structure to ensure covenants are aligned with business plan.
Counterparty credit risk Risk to strategy: medium Risk change: unchanged	Lamprell provides goods and services to many third party entities and is therefore subject to the risk of non-payment by these parties. It also relies on the liquidity of its suppliers to deliver goods and services. Failure by counterparties to adhere to payment and/or liquidity obligations in line with contractual arrangements 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. • Negotiation of contract terms to mitigate payment exposure, including the request for additional financial security where appropriate. • Effective contract management during project execution phase to ensure prompt and appropriate action in the event of default. • Contractual protection against non-payment provides the Group with a right of remedy in the event of delays/non-payment. • Project debt facility only available for use by top tier clients.

Financial risks continued

Risk description	Business implication	Mitigation
Exchange rate risk Risk to strategy: medium Risk change: increased	If the ties between the US Dollar and UAE Dirham were changed the Group's competitiveness may be materially affected. In addition, diversification of client and product portfolio may mean that Lamprell enters into contracts governed by other currencies. Severe currency fluctuations or political events may affect the strength of that currency which may in turn affect the revenue received by Lamprell.	• Regular review of foreign exchange rates and appropriate subsequent action. • The use of derivatives to hedge currency exposure where appropriate. • Measures taken to minimise the effect of potential fluctuations through contractual arrangements to the extent possible.

Legal risks

Risk description	Business implication	Mitigation
Contractual commitments Risk to strategy: medium Risk change: unchanged	The energy market downturn and an increasingly competitive market have strengthened clients' bargaining power over contract terms. This could make Lamprell subject to onerous terms for product defects, faulty workmanship or errors in design under its contractual arrangements for new projects. In turn, this could impact revenue or earnings as a result of breach or non-performance.	• Potential contract risks identified and assessed at the outset following a risk review and full due diligence process, with mitigation plans created. • C-Suite visibility of contractual risks during negotiation phase to ensure any agreed terms are aligned with corporate strategy. • Briefing of project team personnel prior to project execution to ensure the potential impact of contractual risks are understood. • Lessons learned from earlier projects used to influence work scopes. • External advisory experts engaged for advice and input, where necessary.

Operational risks

Risk description	Business implication	Mitigation
Information management systems and cyber risks Risk to strategy: medium Risk change: unchanged	Lamprell continues to rely heavily on information technology systems, including crucial business management software and our enterprise resources planning systems. In the event of a cyber attack on technology systems, activities of the Group may be severely disrupted and subsequently, operations may be adversely affected.	• Senior management visibility and support of IT security to drive risk awareness within the business. • Regular employee cyber security training and awareness campaigns. • Simulated disaster scenarios to ensure that recovery plans and procedures react adequately in practice. • Engagement of third party organisations to undertake penetration test exercises to confirm IT security readiness.

Viability statement

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance 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 more than 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 flexing 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.

STEADY UNDERLYING PERFORMANCE IN A CHANGING MARKET

In these difficult times, Lamprell managed to maintain a commendable level of underlying profitability. Our operating margins were driven by solid execution, and supported by cost-cutting, as well as savings from efficiency and productivity measures.

KPI EBITDA (USD million)

30.6

2015: USD 90.0m

Results from operations

As the industry downturn continued, Lamprell performed steadily, albeit with lower inflow of work than expected. Our overall underlying profitability has been stable but was affected by the impact from the settlement with Ensco following a delay caused by an issue with essential jackup equipment provided by Cameron LeTourneau.

Lamprell's total revenue for the year was USD 705.0 million. Revenue was impacted by the USD 25 million settlement with Ensco as a result of delayed delivery, with total revenue from new build jackup rigs, the main revenue stream, finishing the year below management expectations.

The extension of scope on the Zadco project for Petrofac and the award of the additional pipe racks supported revenue levels of USD 40.8 million from the modular construction business. E&C (which forms part of the Oil & Gas Contracting Services business unit) maintained good top-line performance generating USD 15.6 million in revenue.

The global slowdown in activity resulted in significantly lower levels of walk-in business when compared to our historical performance. Most of the stacked rigs in our yards remained inactive, and therefore their contribution to our rig refurbishment business was negligible. Overall the Rig Refurbishment business unit generated USD 20.2 million, down significantly from USD 53.4 million in 2015. Throughout 2016 we completed nine refurbishment projects and by 31 December 2016 we had 12 stacked rigs in our yards. Our largest current refurbishment project is the Master Marine conversion and we expect performance from Rig Refurbishment to improve in 2017.

Margin performance

The Group's gross profit decreased to USD 57.2 million from USD 123.5 million the previous year, due to the impact of the Ensco settlement and lower revenues arising from the difficult market conditions. The Ensco settlement has resulted in a USD 42.6 million reduction in our profitability for the year. Excluding the effect of the Ensco settlement, our underlying gross profit was USD 99.8 million. The underlying gross profit margin was 13.7%, slightly below 2015 levels.

Gross margin

8.1%

2015: 14.2%

Our underlying EBITDA, excluding the settlement with Ensco, was USD 73.2 million (2015: USD 90.0 million). The Group's underlying EBITDA margin remained stable at 10.4% versus 10.3% in 2015, but post-settlement with Ensco it reduced to 4.3%.

Finance costs and financing activities

Net finance costs in the period decreased to USD 9.9 million (2015: USD 12.0 million). Gross finance costs were lower due to a reduction in charges for bank guarantees. Finance income was marginally up due to higher interest rates on cash deposits.

Net (loss)/profit before exceptional items

The Group recorded a loss before exceptional items for 2016 attributable to the equity holders of USD 0.4 million (2015: profit of USD 64.7 million), having been significantly impacted by the USD 42.6 million settlement with Ensco. The fully diluted loss per share for the year was 53.94 cents (2015: earnings per share – 18.84 cents).

Goodwill impairment

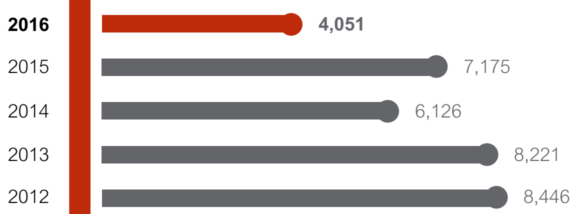
The ongoing challenging market conditions, in particular within the new build jackup business segment has resulted in the goodwill that arose on the acquisition of MIS (USD 180.5 million) in 2011 being impaired in full. Further details are provided in Note 17 of the financial statements.

Capital expenditure

Our investment in Project Evolution was mostly complete by the end of last year, with USD 6.3 million invested in 2016, mainly on the connection of the Hamriyah facility to the national electricity grid. In light of the prevailing market conditions, we felt it prudent to defer part of our investment in Project Evolution Phase 2, postponing almost USD 18 million of expenditure. As a result, Lamprell managed to reduce its capital expenditure significantly in 2016, with a total of USD 25.6 million spent compared to USD 59.3 million in 2015. At the same time, we continued to benefit from savings generated from last year's investment in yard efficiencies, which was one of the factors that allowed us to maintain our normalised underlying margins in the ongoing tough environment.

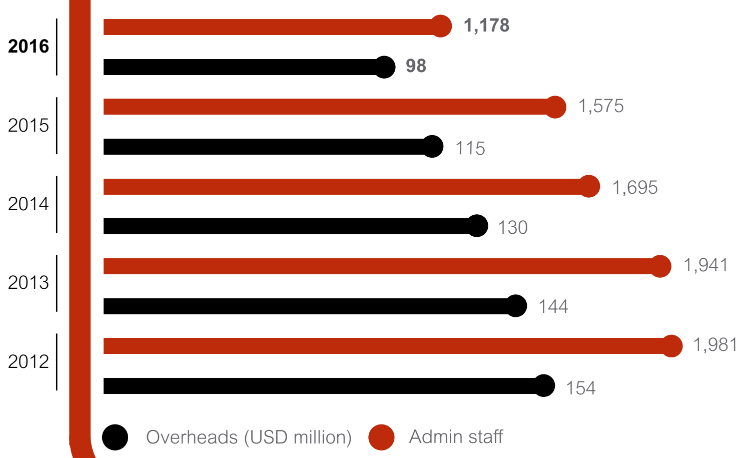
Continued cost management and flexibility

Flexibility in yard staff[1]



1. The above numbers exclude externally seconded yard staff.

Successful cost reduction



Two prestigious new contracts awarded in 2H

Lamprell received a contract from ScottishPower Renewables (SPR) in November 2016 for the fabrication of 60 jackets and piles for the "East Anglia One" windfarm. This is a significant award for Lamprell, valued at approximately USD 225 million, and represents a big step forward in servicing the fast-growing renewables segment. Lamprell has a clear goal to expand its footprint into the wider energy industry and this project allows us to demonstrate how we can provide high quality, safe products in other areas of the energy industry and gives us a solid platform to diversify our business streams.

In addition, in September 2016 Lamprell announced that it had received a new contract award, valued at approximately USD 90 million, from Jacktel AS, a wholly owned subsidiary of Master Marine AS, for the upgrade of the mobile operating unit "Haven" as an accommodation service vessel for the Statoil "Johan Sverdrup" field, offshore Norway. The scope of work includes procurement, construction and installation of extended legs and new suction caissons.

KPI Net cash (USD million)

275.2

31 December 2015: USD 210.3m

Cash flow and liquidity

The Group's net cash flow from operating activities for 2016 reflected a net inflow of USD 99.9 million (2015: net outflow of USD 0.8 million), which was driven by decreased working capital requirements due to a number of projects reaching their final stages and milestones due on delivery being collected. Prior to working capital movements and the payment of employees' end of service benefits, the Group's net cash inflow was USD 41.1 million (2015: inflow of USD 95.0 million).

Balance sheet

The Group's total current assets at the period end were USD 616.8 million (2015: USD 725.3 million), with a significant reduction in trade receivables as projects have reached their completion. The Group's net cash position has strengthened further as our working capital position has reduced as projects are delivered. Our closing net cash of USD 275.2 million at the end of the reporting period (2015: USD 210.3 million) includes low levels of advance payments from customers. Shareholders' equity decreased from USD 737.6 million in 2015 to USD 555.4 million in 2016. The movement mainly reflects a reduction in retained earnings from USD 410.4 million to USD 229.8 million due to the impairment of USD 180.5 million recognised during the year.

Borrowings and debt

In 2016, following the refinancing in 2014, the Group's facilities comprised (a) a USD 100 million term loan amortised over five years, of which USD 40 million had been repaid by the end of the year; (b) USD 50 million for general working capital purposes which remained unutilised; and (c) USD 200 million of working capital for project financing, also undrawn. During 2016, the USD 250 million committed bonding facility to be used in connection with new contract awards funded by the above working capital facility, was reduced by USD 100 million as it was replaced by lower cost bilateral bonding facilities. The outstanding borrowings were USD 59.5 million in the form of term loans (2015: USD 79.3 million). The Group's debt to equity ratio at the end of the year was a healthy 10.7% (2015: 10.8%).

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 Group therefore continues to adopt the going concern basis in preparing its financial statements.

Dividends

In the context of ongoing market challenges and the anticipated lower revenue in 2017, the Directors do not recommend the payment of a dividend for 2016. The Directors will continue to review this position in light of market conditions at the relevant time.

Antony Wright
Chief Financial Officer

PERFORMANCE AFFECTED BY MARKET CONDITIONS

KPI Safety TRIR
(rate per 200,000 manhours)

2016	**0.29**
2015	0.31
2014	0.28

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

Revenue
(USD million)

2016	**705**
2015	871
2014	1,085

Description
Measures level of operating activity and size of business.

Underlying profit
(USD million)

2016	**44.3**
2015	66.5
2014	93.2

Description
Measures net profitability of continuing operations before exceptional items.

KPI Net cash
(USD million)

2016	**275.2**
2015	210.3
2014	272.6

Description
Measures financial health after deduction of liabilities such as debt.

EPS (diluted)
(US cents)

2016	**(53.94)**
2015	18.84
2014	37.38

Description
Measures net profitability of the business (refer to note 13 to the financial statements).

KPI New awards
(USD million)

2016	**359**
2015	407
2014	1,400

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

PERFORMING AND DELIVERING

Lamprell's operational performance has been resilient with record activity levels on its rig projects in spite of technical issues with the Cameron LeTourneau rig jacking systems which were successfully resolved. The Group has also taken steps to maintain its competitive position against the backdrop of difficult industry conditions.

Operations review

2016 proved to be an extremely busy year for Lamprell despite the prolonged industry downturn, thanks to the substantial order intake achieved in prior years. This meant that the business saw high activity levels throughout the year with the Hamriyah yard operations reaching record activity levels as seven rigs were built concurrently for the first time. This was made possible through the yard optimisation and process improvements achieved during Project Evolution, which allowed Lamprell to optimise build schedules and execution plans.

Four new build jackup rigs were successfully delivered to key clients – Ensco, Shelf Drilling and NDC – during 2H 2016. While the Company's yards were busy, it was not a year without substantial challenges. In 1H 2016, Lamprell experienced significant delays in the delivery of the Ensco 140 rig due to failures caused by the Cameron LeTourneau jacking equipment. As a result Lamprell was obliged to agree a financial settlement with Ensco for the late delivery; however the technical issues were resolved enabling timely delivery on the subsequent rigs including those planned for 2017.

Following the implementation of Project Evolution in 2015, Lamprell operations staff worked to embed the improvements into our activities and we have benefited from them financially through solid underlying margins and our ability to remain competitive. We also commenced Phase 2 of Project Evolution including the rationalisation of our facility yard space and installation of a new state-of-the-art pipe shop. However, further investment has been deferred until late 2017 while we manage our cash reserves during the downturn. As part of our drive to reduce costs in 2016, we decided not to renew several short-term lease agreements, resulting in a net reduction in our yard acreage.

Changes to the workforce

Winning major new awards proved to be challenging in 2016 and this, along with the completion of our major project cycles, meant that the Group had to take some tough decisions and downsize the business significantly. As a consequence of the four rig deliveries in the second half of 2016, Lamprell's yard workforce was reduced from a peak of almost 8,000 employees in March 2016 to around 4,000 by year end. This is expected to decrease further in 1H 2017 as the final three rigs are delivered to our clients but then ramp up again as the new projects commence operations. This will be a key focus for the Group's operations particularly given the need for specialist welders among the new hires. Lamprell aims to optimise working schedules so that existing employees transfer from completing projects to the new ones.

In addition, with a view to align the overhead costs with the lower projected revenues for 2017, the Group undertook several rounds of redundancies during 2016 as well as a voluntary redundancy programme in the middle of the year. The admin staff reduced by a approximately 20% and this includes a number of departures at the senior management level. With this flattened management structure, the next level of management now reports directly into the CEO who is more directly accountable for the success of the business.

Competition in the marketplace

Throughout 2016 the Group had a strong focus on business development with a number of sizeable bids submitted. In addition, Lamprell's focus on strong relationships as future sources of business also delivered two potentially important partnerships. In March 2016, the Group agreed to explore FPSO opportunities jointly with Dubai Drydocks. The second, more significant joint development agreement was signed by Lamprell with Saudi Aramco, Bahri and Hyundai Heavy Industries in May 2016. The partners are assessing the possibility for a new major maritime yard in the eastern region of Saudi Arabia in detail with a view to making a FID in the coming months. This is a major project and it has the potential to have a transformational impact on Lamprell's future.

The second half of the year also saw the Group win two new significant contracts from major clients, the first in respect of an upgrade of a mobile operating unit destined for use in Norway and the second for the fabrication of 60 foundation jackets and piles to be used in the "East Anglia One" windfarm, offshore the UK. It was a positive end to the year although the Group continues to take

all necessary steps to maintain its competitiveness in the face of significant competition for the limited number of projects planned for award in 2017. In light of the four rig deliveries in 2H 2016, the backlog has decreased as expected and is now mainly comprised of the two awards in late 2016 plus the remaining works to be done on the final three rig deliveries.

New build jackup rigs

Highlights

A record seven jackup rigs concurrently constructed in the Hamriyah facility

Four rigs delivered to three clients in 2H 2016

Technical issues with Cameron LeTourneau jacking system resolved

Trading review

Although Lamprell successfully delivered four of the seven rigs that were being constructed in its Hamriyah facility in 2016, Lamprell's operating performance in the period was dominated by the technical issues with the Cameron LeTourneau-supplied jacking equipment on the Ensco 140 jackup rig. During commissioning and testing, a technical issue was identified and, despite finding a resolution, there was a substantial delay before successful delivery to Ensco in August. Following resolution of the issues, Lamprell worked closely with the clients and with Cameron LeTourneau to ensure that there were no further delays on any of the other rig projects. The "Shelf Chaopraya" rig was delivered to Shelf Drilling in September, the "Ensco 141" rig in November and finally the "Al Gharbia" rig was delivered as planned to NDC near the year end. The three rigs for 2017 have all progressed on schedule, with one already delivered to NDC in early 2017, and the remaining two will be delivered as planned.

Four jackup rigs delivered in 2016

In 2016 Lamprell delivered four jackup drilling rigs to three key clients. August saw the delivery of the "Ensco 140" rig closely followed by its sister vessel "Ensco 141" in November to Ensco Intercontinental GmbH. "Shelf Chaopraya" was successfully delivered to Shelf Drilling in September and the final rig to be delivered in 2016 was "Al Gharbia", which we delivered to our largest client, National Drilling Company, in December.

Successful deliveries for prestigious Kaombo project

Lamprell successfully delivered ten suction piles for client Heerema Marine Contractors in 2H 2016. The suction piles were then deployed in the deep waters of Angola by the Heerema offshore team. Lamprell also started fabrication on the 18 buoyancy tanks in 2016 which will be delivered in early 2017. There has been a standout safety performance on this project as the project celebrated two million manhours without a DAFWC by the end of 2016.

Offshore platforms

Highlights

Major contract award for foundations from ScottishPower Renewables (SPR)

Lamprell targeting offshore projects in new markets

Trading review

In November, after extensive negotiations and amid fierce competition, Lamprell received a contract award from SPR for the fabrication of 60 jackets and piles for the "East Anglia One" windfarm, in the North Sea. It is a large scale project which will utilise 102 turbines, each with a capacity of 7 megawatts (MW), and it is expected to generate power for more than 500,000 homes every year. The contract value is approximately USD 225 million and the deliveries to the client are scheduled to be made between March and October 2018.

Lamprell is applying its traditional skills and transferring them for use on new markets, whether by sector such as with SPR or by geography. With this in mind, we have also agreed to work with Dubai Drydocks to identify opportunities for cooperation on FPSO/FPU projects and we will continue to look for other value-added relationships.

Modules

Highlights

31 further modules delivered throughout 2016 on UZ750 project

Milestone of five million manhours without a DAFWC

Jebel Ali and Sharjah yards reached close to full capacity in 2016

Trading review

Lamprell's Jebel Ali and Sharjah yards continued with the construction of modules for the Petrofac UZ750 project, with a total of 31 further modules safely and successfully delivered to the client throughout the year for installation offshore Abu Dhabi. Out of a total of 45 modules, 39 were pre-assembled pipe racks, three were pre-assembled units and a further three were pre-assembled modules. In early 2H 2016, the Jebel Ali project team working on the UZ750 project celebrated a major milestone by reaching five million manhours without a DAFWC, a noteworthy achievement, and a total recordable injury rate of 0.16 was achieved in 2016 which is a world class achievement. The final four modules will be delivered during the first quarter of 2017, bringing this project to a successful and safe close.

Oil & gas contracting services

Highlights

10 suction piles successfully delivered to client for Kaombo project

12 rigs warm and cold stacked at Lamprell's UAE based facilities

O&M division retains long term maintenance contracts

Trading review

The Oil & Gas Contracting Services business unit has suffered as a result of delays in contract awards due to market conditions. Our Rig Refurbishment team completed upgrade and refurbishment works to nine rigs throughout the year while our Land Rig Services group refurbished two rigs in our facilities and many more on remote sites across the MENA region. The unit also built two mud system packages for rigs in the region. The Group continued to assist its past, current and potential clients with cold and warm stacking of jackup rigs in its facilities, with 12 rigs being stored as at 31 December 2016. Given clients' keen interest in this stacking service, Lamprell set up a separate offshore stacking facility able to accommodate the rigs without reducing valuable quayside capacity elsewhere in our facilities. The O&M team continued to perform well and successfully retained maintenance service contracts for the supply of manpower with key clients. Lamprell's E&C business unit experienced a busy year with multiple smaller projects being completed. They also completed fabrication works on ten suction piles in 2H 2016 for the prestigious Kaombo block 32 project in Angola; E&C experienced complications on construction of the buoyancy tanks for this project but has worked with the client to overcome them and the tanks will be delivered in early 2017.

Zakum UZ750 project receives 31 modules from Lamprell in 2016

Having delivered ten modules in 2015, by the end of 2016 Lamprell had successfully delivered a total of 41 modules for the Upper Zakum UZ750 project on behalf of client Petrofac. The modules were built in Lamprell's Jebel Ali and Sharjah fabrication facilities and all sailed away safely to their final destinations on the Central or West Zakum Islands in Abu Dhabi. The modules consisted of pipe racks, pre-assembled units and pre-assembled modules.

ROBUST SUSTAINABILITY FRAMEWORK

Sustainability at Lamprell means operating to the highest safety standards, helping to protect the environment and creating and delivering long-term value to our shareholders, clients, employees and the communities in which we operate.

Sustainability at Lamprell

At the core of our commitment to sustainability is a belief that a healthy and motivated workforce, operating in an environment that promotes our core values of accountability and integrity, is a key contributor to delivering a sustainable, predictable and profitable performance by the organisation. For this reason, we actively promote employee wellness by increasing health risk awareness and taking steps to ensure that our employees and their families have continuous access to high standards of medical care.

Lamprell recognises that fair and transparent business practices increase the long-term value of the Company and that, through the efficient use of our resources, this benefits all stakeholders including our clients who rightly demand continuous improvements in safety, environmental and compliance standards in our operations.

Our commitment to sustainability is demonstrated through our efforts and achievements in mitigating our impact on the environment, ensuring that we have effective and embedded risk management processes, and in developing our multi-cultural workforce through training programmes and the use of key performance indicators. We recognise employee loyalty through a long service award programme and we actively engage our workforce in generating ideas to improve our performance through our ‘Bright Ideas’ scheme.

We take economic, social and environmental factors into account in our day-to-day decision-making as well as our long-term planning as we look to structure the business for future growth.

Our sustainability pillars

1 Resource conservation

- 2016 CO_2e emissions figures were 12.6% lower than 2015 levels
- Water flow attenuators were installed at Lamprell's Hamriyah facility
- Waste diversion rate was improved by 5% over the previous year

2 Financial performance

- Lamprell's data systems now have the capability to capture and measure the savings generated from newly implemented sustainability initiatives
- 100% of client satisfaction surveys returned a ‘satisfactory’ rating or higher because on the Group's performance on the project(s)

3 Worker welfare

- Diversity remained strong at Lamprell with over 30 nationalities represented
- Multiple health campaigns were rolled out throughout 2016
- Lamprell's Assessment and Training Centre provided over 100,000 manhours of trades training and assessments and over 110,000 manhours HSES training in 2016

4 Information technology

- ISO 27001:2013 and Cyber Essentials certifications obtained
- IT security training programmes run across the business regularly to educate the staff around increased risks

5 Environmental protection

- No non-compliance environmental events occurred in 2016
- Minor environmental incident rate decreased by 27% for the year 2016 compared with the previous year

6 Stakeholder engagement

- Lamprell engaged with various stakeholders throughout 2016 including clients, regulatory authorities and supply chain partners by holding regular meetings and workshops with the aim of continuing to deliver economic, social and environmental benefits
- Numerous sport, social and professional activities and events were held by departments of the Group throughout the year

Lamprell wins 'Best Offshore Construction Yard' award

A "Best Offshore Construction Yard" award was presented to Lamprell, against strong competition from other established fabrication yards, at the 7th ShipTek International Maritime Awards ceremony held in Dubai in May. The ceremony saw industry experts come together to celebrate outstanding contributions from the veterans of the industry.

Health and Safety

Highlights

TRIR of 0.29 for 2016 – continues to be world-class

Hand injury awareness campaign reduced the number of hand injuries by 51% compared with the previous year

Employees completed 61,152 safety observation cards in 2016

2016 was another successful year for health and safety performance at Lamprell. We achieved a Total Recordable Incident Rate (TRIR) of 0.29 for 2016 and our yard safety records reached further significant milestones. The Jebel Ali and Dubai facilities achieved four years without a DAFWC and the Sharjah yard completed 9.8 million manhours and three years without a DAWFC. These statistics demonstrate the importance of safety within our business.

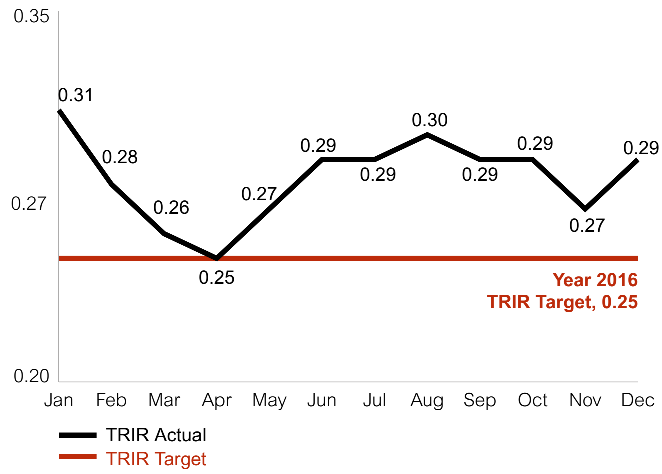
We set ourselves a tough target of 20% improvement over 2016 and whilst we did improve in 2016 we did not hit our TRIR target.

We successfully completed third party recertification for OHSAS 18001, an internationally recognised safety standard at all operational facilities. The ongoing success of the HSE performance of the Company was achieved through a combination of enterprise-wide behavioural management safety campaigns which were run throughout the year. Campaigns in 2016 raised risk-awareness around 'working at heights', 'dropped objects', 'hand safety', 'safe summer working', 'simultaneous operations' and 'lifting and crane operations safety'.

Hazard Identification (HAZID) workshops were also conducted throughout the year for each project and comprehensive occupational health and safety audits were carried out. We also implemented a robust health screening regime for all yard personnel with 95% of all workers completing screening tests for chronic and acute health disorders. In addition, both the Sharjah and Hamriyah medical clinics underwent significant refurbishments and were inspected and approved by the Sharjah Ministry of Health.

	Total manhours	TRIR
2015 Target	–	0.22
2015 Actual	24,922,987	0.31
2016 Target	**–**	**0.25**
2016 Actual	**24,349,943**	**0.29**

Rolling monthly total recordable injury rate (TRIR) KPI
January 2016 to December 2016



Quality

Highlights
Successful transition from ISO 9001:2008 to the new ISO 9001:2015 quality certification standard
Significant increase of international vendor audit assessments
Formal 9COM Saudi Aramco approval achieved

Our Quality department experienced a busy 2016 with over 90 quality based audits completed both internally and externally for a selection of international vendors. Lamprell also successfully transitioned from the ISO 9001:2008 to the new ISO 9001:2015 certification standard. Having an ISO 9001:2015 certification standard improves Lamprell's credibility and image because it is an internationally recognised standard that has become the worldwide basis for creating a quality management system. Lamprell is now certified to the latest international quality standard – a pre-requisite for many clients with which the company engages. In addition, the company also completed third party training and certification by Bureau Veritas for internal audit management. The training qualified 41 internal auditors for the ISO 9001:2015 standard allowing them to carry out audits for the Group.

Lamprell strives to exceed client expectations and throughout 2016 released a number of client satisfaction surveys. The results surpassed our agreed target with all our clients rating our project quality performance as 'satisfied' or better. Another significant milestone reached in 2016 for the Group was the approval from Saudi Aramco for their 9COM quality standard. This achievement will enable Lamprell to be technically qualified to bid for future Saudi Aramco projects.

Thanks to Compass, Lamprell's new ERP system, the company is engaging with vendors to register themselves using a new online tool called "iSupplier", which allows for web based processing of invoices. This has helped improve Lamprell's organisational efficiency using updated IT systems.

In addition, Lamprell's IT department launched a sustainability tool in 2015 which enables all personnel across the organisation to monitor performance and it provides tips on how employees can reduce both the environmental footprint and operational costs for the company. Data provided on the dashboard includes CO_2e emissions, waste recycling percentages, sustainability projects under review as well as Lamprell's Sustainability Pillars.

Voluntary attrition admin and professional KPI
Target KPI in 2016 – 6% maximum

4.65%

Target in 2015: 10%
Actual in 2015: 4.66%

Environment

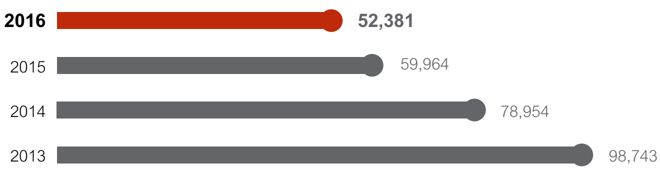
Highlights
Participation in the Carbon Disclosure Project
Increase in annual recycling rate from operations to 85% diverted from landfill
Full compliance with all applicable environmental regulations

Throughout the year Lamprell continued to reduce the overall environmental footprint of Company operations through a number of sustainability initiatives. These initiatives, focused primarily around water and energy conservation, were implemented through the roll out of awareness campaigns covering 'sustainable air conditioning usage', 'water use conservation' and 'electricity wastage prevention'.

We achieved a 'C' score from the regulatory body that manages the Carbon Disclosure Project, compared to 2015's 'E' score, meaning that Lamprell continues to improve on its emissions tracking, reporting and reduction systems. We were also fully compliant with environmental regulations including the UAE Federal Law 24 for the Protection and Development of the Environment and international agreements such as MARPOL which is the international convention for the prevention of pollution from ships.

In addition, Lamprell successfully reduced gross CO_2e emissions from our operations in 2016 for the third consecutive year, as demonstrated by the graph below:

Annual CO_2e emissions reductions
(Tonnes CO_2e)



As per Lamprell's Environmental Policy, the company will ensure compliance with all applicable international, national, local and port authority environmental regulations. The Company has also been successful in reducing the intensity of emissions as measured per manhour worked. In 2016 emissions per manhour worked fell by 5.67% from the previous year. As a result of these efforts, Lamprell is able to pursue its strategic objectives while ensuring protection of the environment.

Lamprell Group waste diversion from landfill	Operational waste diversion rate
2015	75%
2016	85%

To help protect the environment from any unintended hazardous material spills, in 2016 Lamprell started the process of replacing old portable diesel tanks with new environmentally friendly models. The new 'Envirotanks' contain two elements, a smaller tank within a slightly larger tank. If either the external or internal wall of the smaller tank is damaged or corroded, no diesel will leak out as it safely contained inside.

Corporate social responsibility

In 2016 the Company continued to support the Don Bosco Snehalaya shelter in Baroda, India through a financial donation of USD 10,000 and an apprenticeship programme that takes underprivileged children and provides craft training. Three graduates of this programme started working with Lamprell in early 2016 and continue to do so. The Group understands that the sustainability of business operations is achieved in part through the implementation of a robust CSR framework.

Employee welfare

Highlights
Improved corporate health and wellness performance award won for the third successive year
Provision of Government-approved medical support to all staff in the workplace and at their living quarters
Regular employee welfare activities such as yard sports days and the "Lamprell's Got Brains" quiz show

Lamprell was presented with the Daman-sponsored award for most improved corporate health and wellness performance for the third successive year. Given our previous successes in this category, it proved to be harder to demonstrate our continued progression in this field but we were again successful because of our efforts to improve employee welfare through: extensive employee health screening; our annual heat stress campaign; the regular health education and awareness talks; the Government-approved doctors and clinics in our yards; the medical facilities in our camps; our employee sports and social programme including sports days and long service awards; and the improvements in yard absenteeism achieved in 2016. These developments were implemented as a result of a concerted and coordinated effort of many Lamprell employees and are a tribute to their dedication and commitment to employee welfare.

Other highlights in 2016 included Lamprell's newly launched talent show "Lamprell's Got Brains" which was a huge hit with employees; as well as achieving 9th place out of a total of 43 teams at Dubai's corporate relay race, the Dubai Dash.

Lamprell makes top ten at Dubai Dash

Lamprell entered a team of its top runners to compete in the UAE's largest annual corporate relay race, the Dubai Dash, which took place in December 2016. The event is designed to get people out of the workplace and make them active. Out of a total of 43 teams, Lamprell came in at 9th place beating the previous year's result of 10th place.

Total manhours 2016

24,349,943

Manhours in 2015: 24,922,987

Lamprell retains Daman employee award for third year running

The 2016 Daman Corporate Health Awards are established as a high profile platform for the best employers in the UAE to be recognised for their commitment and success in improving corporate health and wellness. At this year's event in Abu Dhabi, we were pleased to win the award for "Improved Corporate Health and Wellness Performance" for a third consecutive year.

FOCUSED ON SUCCESS

Nom

John Kennedy
Executive Chairman
Aged 67

Appointed: June 2012

Strengths: public company boards, international oil & gas

Experience: John Kennedy trained originally as an engineer and 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: None

Christopher McDonald
Chief Executive Officer
Aged 49

Appointed: October 2016

Strengths: business development, EPC, international oil & gas

Experience: Christopher McDonald has over 24 years' experience in the EPC and oilfield services sectors. Before joining Lamprell, Christopher held the position of Executive Vice-President and Group Head of Business Development with Petrofac. From 2007 to 2010, Mr McDonald co-founded and helped to run a boutique private equity firm in London. Prior to that he spent 18 years with Halliburton/KBR starting his career in engineering and the sales function before becoming Vice President with responsibility for the KBR Development Co. and the KBR/JGC gas alliance, during which time he served on the board of M.W. Kellogg Ltd. Christopher has a Bachelor's degree in Mechanical Engineering from Cornell University.

External appointments: None

Tony Wright
Chief Financial Officer
Aged 45

Appointed: August 2015

Strengths: financial & accounting, Middle East operations

Experience: Tony Wright joined Lamprell in January 2013 as Vice-President, Finance and in October 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. Since 2010 Tony has 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 Rem

Ellis Armstrong
Senior Independent Director
Aged 59

Appointed: May 2013

Strengths: financial & accounting, international oil & gas

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.

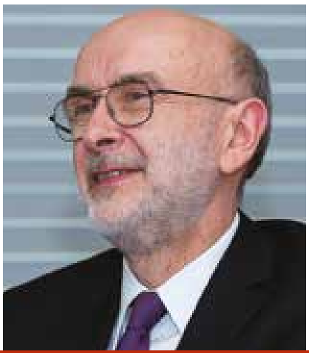
External appointments: Non-Executive Director of Lloyd's Register Group, Non-Executive Director of Pacific Energy Limited.

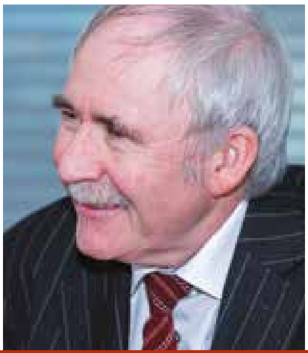
Rem Member of the Remuneration Committee

Nom Member of the Nomination & Governance Committee

Aud Member of the Audit & Risk Committee

Indicates Committee Chairman





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John Malcolm
Non-Executive Director
Aged 66

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 several senior positions including as Managing Director for Petroleum Development Oman. In 2015 he joined the Oman Oil Co. Exploration & Production as Executive Managing Director. Dr 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 and Gas (Holdings) Corp., Director of Bellwood Enterprises Ltd., Chairman of Abraj Energy Services SAOC.

Nom Aud

Mel Fitzgerald
Non-Executive Director
Aged 66

Appointed: August 2015

Strengths: fabrication yard and subsea 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 seven 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 of his contribution to the UK oil & gas industry.

External appointments: Chairman of Suretank Group Limited, Director/shareholder of Cathx Ocean

Nom Rem

Debra Valentine
Non-Executive Director
Aged 63

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. She also 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. Most recently, she was Group executive, Legal & Regulatory Affairs for Rio Tinto. 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

Nicholas Garrett
Non-Executive Director
Aged 54

Appointed: 23 March 2017

Strengths: public markets, financial

Experience: In his 23-year career at J.P. Morgan Cazenove, Nicholas Garrett advised a wide range of companies on the delivery of their growth strategy, corporate transactions and access to capital. In his role as the Head of the IPO/Execution team he worked on Lamprell's listing in 2006, as well as being involved in listings of numerous companies on the London market. Prior to this, from 1989 to 2001, Mr Garrett worked at J.P. Morgan Cazenove in a variety of corporate finance advisory and broking roles. Since 2012, Mr Garrett has been consulting for various private companies on their growth strategy and access to funding. Mr Garrett has a Bachelor's degree in Human Geography from the University of Reading and is a member of both the Institute of Chartered Accountants and the Chartered Institute for Securities and Investment.

External appointments: Director of Garrett & Read Ltd., Director of Colburn East Ltd., Director of Steeple Topco Ltd.

LEADING WITH GOOD GOVERNANCE

With the continuing pressures resulting from the prolonged downturn, we have focused both on near-term actions to protect our business and financial position and on the longer-term strategy in the anticipation of a market rebound.

Guided by our values

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.

Dear Shareholders,
Lamprell celebrated its 40th anniversary in 2016 and this is a significant milestone for the Group, representing the developing maturity of the business. An established and mature business is more capable and adept at overcoming the hurdles that it encounters and a stable and improved governance structure has been a key component of Lamprell's ability to respond to the challenges of 2016.

Strong leadership

The Board ordinarily aims to meet in order to decide on key matters in person. However, in light of the difficulties faced in 2016 arising from the wider market environment and from internal issues such as the technical issues with the jacking system on the Ensco 140 rig, the Board has been highly responsive and has met often at short notice to take decisions on critical issues affecting the business. Lamprell's Directors have consistently demonstrated their collective willingness to be available and to make tough decisions, both for addressing immediate risks and also for the long-term success of the Company.

Board and senior management changes

The Company has benefited from a stable Board throughout 2016 except for the change in the CEO position with the retiring Mr Moffat passing the responsibilities on to the incoming Mr McDonald. There is a good balance of the appropriate skills and knowledge among the Directors and they are bringing significant experience from various parts of the energy industry, which will enable the Board to deliver an effective performance in tough times. I would like to recognise the significant contribution of Mr Moffat since his arrival in March 2013 as he has led the management team to create a strong foundation for the business; the Board has appointed Mr McDonald to develop our strategy and expand the Lamprell franchise, by leveraging off his proven track record of business development and sales.

Implementing our strategy

Our strategy has been refined over the course of the last three to four years and focusses around the core business areas of jackup rigs, offshore platforms, modules and oil & gas contracting services page 2. In order to generate value for the shareholders over the longer term, the Company's business model targets the development of a more balanced portfolio across all the business streams rather than focussing heavily on jackup rigs, as has been the case over the last few years. The industry environment remained highly challenging throughout 2016 and that is expected to continue well into 2017. Accordingly, the Group was pleased to end the year with two contract wins page 20. In combination, the contract for the fabrication of 60 foundations for the East Anglia One Offshore Wind Farm and the USD 90 million award for the upgrade of the mobile operating unit "Haven" have demonstrated the versatility of Lamprell's ability to generate revenue outside of its traditional markets but within its areas of core technical competence.

Looking more broadly, the Group has focussed its strategy on geographic areas where major projects are continuing throughout the industry downturn and we have been negotiating with Saudi Aramco, Bahri and Hyundai Heavy Industries regarding the potential investment in a new major maritime yard in the Kingdom of Saudi Arabia. This is a significant project for the achievement of the Saudi Vision 2030 and it has the potential to have a transformational impact on Lamprell's future strategy.

Governance and regulatory developments

2016 saw a key change in the regulatory framework for listed companies with the implementation of the Market Abuse Regulation ("MAR"). The Board was duly guided by its various advisors as to the potential implications of MAR for the Company, Directors and our employees, and we have made the necessary consequential changes to our processes and procedures. There is expected to be further training on MAR as issuers understand better the practical impact of the new laws and the regulators provide further guidance.

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 made considerable efforts to ensure that during the relevant period the Company applied and complied with the UK Corporate Governance Code 2016 as the pre-eminent set of global standards for corporate governance (the "Code", available at www.frc.org.uk). Where the Company did not comply, this is explained in this Annual Report and Accounts or in this Corporate Governance Report specifically.

A company's governance structure should be appropriate for the size and complexity of its business. The Board continues to evaluate its composition, size and performance regularly and particularly in light of the lower projected revenue levels for 2017. While we remain confident about our ability to lead the Company towards longer-term growth, the Board recognises that there remain opportunities to enhance the governance structure and has crafted its 2017 priorities around them specifically in the areas of risk management and succession planning.

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 2016.

Results and dividends

The financial statements of the Group for the year ended 31 December 2016 are set out on page 68 to 75. The Group's loss from continuing and discontinued operations after income tax and exceptional items for the year amounted to USD 184.3 million (2015: profit of USD 64.7 million). The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2016.

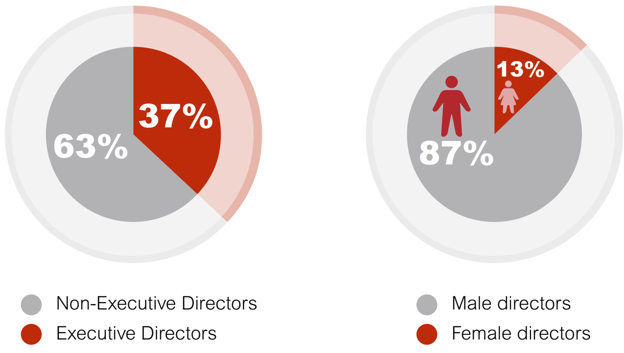
Other information

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

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. Given the continuing market downturn and the anticipated recovery, the Board spent considerable time focussing both on near-term focus areas such as cash management and also on the long-term growth opportunities for the business.

Board and Committee functions



Name	Position	Nationality
John Kennedy	Executive Chairman	
Christopher McDonald	Director and CEO	
Tony Wright	Director and CFO	
Ellis Armstrong	Senior Independent Director	
Mel Fitzgerald	Independent NED	
John Malcolm	Independent NED	
Debra Valentine	Independent NED	
Nicholas Garrett	Non-Executive Director	

Tenure on the Board

Christopher McDonald
Tony Wright
Debra Valentine
Mel Fitzgerald
Nicholas Garrett

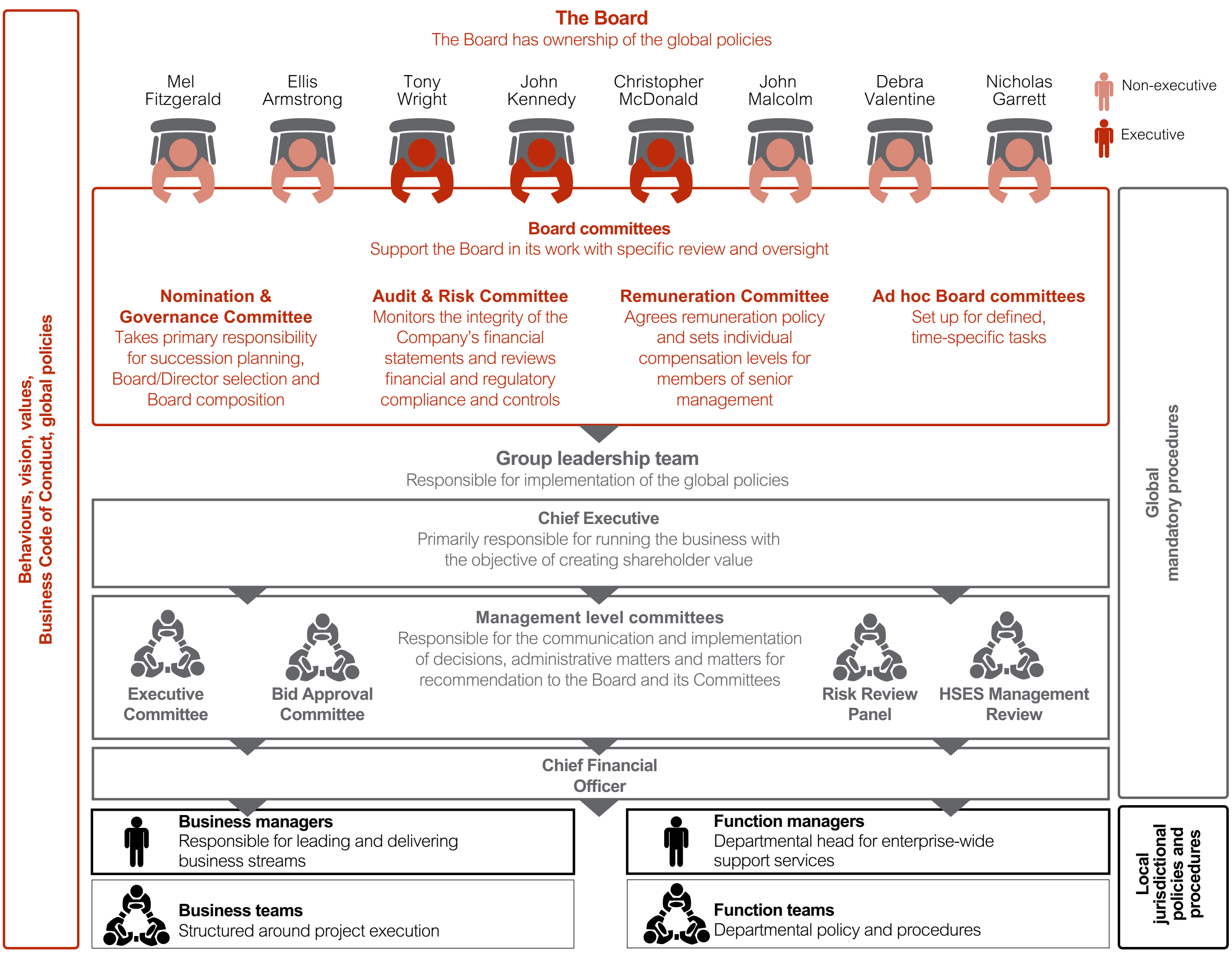
Ellis Armstrong
John Malcolm
John Kennedy

Board composition

The Board is comprised of an Executive Chairman, CEO, CFO, one Non-Executive Director ("NED") and four independent NEDs page 30 for biographical details. During 2016, there was only one change in the Board caused by the retirement of Mr Moffat and the appointment of Mr McDonald as the new CEO for Lamprell. All other Directors served as Directors throughout 2016, except for Mr Garrett who was appointed in March 2017. Mr Moffat stood down as CEO and Director on 1 October 2016 and Mr McDonald took up these same roles with effect from that same date. The Executive Chairman, CEO and CFO are the Executive Directors on the Board.

There continues to be a strong combination of industry, regional and operational experience among the Directors enhanced by the diverse professional competences of each Board member. As noted previously, the Board prioritised the process to identify a suitable replacement as CEO and that was successfully completed with the appointment of Mr McDonald. In light of the delay in that search and the need for continuity at the senior management level during the transition between the CEOs, John Kennedy agreed to continue in the role of Executive Chairman. The Board has

Board and Committee functions



assessed the need for and benefits to the business as a result of this enhanced role on a regular basis.

The Board reviews its membership on a regular basis with the aim to bring relevant experience and independence to the Board while at the same time ensuring continuity and stability.

Roles and responsibilities

The roles and duties of the Executive 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 strong governance is maintained at the senior management level and in particular during the period that the Chairman has an executive role in the Company. This role is monitored regularly by the independent Non-Executive Directors.

The Executive Chairman is responsible for providing effective leadership for the Board and the Group as a whole, including strategy and direction, and chairs all Board and general meetings within an effective corporate governance framework. In addition, as Executive Chairman, Mr Kennedy has also taken on an outward-facing role looking at potential partnerships for the Group as it pursues its 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 to the Board.

The CFO is responsible for the financial stewardship and control activities of the Group as well as the investor relations activities. The role of all the NEDs and in particular 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. Mr Armstrong has been appointed as Senior Independent Director since mid-2015.

The biographical information of each Director as well as the memberships for each Board Committee are detailed on page 30.

Table for Board attendance in 2016

	John Kennedy	Christopher McDonald (joined the Board on 1 October 2016)	Tony Wright	Ellis Armstrong	John Malcolm	Debra Valentine	Mel Fitzgerald	James Moffat (left the Board on 1 October 2016)
Number of **meetings** attended	14 out of 14	4 out of 4	15 out of 16	14 out of 15	13 out of 14	10 out of 12	13 out of 14	11 out of 12
Number of **strategy days** attended	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2	2 out of 2

Board meetings and attendance

The Directors met in person on six occasions during the course of 2016 and all took place in Dubai, UAE. However, where required and in order to receive an interim update on ongoing matters, the Directors convened ad hoc at short notice by way of conference call with attendance outside of the UK, where required. Meetings in person 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, typically 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 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. From time to time, the Board may also invite guest external presenters on key subject matters.

Topics at the Board

There is a formal schedule of matters reserved to 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 page 37 and key topics for discussion at relevant times 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 page 12 underpinned by our core values, 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 14.

During 2016, there were detailed presentations from various senior managers on matters including strategy and in particular the Group's strategy for Saudi Arabia, enterprise risk management, operational issues around the rigs and leadership succession planning. In addition, from time to time, the Board invites external presenters to speak to the Directors. This included presentations from a variety of experts from the oil & gas industry and information from the Company's primary brokers (J.P. Morgan Cazenove – 'JPMC') and lawyers. During the two-day strategy discussions at the June Board meetings, there were presentations to the Board and in-depth discussions from a variety of experts from oil & gas industry and economics and financial services specialists about how various developments impacted the Group in the context of the ongoing market downturn in the global industry.

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 14.

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. It is important for the Directors to operate in an environment of trust. Certain other authorities are delegated either to the Committees or to the executive management team.

An open and forthright environment is encouraged in meetings of the three Board Committees. Each of the Committees has written terms of reference, which are reviewed annually and are available on the Company's website.

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 page 35. It is a core principle for all that there is an effective working relationship between each of 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.

Standing	Periodic	Frequency
Review of actions from previous meetings	Full-year/interim financial statements	Every 6 months
Safey 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

Accordingly, there are regular discussions outside of scheduled Board meetings, particularly between the Chairman and the CEO, as well as 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 meet without the CEO or CFO present to share insights on matters of governance and sensitivity for management. The Chairman typically may also attend 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. The percentage proportion of independence on the Board (50% including the Chairman and 57% excluding the Chairman) did not vary in 2016 as the only change was the replacement of James Moffat with Christopher McDonald as CEO and Director on the Board. 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 but 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 and for consideration, prior to deliberation at the next meeting.

No new, additional conflicts of interest were noted from the Directors in 2016, save as disclosed previously. John Kennedy was the Non-Executive Chairman of Maxwell Drummond (which was one of the companies who provided recruitment services to the Company) but this company went into liquidation in April 2016. There was/is no conflict issue. 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.

Following the announcement in 2015 that James Moffat was planning to retire in 2016, a key Board priority for 2016 was the replacement of Mr Moffat with a new CEO. This was successfully completed with the announcement in August 2016 that Christopher McDonald would be taking up the role of CEO and Director. Mr McDonald joined Lamprell as CEO and Director on the Board following an extensive and in-depth recruitment process which was overseen by the Nomination & Governance Committee and made use of senior management recruitment specialists, to advise the Committee on potential candidates. As part of his appointment process, Mr McDonald was also interviewed by each of the existing Directors and certain senior managers.

During his initial introduction to the Group, Mr McDonald was given a full induction into the business in accordance with best practice. This included visits to the three main facilities in the UAE, presentations from all key managers on business-related topics and a meeting with the Chairman and the Company Secretary, to discuss governance matters. The Group also implemented a full transition plan to provide for a smooth handover from Mr Moffat to Mr McDonald which was ensured with the exclusive consultancy arrangement in place between Mr Moffat and the Company (expiring at the end of March 2017).

Detail of Mr Garrett's nomination and appointment are set out page 41.

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

As the Board had made use of an external facilitator to assist with its 2015 performance evaluation process, it reverted to the internally-driven evaluation process for 2016. This process was conducted under the stewardship of the Nomination & Governance Committee.

The evaluation included a review of the Board's activities, performance and teamwork and made use of an online questionnaire (with questions asking for quantitative ranking and for qualitative feedback to the Board, principal Board Committees and the Directors). It also included feedback from each Director as well as specific, invited key executives that have had regular interaction with either the Board or the Board Committees. The final 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 2017 around the results - see below. The NEDs, led by the Senior Independent Director, evaluated the Chairman's performance and confirmed that he was performing effectively. The Board considers that it is beneficial to take time to evaluate its own performance as this will strengthen and enhance the performance and transparency of discussions and decision-making at the Board level.

Matter(s) considered	Observation(s)	Board priority(ies)
Risk management	Severity of risks arising from the failures by third party supplier on the Ensco 140 rig project were recognised and mitigated too late	Greater focus on process for identifying key risks to the business at an early stage, and requiring management to mitigate accordingly
Strategic objectives	Strategic objectives need to be implemented in order for business to grow when market recovers, notwithstanding challenging 2017	Implement strategic objectives for guiding Company through current downturn and towards growth as the market recovers in 2018 and beyond
Succession planning	Headcount reduced to align with lower revenue projections but Group needs to retain and develop capabilities in support of the strategic objectives	Develop long-term succession plan for Board/management, involving the retention and development of key personnel and core competencies towards strategy

Annual general meetings of the Company

In May 2016, the Company held its AGM in Dubai, United Arab Emirates and all then-current Directors were present and stood for re-election. 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 8, 10, 12 and 14 (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 39.

The Company plans to hold its 2017 AGM on 21 May 2017 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 and, in the case of Christopher McDonald, at the first available AGM of the Company. As a smaller company, Lamprell proposes to submit four of the Directors for re-election at the 2017 AGM in compliance with our Articles.

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

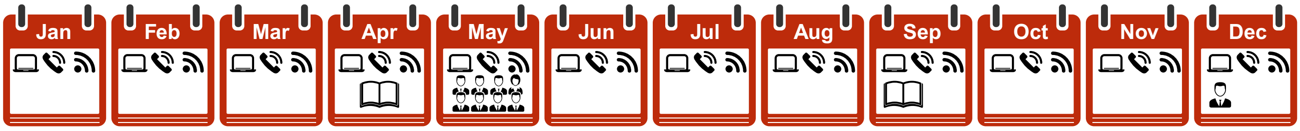
As in previous years, Lamprell focussed heavily on effective and open communications with its shareholders, not least because of the impact of the declining oil price on the Company's share price. Whilst the Chairman assumes overall responsibility for communication of shareholder views to the Board, investor relations activities are primarily handled by the CEO and CFO with the support of a dedicated investor relations team. During 2016, over 120 investor and analyst meetings were held by the investor relations team face-to-face and over the phone, of which the CEO and/or CFO attended over 70%.

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 during the year such as around trading updates to the market. Wherever possible, the Company will aim to organise analyst site visits (similar to the one organised in 2015). In addition, 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 2016.

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 corporate transactions including the rights issue of 2014. The Board decided to appoint a second broker with a view to accessing a wider shareholder base and so the Company appointed Investec Bank plc as its joint corporate broker to act alongside JPMC in 2015.

The Company also views the AGM as an important process for liaising with shareholders page 39. The Company has strived to take account of comments from shareholders and has engaged with investor advisory groups to understand their concerns, with the aim of maximising the votes in favour of resolutions submitted for approval at the AGM. With the exception of resolution 3 (relating to the Directors' Annual Report on Remuneration for 2015), all resolutions were passed with at least 98% of the votes cast in favour of the respective resolutions. In relation to resolution 3, the Board has taken steps to address the concerns of the shareholders regarding remuneration of its Directors as noted in the Directors' Remuneration Report page 46.

Consistent communication with our shareholders



Mar: Preliminary Results; Sell-side and buy-side roadshow

Apr: Annual Report published

May: AGM attended by all Directors

Sep: Sell-side and buy-side roadshow; Interim Results published

Dec: New CEO introduced to top shareholders and analysts

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

Significant shareholders

As at 20 March 2017, being the latest practicable date prior to the publication of this Annual Report, the significant interests in the voting rights of 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
Schroders plc	54,425,776	15.93
Prudential plc group (including M&G Investment Management)	28,470,799	8.33
MFS Investment Management	27,399,257	8.02

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 shareholders have 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 they include 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.

The Board also 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 2016, there were campaigns relating to significant safety matters such as hand injuries and IT security matters which continue to be a key enterprise risk for the business page 14. In January and August 2016, James Moffat conducted a series of "townhall 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. With the arrival of Christopher McDonald as CEO, he recognised the value in such close communication with the workforce and so conducted his own series of "mini-townhall meetings" to introduce himself to the staff and explain his intentions for the business.

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 2016 and their interests in the ordinary shares of the Company can be found in the Directors' Annual Report on Remuneration page 53.

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.

NOMINATION & GOVERNANCE COMMITTEE REPORT

With the planned departure of the previous CEO in late 2016, the Committee's primary focus for much of 2016 was the completion of the process for identifying and appointing a new CEO, which was achieved with the arrival of Mr McDonald in October 2016.

John Malcolm, Committee Chairman

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)	4	4
John Kennedy	4	4
Ellis Armstrong	4	4
Mel Fitzgerald	4	4
Debra Valentine	3	4

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 such as the Market Abuse Regulation 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 available on the Company's website.

Activities during 2016

The Committee devoted most time and resources to the recruitment process for the replacement of James Moffat as CEO arising from his planned retirement. The process included the preparation and refinement of long and short lists of candidates as well as the arranging of interviews with high potential candidates, all with the assistance of Korn Ferry and Maxwell Drummond, two executive recruitment specialist firms. Once Mr McDonald had been identified as the preferred candidate, the Committee acted as the primary evaluating body for his candidacy, but regularly reported to the full Board on progress.

The Company made use of Korn Ferry and Maxwell Drummond because of their strong profiles in the industry, proven assessment processes and broad contact networks from which to source candidates. Save as disclosed page 37, these companies had no other connection with the Company.

The Committee also spent considerable time considering the following key items:

- the continuing need for the Executive Chairman role taking into account both the need for a smooth transition to Mr McDonald as the new CEO and the wider market challenges; and
- the nomination of Mr Garrett as a Director of the Board by the controlling shareholders page 39 and how this would impact the Board's size and composition. The Board had to pay due regard to the decreasing size of both the turnover and the overhead costs structure, in light of the continuing market downturn and whether a further director was appropriate in all the circumstances, as well as the regulatory aspects of such an appointment. All parties acknowledged and understood the overriding fiduciary duties of a Director to the Company.

Leadership succession planning

The Board considers succession planning and internal talent management to be significant for delivery of the Group's strategy. There was positive progress in this area during 2015 but, with the challenging market environment, the higher priority in 2016 was for the Committee to oversee the restructuring at the management level as the Group downsized at all levels. The new management organisation has intentionally been designed to incorporate fewer layers with a view to minimising overhead costs; this included among other personnel the departures of the Chief Commercial Officer in mid-2016 and the Chief Operating Officer in early 2017. The Committee worked to ensure that the leadership team nevertheless maintained its critical core competencies in the new management structure and mitigated any key retention risks.

The Committee considers that the Group has taken the appropriate steps in 2016 and early 2017 to restructure its management team in a way that allows the Group to retain its operational effectiveness and to be cost-competitive, in anticipation of the market recovery when it arrives.

Diversity policy

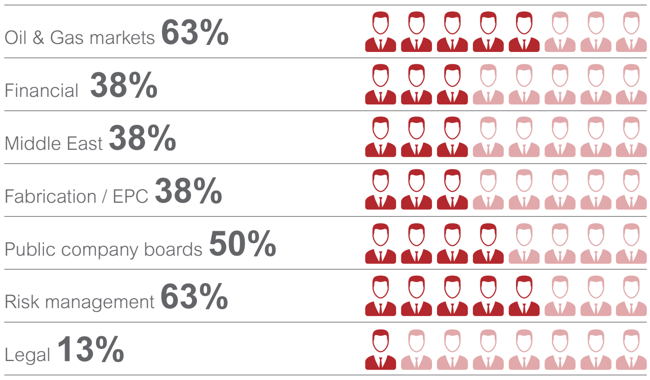
Noting the benefits of diversity, the Board implemented a diversity policy which included the recruitment of a minimum of one female Director by the end of 2016. Following a process which took place in 2015, Debra Valentine joined the Board as a NED and she provides a broad range of competencies on the Board with her prior experience working at a senior executive level for many years in the extractive industries. Within the wider management level, there is broader diversity of ethnicity and backgrounds although the Company does not currently have any female representatives among the senior management team.

Service agreements and letters of appointment

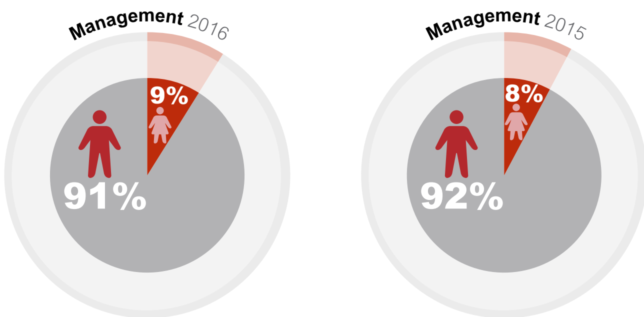
Executive Directors are employed under Directors' Service Contracts with termination notice periods of not more than 12 months.

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 2017 AGM.

Board expertise



Employee gender split



AUDIT & RISK COMMITTEE REPORT

It is a primary function of the Committee to ensure that the financial statements are fair, balanced and understandable and the Committee achieves this through regular reporting of key financial metrics by the management team and oversight on significant judgements and enterprise risks.

Ellis Armstrong, Committee Chairman

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
John Malcolm		6
Mel Fitzgerald		6

Committee attendance

Throughout 2016, membership of the Committee was comprised solely of independent NEDs and Ellis Armstrong has relevant financial experience for the purposes of the Code, thereby ensuring the appropriate balance of financial and industry experience to assess the matters presented to the Committee.

As a "smaller company" under the Code, the Committee needs only two members but the Board determined that it was in the best interests for the Committee to have three members. 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, 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, are fair, balanced and understandable.

The Committee also oversees the Company's enterprise risk management system page 14 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, safety and environment	Technology
Risk management	Internal audit	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		

Activities during 2016

The Committee's main activities during 2016 were as follows:

- overseeing management's effort to forecast and manage its cash and cash equivalents through a challenging market environment
- considering the financial aspects of the Company's strategy including in particular (i) funding scenarios for the potential joint venture in Saudi Arabia; and (ii) the impact of the late delivery of the Ensco 140 rig in August 2016
- reviewing the year-end/interim financial statements for the Company including ongoing risks and opportunities
- ensuring a smooth transition from the incumbent auditors to Deloitte as the Company's new external auditors following the tender process in 2015
- evaluating the external auditor's independence, objectivity and effectiveness
- assessing the Group's enterprise risk management database and how enterprise risks are identified and mitigated
- reviewing the internal audit reports, outstanding action points and the 2017 audit plan
- ongoing assessment of the control environment and systems
- reporting on the whistleblowing statistics and reported cases

Significant judgements in 2016

The Committee considered the significant judgements below during 2016. 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

Deloitte LLP became the Company's auditor following a formal tender process in 2015, replacing PricewaterhouseCoopers. Deloitte LLP presented to the Committee on various matters (including their audit report on the 2016 financial results) on two occasions in relation to 2016 matters. Deloitte LLP also provided the Committee with updates on changes to accounting, regulatory and corporate governance laws and regulations that impact the Company. The Committee remains satisfied as to the auditor's effectiveness and, in making this assessment, had due regard to their expertise and understanding of the Group, their resourcing capabilities, independence and objectivity.

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. 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 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, Deloitte LLP could, under certain conditions, be engaged to undertake non-audit services provided that it does not compromise the integrity of their audit work. The Policy also sets out services that Deloitte LLP is prohibited from undertaking under any circumstances. There was no breach of the policy.

In 2016, Deloitte LLP provided non-audit services with a total value of USD 544 (2015: USD 101,014) against an annual audit fee including Group audit fees with a total value of USD 520,000 (2015: USD 568,061). This demonstrates the continuing good balance between audit and non-audit services. During the year, the Committee reiterated the importance of ensuring that the non-audit fees remain below 50% of the total audit fee.

Given the oversight by the Committee and the change of auditor in 2015, the Committee considers that the objectivity and independence of the external auditor were safeguarded throughout the financial year.

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, by reference to the activities of Deloitte LLP and also by way of feedback from several sources: the Committee relies on self-assessment by Deloitte LLP of its performance, on feedback from certain senior managers that work closely alongside the

Significant judgements during 2016

Significant judgements	Views/actions of the Committee with respect to significant judgements
Goodwill and headroom	At both the half year and the year end, the Committee considered where indicators of impairment existed and the results of any related impairment reviews. Annual reviews are routinely carried out in relation to goodwill and intangible assets, with the Committee's role being primarily to challenge the significant assumptions and estimates made to ensure that they are fit for purpose. Given the decline in revenues both in 2016 and projected for 2017 and the Company's lower share price, impairment charges in respect of the goodwill attributed to the acquisition of the MIS Group in 2011 were recorded to give a full year impairment charge of USD 180.5 million. The Committee considered the appropriateness of the assumptions and challenged the factors used in the review process. After discussion, it was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate. The external auditors assessed this as an area of particular focus.
Review of subjective provisions	At each meeting, the Committee evaluated management's report on material subjective provisions taken in respect of matters including doubtful debts, contract accruals, project risks and warranty issues. The Committee considers the appropriateness, adequacy and consistency of approach to provisioning at each meeting and all material provisions are discussed and challenged. Given the uncertain economic climate for supply chain companies in the oil and gas sector, there was a focus in the year on the recoverability of receivables and on the processes in place to monitor credit risk.
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 concluded that the quantification and timing of revenue and margin recognition continues to be in line with IFRS requirements and 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 report provided to the chief operating decision-maker which is the Board of Directors. With effect from 1 January 2015, the business was reorganised on the basis of business units or value streams as opposed to facilities which had been the case in prior years. As a result of the change, management explained the structure of the revised operating segments and the Committee reviewed the determination to assess and ensure proper disclosure of reporting segments.

auditors including the CFO and the Company Secretary, and on its own evaluation of Deloitte LLP's services based on the results of its audit work and the challenges presented to the views and positions of the Group's management.

In light of the accumulated feedback, the Committee remains satisfied with Deloitte LLP's independence and effectiveness and the Board concurs with the assessment by the Committee.

Auditor tender process

The Code provides that a listed company should put its external audit contract out to public tender at least every ten years. As noted above, the Company retendered for its external audit services in 2015 which is in line with best practice.

Deloitte LLP has expressed its willingness to be appointed and continue to act as external auditor and a resolution to appoint Deloitte LLP will be proposed at the forthcoming 2017 AGM for its services in respect of the 2017 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, as well as making key recommendations and observations to the Committee and submitting a proposal for the internal audits proposed 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 2016:

- Operations – Transport Management
- Inventory Management
- Unscheduled Cash Count
- Finance – Management Reporting
- Contracts Management Process
- Operations – Maintenance of Assets
- Estimation & Proposals
- Project Management – Rig Refurbishments
- Outsourced document storage facility
- Procurement & Supply Chain Approval Process Review

There has been close interaction between the IA and Group risk functions in order to formulate the 2017 planned internal audits. Necessary amendments to the IA plan are made during the year, subject to the Committee's approval, in instances where the level of risk had increased, or decreased significantly, or circumstances within the Group had changed, or as specifically requested by management. The Committee assesses, by reference to the highlighted risk trends within the business and best practices, the key recommendations and observations and approve actions and the forward-looking internal audit plan.

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 takes responsibility for risk management 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 2016, management presented twice to the Committee, once in May and then again in November. 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.

This 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 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 page 14.

Risk management is being embedded into the daily working life of Lamprell employees and how they complete projects, in addition to 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 the maintenance of project and department risk registers. The updating of the risk registers is a regular process, involving the regular effective identification, evaluation and management of risks by individual managers.

Internal controls framework

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

- a strategy defined and implemented 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 and/or, where required on major projects, the Board
- implementation and use of an integrated enterprise resources planning 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 disclosure policy and procedure, the share dealing code, the insider dealing and market abuse policy and the whistleblowing policy. They are all available on the Company's website www.lamprell.com. With the issuance of the MAR in July 2016, the Board has updated and reissued its

Managing risk appropriately during 2016

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	VP Commercial & Risk Management is a member of the ExCom – 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	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	Project managers report on project risks on a regular basis to management
Bi-annual report identifying the major, current risks and opportunities within the business is submitted by senior management to the Audit & Risk Committee		Internal Audit ensures application and consistency of Group's risk policies and procedures by undertaking internal audits

share dealing code to comply with MAR and has also implemented a more formalistic process for identifying and disclosing inside information which includes the use of a Disclosure Committee comprising the Executive Chairman, CEO, CFO and Company Secretary.

There is a multi-lingual, secure whistleblowing hotline which was set up to allow any stakeholders including 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. With the promulgation of laws the Group also employs other processes to educate the workforce on the importance of high standards of behaviour and ethics including an e-learning module on the Company's Business Code of Conduct and annual conflict of interest declarations for managers and key personnel.

The Committee undertakes an annual review of, and monitors, 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 Remuneration Committee continues to focus on ensuring that Directors and senior management are incentivised to meet challenging stretch targets that are designed to drive business growth and build shareholder value.

Committee members

John Malcolm
(Committee Chairman and Non-Executive Director)

Ellis Armstrong (Senior Independent Director)

Debra Valentine (Non-Executive Director)

Meeting attendance

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

Dear Shareholders,
On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2016.

Performance and reward in 2016

During 2016 the Committee devoted significant time and attention to aligning Directors' remuneration with the long-term interests of the shareholders. This was achieved primarily through the establishment of challenging incentive plan targets that require significant out-performance whilst motivating Directors and senior management to share in the success of the business.

As a result of the schedule difficulties on the Ensco 140 project, caused by third party equipment failures, and the consequent financial settlement with the client, the Company did not meet the minimum threshold required in relation to the net profit target to trigger any STIP pay out. As such no annual bonus was paid to any of the Executive Directors in respect of 2016 performance.

As a further consequence of the Group's 2016 performance and its impact on cumulative EBITDA, end of period backlog and relative TSR, the performance shares awarded to Directors on 18 November 2014, with a performance cycle related to the three years ending 31 December 2016, failed to achieve the minimum vesting requirements in two of the three metrics and achieved only 5.21% vesting in the relative TSR metric.

Performance shares were granted in October 2016 to the incoming CEO, Christopher McDonald, and the CFO, Tony Wright, in accordance with the rules of the long-term incentive plan, page 52. Additional shares were awarded to Mr McDonald to compensate him for unvested share awards that he forfeited as a consequence of joining Lamprell, page 57, and to John Kennedy, Executive Chairman, in respect of his extended role and responsibilities, page 58. These awards were designed to incentivise high performance and, in the case of Mr McDonald, to encourage retention.

Christopher McDonald was appointed CEO and Director effective 1 October succeeding James Moffat who stood down on 30 September and transitioned to a part-time consulting agreement on 10 November. Further details of Mr Moffat's Consulting Agreement terms are given page 37. The decision to retain James Moffat on a part-time consulting agreement was designed to enable a smooth transition to the new CEO whilst continuing to focus on key strategic initiatives.

After an extensive search process, the Board was particularly pleased to secure a candidate of such high calibre from one of the leading companies in the global oil & gas industry. Mr McDonald's remuneration, page 56, was structured competitively with the emphasis on building long-term incentive based share ownership in return for achieving challenging growth targets and the Company's strategic objectives, page 12.

Remuneration policy for 2017

The Remuneration Committee has continued to monitor emerging trends in UK executive remuneration practices and has engaged actively in reviewing the need for any potential changes in policy for 2017. The Committee is satisfied that the current remuneration policy, that was approved at the 2016 AGM, is broadly aligned with the UK market and as such the only change that will be made for 2017, in response to shareholder feedback following the 2016 AGM, is an increase in the executive share ownership guidelines from 150% to 200% of annual base salary for the CEO and from 125% to 150% for other Executive Directors. It is noted that this is a change in policy implementation rather than the policy itself and hence does not require shareholder approval.

The Committee is satisfied that the Remuneration Policy continues to link executive reward with high performance and 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 21 May 2017. 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

23 March 2017

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 2017 onwards. The Policy Report was put to a binding shareholder vote and approved at the 2016 AGM.

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, the UK 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 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

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's 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.

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 (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 the UAE Labour Law	The Company has no Group-wide pension scheme A lump sum cash payment is awarded following end of service, based on the length of service and final base salary in accordance with UAE Labour Law	Company contributions are limited to two years' base salary by UAE Labour Law	None
Benefits and allowances	To offer a market-competitive level of benefits to ensure the Executive Directors' well-being and provide additional allowances in line with local market practice	Current benefits include a housing allowance, private medical/life insurance, use of a company car, fuel allowance, annual leave air fares 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[2]	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	None

2. It is proposed to implement an increase in the share ownership guidelines from 2017 to 200% and 150% respectively as reported on page 58.

Performance metric selection

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

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

Discretion

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

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

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors (such as, the vesting or exercise of past share awards).

Relative to pay and employment conditions in the Group

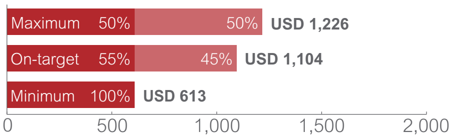
The Committee takes account of remuneration levels offered to the senior management team in the Group as well as the awards affecting the wider employee population. When considering the Executive Directors' remuneration structure and levels, the Committee reviews base salaries and incentive arrangements 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 Directors' remuneration policy, although the Committee will keep this under review.

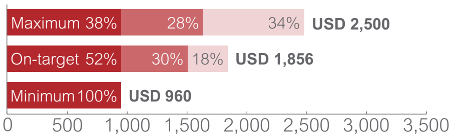
Remuneration scenarios for the Executive Directors

The charts below show an estimate of the potential range of remuneration payable for the Executive Directors in 2017 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.

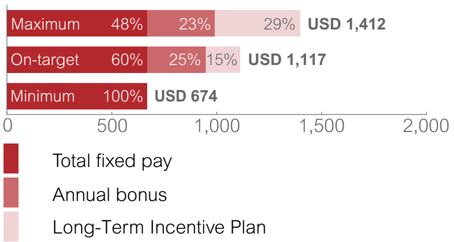
Executive Chairman
Total remuneration USD'000



Chief Executive Officer
Total remuneration USD'000



Chief Financial Officer
Total remuneration USD'000



Assumptions:

1. Base salary levels applying on 1 January 2017.
2 Benefits are estimated, based on the annualised value for the year ended 31 December 2016.
3. The end of service gratuity is estimated, based on the accrual for the year ended 31 December 2016.
4. 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 there is full vesting under both plans.
5. As per the legislation, share price movement and dividend accrual have been excluded from the above analysis.

Directors' recruitment and promotions

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

If a new Executive Director were 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, 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
Christopher Michael McDonald	2 August 2016

*James Moffat stood down as a Director on 30 September 2016.

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 for an initial term of three years, which are terminable by three months' notice on either side. At the end of the initial period the appointment may be renewed by mutual consent for an additional three-year term, subject to re-election at the AGM.

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

Currently, 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
Nicholas Garrett	23 March 2017

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 3 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 2017 AGM. The information on pages 56 to 58 (save as where indicated) has been audited.

Responsibilities of the Remuneration Committee

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

Members and activities of the Committee

The members of the Committee throughout the relevant period were John Malcolm (Committee Chair), Ellis Armstrong and Debra Valentine. Membership is comprised solely of independent NEDs. None of the current Committee members has 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 on page 46. 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, CFO and Executive 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 £24,310.

Shareholder voting at AGM

At last year's AGM held on 15 May 2016, the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	189,262,895	62.3%
Against	114,348,018	37.7%
Total votes cast (for and against)	**303,610,913**	**100.0%**
Votes withheld[1]	60,940	–
Total votes cast (including withheld votes)	**303,671,863**	**–**

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.

Directors' Remuneration Policy	Total number of votes	% of votes cast
For	300,865,886	99.1%
Against	2,805,311	0.9%
Total votes cast (for and against)	**303,671,197**	**100%**
Votes withheld	656	–
Total votes cast (including withheld votes)	**303,671,853**	**–**

Implementation of the Remuneration Policy for 2017

The Company intends to implement the Remuneration Policy for 2017 as follows:

Base salary

In setting base salaries for 2017, the Committee considered external market data as well as the market environment that has driven the need for overhead cost reductions. Accordingly the base salaries of the Executive Directors in 2017 will remain the same as 2016.

Upon his appointment as CEO effective 1 October 2016, Christopher McDonald's base salary was set relative to external market data and at a level consistent with the Company's ability to attract a high calibre CEO to take the business forward in difficult market conditions. Mr McDonald's annual base salary of USD 700,000 was 7% lower than that of the outgoing CEO, James Moffat.

As reported last year, Tony Wright's base salary was subject to review on 1 October 2016. However, in light of market conditions, his base salary remained unchanged from his appointment on 14 August 2015.

Accordingly, base salaries for 2017 are as follows:

		Base salary from 1 January		% increase
		2017	2016	
John Kennedy	£	480,000	480,000	0%
Christopher McDonald[1]	USD	700,000	N/A	N/A
Tony Wright	USD	410,000	410,000	0%

1. Christopher McDonald was appointed CEO effective 1 October 2016.

Annual bonus for 2017 (STIP)

For 2017 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 EBITDA, set in relation to the Group's budget, 15% will be based on net cash at 31 December 2017 and the remaining 25% will be based on non-financial, strategic and/or personal targets, including safety performance. This structure is intended to provide a rounded assessment of the Group's 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 400 million to USD 700 million with associated pay-outs within the range of 20 to 100% of target. The Committee considers any disclosure of future EBITDA targets 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.

For the Executive Chairman, his short-term incentive opportunity is calculated by reference to 100% of base salary earned during the period of his appointment and is payable in performance shares of the Company. 67% of his opportunity is based on increased total shareholder return and 33% is based on non-financial strategic personal goals.

Clawback provisions will apply to all bonus pay-outs within two years of the date of pay-out. Clawback may apply in a number of circumstances, for example where a mis-statement of performance or events arises after the payment of a bonus or in circumstances where misconduct may lead to significant reputational damage.

Long-term incentives

Subject to compliance with the Listing Rules, awards will be made in 2017 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. No long-term incentive awards will apply to the Executive Chairman.

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 2017

	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 2019
Cumulative EBITDA	20	USD 65m	100	USD 100m	31 December 2019
End of period backlog	20	USD 600m	100	USD 1,050m	31 December 2019

The awards will be subject to clawback provisions and a mandatory holding restriction of two years beyond vesting will apply to the 2017 awards.

Performance conditions for outstanding LTIPs

For the sake of completeness, the Company discloses the performance conditions which are attached to the awards of LTIPs in 2014, 2015 and 2016 as follows:

LTIP 2014

	Threshold		Maximum		
Performance condition	% vesting	Performance	% vesting	Performance	End measurement point
TSR vs. FTSE World Oil Equipment & Services Index	0	Median	100	Upper quintile	31 December 2016
Cumulative EBITDA	0	USD 300m	100	USD 400m	31 December 2016
End of period backlog	20	USD 1.0bn	100	USD 1.4bn	31 December 2016

The outcome of the performance conditions applicable to the 2014 LTIP awards is shown below:

Performance condition	Weight	Outcome	% Vesting
TSR vs. FTSE World Oil Equipment & Services Index	50%	Above median	5.21%
Cumulative EBITDA	25%	USD 258m	0%
End of period backlog	25%	USD 393m	0%
Total vesting			2.61%

LTIP 2015

Performance condition	Threshold % vesting	Threshold Performance	Maximum % vesting	Maximum 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	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.

LTIP 2016

Performance condition	Threshold % vesting	Threshold Performance	Maximum % vesting	Maximum 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

End of Service Gratuity

As required under the UAE Labour Law, the Company contributes to the End of Service Gratuity Fund on behalf of the Executive Directors, whereby the gratuity shall be 21 days' base salary for each year of the first five years of employment and 30 days' base salary for each additional year of employment thereafter, on the condition that the total gratuity does not exceed two years' base salary, payable upon termination of employment. In view of the short-term nature of the appointment, End of Service Gratuity does not apply to the Executive Chairman. The End of Service Gratuity is not linked to any specific retirement age and no additional benefits will accrue in the event of early retirement.

Directors' contracts

Following changes in Directors' appointments during 2016, the following information regarding the service contracts of Executive Directors should be noted.

Service contract for Executive Chairman, John Kennedy

Mr Kennedy was appointed to the position of Executive Chairman on 14 August 2015 and his Service Agreement dated 14 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 the contract and paid wholly in shares. Mr Kennedy's two awards of 292,570 performance shares on 21 September 2015 and 133,830 shares on 10 October 2016 are expected to vest upon the earlier of (i) three months after the end of the executive appointment, and (ii) the Remuneration Committee determining the satisfaction of the relevant performance conditions.

Service contract for incoming CEO, Christopher McDonald

As announced on 3 August 2016, Christopher McDonald became Chief Executive Officer on 1 October 2016 to replace James Moffat who stood down as CEO and Director on 30 September and retired from the Company on 10 November. Mr McDonald was appointed on a Service Agreement dated 2 August 2016 which is terminable by either party on twelve months' notice until the second anniversary of his commencement date at which point the agreement moves to a six-month notice period.

Mr McDonald's annual base salary is USD 700,000 and his participation in the Company's benefit programmes and incentive plans reflects the Company's policy as set out elsewhere in this report.

In addition, upon his recruitment, the Board agreed to make compensatory share awards in respect of unvested shares arising from Mr McDonald's 2015 and 2016 short-term incentive plans with his previous employer. The compensatory awards, which are shown in detail on page 57, were structured in such a way as to replicate the arrangements that were in place with his previous employer. The awards of Lamprell shares, granted on 10 October 2016, were made up of a combination of 423,024 retention shares and 304,569 performance shares vesting between 1 October 2017 and 1 October 2019, as appropriate. The compensatory awards were calculated by reference to the respective average share prices in the three months prior to Mr McDonald's appointment. In addition Mr McDonald will be eligible for a compensatory cash payment of USD 112,500 on 31 March 2017 and a potential incentive award linked to his performance in the first three months of his tenure to 31 December 2016. The Board considered these replicative awards to be essential in securing the appointment of Mr McDonald. Due to the exceptional circumstances, shareholder approval was not required by virtue of 9.4.2(2)R of the UK Listing Rules.

Service Contract for outgoing CEO James Moffat

James Moffat stood down as CEO on 30 September and retired from the Company on 10 November 2016 thereafter transitioning to a part-time Consulting Agreement, details of which are given on page 58. In addition, as reported in the 2014 Directors' Remuneration Report, Mr Moffat was granted a deferred cash compensatory award of £79,293 in relation to the lost opportunity created by the enforced delay in making his recruitment award in 2013. The payment was due on 1 March 2016, however, in view of the fact that the minimum performance conditions were not achieved, this award did not vest.

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 (in liquidation) and of Bifold Group 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. Non-Executive Directors receive no other benefits. A summary of the current fees is as follows (noting that the Non-Executive Chairman and Deputy Chairman positions were vacant in 2016):

	Fee at 1 January 2017 £000	Fee at 1 January 2016 £000	% increase
Non-Executive Chairman[1]	180	180	0%
Deputy Chairman[1]	88	88	0%
Senior Independent Director	80	80	0%
Base fee	65	65	0%
Committee Chair fee	8	8	0%

1. The Non-Executive Chairman and Deputy Chairman positions were not filled during 2016.

Directors' remuneration earned in 2016

The table below summarises Directors' remuneration received in 2016 with comparisons, where appropriate, to (2015)[1].

	Base salary and fees USD'000	Benefits and allowances[2] USD'000	End of service gratuity[5] USD'000	Annual bonus[3] USD'000	Long-term incentives[4] USD'000	Other USD'000	Total USD'000
Executive Directors							
John Kennedy	680 (468)	– (–)	– (–)	– (–)	– (–)	– (–)	680 (468)
Christopher McDonald[6]	197 (–)	56 (–)	9 (–)	– (–)	– (–)	– (–)	262 (–)
James Moffat[7]	650 (753)	202 (216)	39 (44)	– (336)	10 (–)	– (–)	901 (1,349)
Tony Wright	410 (325)	243 (284)	21 (19)	– (121)	2 (–)	– (–)	676 (749)
Lamprell plc total	**1,938 (1,546)**	**501 (500)**	**68 (63)**	**0 (457)**	**12 (0)**	**0 (0)**	**2,519 (2,566)**
Non-Executive Directors							
John Malcom	103 (115)	– (–)	– (–)	– (–)	– (–)	– (–)	103 (115)
Ellis Armstrong	133 (125)	– (–)	– (–)	– (–)	– (–)	– (–)	133 (125)
Mel Fitzgerald	92 (40)	– (–)	– (–)	– (–)	– (–)	– (–)	92 (40)
Debra Valentine	99 (34)	– (–)	– (–)	– (–)	– (–)	– (–)	99 (34)
Lamprell Energy total	**428 (314)**	**0 (0)**	**0 (0)**	**0 (0)**	**0 (0)**	**0 (0)**	**427 (314)**
Total	**2,365 (1,860)**	**501 (500)**	**68 (63)**	**0 (457)**	**12 (0)**	**0 (0)**	**2,946 (2,880)**

1. All Directors' pay is reported above in USD. Christopher McDonald's pay is determined in USD and paid in AED. James Moffat's remuneration was determined and paid in USD. Tony Wright is remunerated in AED; Ellis Armstrong and Debra Valentine's remuneration is determined in GBP and paid in USD and the remuneration of John Kennedy, John Malcolm and Mel Fitzgerald is determined and paid in GBP.
2. Benefits and allowances included housing, private medical insurance, life insurance, club membership, the use of a company car and driver, annual leave air tickets and utility expenses. The table below summarises the main benefits and allowances.
3. The annual bonus for 2016 was based on performance against financial and non-financial performance targets. Performance against these targets is set out in the tables below. No annual bonus payments were made in respect of 2016.
4. The 2014 LTIP awards that are due to vest in 2017 are likely to vest at 2.61%. Estimated valuation based on share price at 31 December 2016.
5. 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 2016 and 2015. 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 2% (2015: 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. (2015: 3.5% p.a.).
6. Christopher McDonald joined the Company on 13 September and became CEO and Director effective 1 October 2016.
7. James Moffat stood down as CEO and Director on 30 September 2016 and retired from the Company on 10 November 2016. He transitioned to a part-time consulting agreement effective 11 November 2016, page 37.

Summary of benefits and allowances

	Housing USD'000	Vehicle USD'000	Schooling USD'000	Annual leave tickets USD'000	Other USD'000	Total USD'000
Christopher McDonald	35	6	–	–	15	56
James Moffat	104	30	–	27	41	202
Tony Wright	105	20	39	49	30	243

Annual bonus 2016: Performance against targets

CEO and CFO

Metric	Weighting as % of maximum annual opportunity	Actual performance	Pay-out outcome as % of maximum annual opportunity
Sales[1]	40%	0%	0%
Net cash[2]	20%	100%	0%
Net profit[3]	15%	0%	0%
Personal goals	25%	N/A	0%
Total	**100%**	**N/A**	**0%[4]**

1. Sales targets were in the range of USD 800 million (threshold) to USD 1.0 billion (target) and USD 1.4 billion (stretch). Threshold target was not achieved.
2. Net cash targets were in the range of USD 150 million (threshold) to USD 200 million (target) and USD 250 million (stretch). Stretch target was exceeded.
3. Net profit targets were in the range of USD 50 million (threshold) to USD 55 million (target) and USD 70 million (stretch). Threshold was not achieved.
4. No bonus pay-out was made due to the failure to achieve the threshold net profit.

Long-term incentive awards granted during the year

An award of 923,234 performance shares was made to Christopher McDonald and an award of 383,032 performance shares was made to Tony Wright on 10 October 2016 in accordance with the Company's Long-Term Incentive Plan rules with associated performance conditions. These 2016 LTIP performance shares vest in full on 9 October 2019, subject to achieving the performance conditions relating to relative TSR, three-year cumulative EBITDA and end of period backlog. The awards are subject to a holding period of two years following the date of vesting. The face value of such LTIP share awards is nil.

In addition, as referenced on page 46 of this report, the following compensatory awards were made to Christopher McDonald on 10 October in respect of his appointment as CEO effective 1 October 2016. The number of shares and vesting schedules were designed to replicate the incentive arrangements that Mr McDonald forfeited upon leaving his previous employer.

Share plan	Number of shares	Vesting date	Performance condition (if applicable)
Retention shares	281,761	1 October 2017	N/A
Retention shares	94,452	1 October 2018	N/A
Retention shares	46,811	1 October 2019	N/A
Performance shares	55,219	1 October 2017	TSR vs. FTSE World Oil Equipment & Services Index
Performance shares	102,019	1 October 2018	TSR vs. FTSE World Oil Equipment & Services Index
Performance shares	147,331	1 October 2019	TSR vs. FTSE World Oil Equipment & Services Index

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 2016 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 2016	Granted in year	Exercise price at grant	Date of vesting	Vested	Exercised in 2016	At 31 December 2016
James Moffat	340,855	0	£1.4125	18.11.2017[1]	N/A	Nil	340,855

1. In view of the fact that the minimum performance condition was achieved, these options are likely to vest.

LTIP awards

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

Executive Director	At 1 January 2016	Awarded in 2016	Date of vesting	Vested in 2016	Lapsed in 2016	At 31 December 2016
Christopher McDonald[1]	0	923,234	09.10.2019	Nil	Nil	923,234
James Moffat[2]	1,059,951	0	18.11.2017 09.04.2018	321,691	Nil	738,260
Tony Wright	194,773	383,032	30.06.2017 09.04.2018 09.10.2019	Nil	Nil	577,805

1. This sets out the annual award of long-term incentives and excludes the compensatory share awards to Christopher McDonald to replicate the incentive arrangements that Mr McDonald forfeited upon leaving his previous employer, as set out above.
2. James Moffat stepped down as CEO and as a Director with effect from 30 September 2016.

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.

Awards to Executive Chairman

The following table sets out the interests of John Kennedy, the Executive Chairman, in relation to award(s) under the Company's incentive plans:

Incentive plan award	At 1 January 2016	Awarded in 2016	Date(s) of vesting	Vested in 2016	Lapsed in 2016	At 31 December 2016
Retention Share Plan	122,499	0	18.11.2017	Nil	Nil	122,499
Performance Share Plan	292,570	133,830	2017[1]	Nil	Nil	426,400

1. The awards under the performance share plan are expected to vest upon the earlier of (i) three months after end of the executive chairman appointment, and (ii) the Remuneration Committee determining satisfaction of the relevant performance conditions.

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. From 2017 onwards this shareholding requirement will be increased to the equivalent of 200% of base salary for the CEO and 150% of base salary for the CFO over a five year period. 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 McDonald 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 2016 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 2017 to 20 March 2017, being the last practicable date that the Company is able to report on Directors' interests.

	Total beneficial ownership at 31 Dec 2016	Ordinary shares owned (directly or beneficially)	Outstanding share awards including options (subject to vesting conditions)	Total beneficial ownership at 31 Dec 2015	Shareholding as a % of base salary	Shareholding requirement met?
Executive Directors						
John Kennedy[1]	2,150,838	1,601,939	548,899	2,017,008	N/A	N/A
Christopher McDonald[2]	1,650,827	0	1,650,827	0	Nil	No
Antony Wright	617,805	40,000	577,805	234,773	10.5%	No
James Moffat[3]	1,059,951	321,691	1,079,115	1,059,951	N/A	N/A
Non-Executive Directors						
Ellis Armstrong	–	–	–	–	–	–
John Malcolm	–	–	–	–	–	–
Debra Valentine	–	–	–	–	–	–
Mel Fitzgerald	–	–	–	–	–	–

1. Between 1 January 2015 and 17 March 2015, John Kennedy or his connected persons acquired 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.
2. Christopher McDonald joined the Board on 1 October 2016. His beneficial interests comprise the LTIPs awarded in 2016 as well as the compensatory share awards (to replicate the incentive arrangements that Mr McDonald forfeited upon leaving his previous employer) in 2016, all of which are subject to vesting and performance conditions.
3. James Moffat stepped down as CEO and as a Director with effect from 30 September 2016.
4. 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.

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

James Moffat was contracted under a part-time consulting agreement effective 11 November 2016 to provide transitional services to the Board following his retirement on 10 November 2016. For these services, he was paid at the rate of USD 35,000 per month and he was paid a total of USD 58,333 during the period to 31 December 2016. From 1 January 2017, this will reduce to USD 17,500 per month, depending upon work requirements, until the termination of the contract on 31 March 2017.

Payments for loss of office

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

Percentage change in remuneration levels

The table on the page opposite shows the movement in base salary, benefits and annual bonus for the CEO between the 2016 and 2015 financial years, compared to that for the average employee of the Group. For this purpose the table compares against the remuneration levels of the outgoing CEO, James Moffat.

	% change
Chief Executive Officer	
Base salary	0%
Benefits	0%
Bonus	-100%[1]

	% change
All employees	
Base salary	0%
Benefits	0%
Bonus	-100%[1]

1. No bonus was paid in respect of 2016.

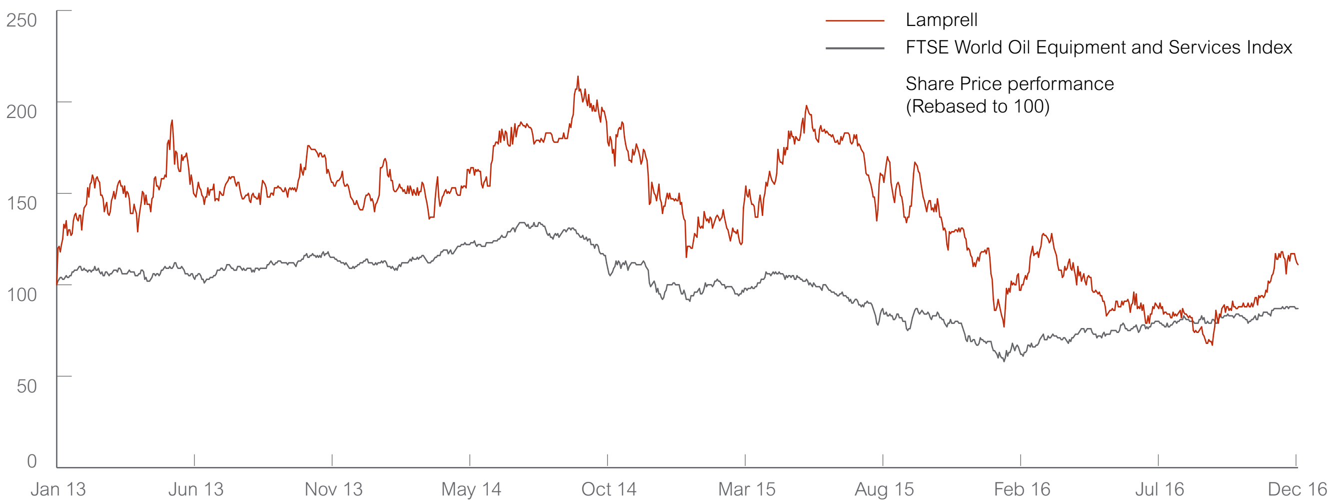
Relative importance of the spend on pay

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

	2016 USD'000	2015 USD'000	% change
Staff costs	115,796	120,611	-4%
Dividends	–	–	0.00%

Performance graph and CEO pay

The 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 31 December 2013 to 31 December 2016.



The total remuneration figures for the CEO during the last eight 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)											
	2016	2016	2015	2014	2013	2013	2012	2012	2011	2010	2009	2009
CEO	**McDonald[1]**	**Moffat[2]**	**Moffat**	**Moffat**	**Moffat**	**Whitbread[3]**	**McCue**	**Whitbread**	**McCue[4]**	**McCue**	**Whitbread**	**McCue[5]**
Total remuneration	262	891	1,349	1,716	1,652	1,504	2,739	352	2,094	1,824	1,211	514
Annual bonus %	0	0	45	91	99	0	0	0	72.3	100	0	0
LTIP vesting %	0	0	0	0	0	0	100	0	100	0	0	0

1. Christopher McDonald was appointed as CEO on 1 October 2016.
2. James Moffat was appointed CEO on 1 March 2013 and stepped down on 30 September 2016.
3. Peter Whitbread was appointed as interim CEO on 4 October 2012 and his employment ceased on 30 June 2013.
4. Nigel McCue's employment ceased on 3 October 2012.
5. Nigel McCue was appointed to the position of the CEO on 27 March 2009 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 23 March 2017.

John Malcolm
Chair of the Remuneration Committee

By order of the Board
23 March 2017

STATUTORY INFORMATION AND DIRECTORS' STATEMENTS

The Company has updated its policies and procedures in light of the Market Abuse Regulation to ensure full compliance with its disclosure obligations.

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 attaching to each share class, the method by which the Company's shares can be purchased or re-issued and the provisions which apply to the holding 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 the financial statements. The Company has one class of shares 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 53 – and in Note 8 to the financial statements.

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 (2015: 16,268) ordinary shares of 5p, representing less than 0.01% (2015: 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

	Granted 2016	2015	Outstanding 2016	2015 & prior
Lamprell plc Free Share Award Plan	Nil	Nil	Nil	Nil
Lamprell plc Retention Share Plan	898,024	495,000	868,024	921,234
Lamprell plc Executive Share Option Plan	Nil	Nil	Nil	340,855
Lamprell plc Long-Term Incentive Plan	3,940,072	2,246,878	3,326,888	2,967,656

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 2016 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 2017 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 2016 AGM to issue a similar percentage of the Company's then issued ordinary share capital. The authorities now sought at the 2017 AGM, 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 39, the Company or Group does not have contractual or other arrangements which are significant to its business with any person.

Directors' responsibility statements

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 IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

The Directors are responsible for the maintenance and integrity of the Company's website.

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

In accordance with the principles of the Code page 33, 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 principle. 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 30 to 31 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 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 8 to 13. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review page 18. 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 Notes to Financial Statements.

Alex Ridout
Company Secretary

By order of the Board
23 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LAMPRELL PLC

Opinion on financial statements of Lamprell plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with Section 15 of the Companies Act 1982; and
- the financial statements have been prepared in accordance with Section 15 of the Companies Act 1982 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Balance Sheets;
- the Consolidated and Company Cash Flow Statements;
- the Consolidated and Company Statements of Changes in Equity;
- the Statement of Accounting Policies; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Acts 1931 to 2004.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • Recoverability of goodwill • Estimation of project costs and revenue recognition
Materiality	The materiality that we used in the current year was USD 3.4 million, which is below 7.5% of adjusted profit before taxation.
Scoping	We performed a full scope audit of the consolidated Lamprell Group, covering 100% of the Group's net assets and 100% of revenue.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2.1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 17.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 15-17 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2.1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 17 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Recoverability of goodwill	
Risk description	As at 31 December 2016, the group has written off the entire goodwill balance of USD 180.5 million, which had arisen on the acquisition of Maritime Industrial Services Co. Ltd. Inc. in 2011. The group’s accounting policy for goodwill and goodwill impairment is included in note 2.7(a) in the “summary of significant accounting policies”. The assessment of the carrying value of goodwill requires management to exercise judgement as described in the “critical accounting estimates and judgements” section of the Annual Report on page 88 and in the “significant judgements” section in the Audit and Risk Committee report on page 43. Management’s assessment requires consideration of a number of factors, including but not limited to, the expected business activity in the next three years, the timing and quantum of contract awards, the discount rate and long-term growth rates. In light of the shortfall in the recoverable amount arising in each CGU, management identified a further impairment indicator on the recoverability of other non-current assets.
How the scope of our audit responded to the risk	Our audit work assessed the reasonableness of management’s key assumptions in calculating the recoverable amount of each group of cash generating units to which goodwill was assigned. Specifically our work included, but was not limited to, the following procedures: • an assessment of the design and implementation of relevant controls over the goodwill impairment; • benchmarking and analysis of growth assumptions against market data and analyst forecast; • benchmarking of assumed project margins against rates achieved historically; • agreement of assumed new contract awards to tender requests received, where applicable; • evaluating management’s historical forecasting accuracy; • verification of estimated future costs by agreement to approved budgets and where applicable, third party data; and • benchmarking of discount rates applied, with involvement from Deloitte valuation specialists and recalculation of the recoverable amount of goodwill using our independent assessment of the key assumptions.
Key observations	We are satisfied that the recoverability of goodwill has been assessed in accordance with the requirements of IAS 36: Impairment of Assets. We also consider management’s disclosure of the impact of sensitivities applied to the discount rate, the net profit rate as a percentage of revenue and the terminal growth rate in the key sources of estimation uncertainty note on page 88 are in accordance with IAS 36. We are satisfied that the recoverability of non-current assets has also been assessed in accordance with the requirements of IAS 36: Impairment of Assets.

Estimation of project costs and revenue recognition

Risk description

The group's operations are characterised by contract risk with significant judgements involved in the assessment of both current and future contract financial performance.

The group's accounting policy for revenue recognition is included in note 2.2(a) in the "summary of significant accounting policies".

Revenue is recognised based on the stage of completion of individual contracts, calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contract.

The status of contracts is updated on a regular basis. In doing so, management is required to exercise significant judgement in their assessment of the valuation of contract variations, claims and liquidated damages (revenue items); the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within forecast timescales.

The potential final contract outcomes can cover a wide range. Dependent on the level of judgement in each, the range on each contract can be individually material. In addition, changes in these judgements, and the related estimates, as contracts progress can result in material changes to revenue and margin, which can be both positive and negative.

The assessment of revenue recognition requires management to exercise judgement as described in the "critical accounting estimates and judgements" section of the Annual Report on page 88 and in the "significant judgements" section in the Audit and Risk Committee report on page 43. Management's assessment requires an estimation of the total cost to complete each project, and the group's right to revenue as a result of variation orders and claims. Management has included the impact of sensitivities applied to the costs to complete in the key sources of estimation uncertainty note on page 88.

How the scope of our audit responded to the risk

Our work on the recognition of contract revenue, margin and related receivables and liabilities included:

- an assessment of the design and implementation of relevant controls over the recognition of contract revenue and margin;
- integrating construction experts into the audit team to support our audit challenge on the relevant processes and controls in place for tendering, monitoring and forecasting contract revenue and contract costs;
- meeting with operational project management to understand contract performance;
- selecting a sample of contracts based on qualitative and quantitative factors in order to challenge both current and future financial performance on the most significant and more complex contract positions. For sampled contracts, we challenged management's key judgements inherent in the forecast costs to complete that drive the accounting under the percentage of completion method, including the following procedures:
  - reviewing the contract terms and conditions by reference to contract documentation;
  - testing the valuation of claims and variations both within contract revenue and contract costs via inspection of customers' instructions and contracts with customers and the supply chain;
  - reviewing legal and experts' reports received on contentious matters;
  - testing the financial forecasts by agreeing to subcontractor agreements and through interviews with commercial and operational management to assess the impat of any commercial and operational risk on the cost estimates;
  - assessing the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works; and
  - reviewing post-balance sheet contract performance to challenge year end judgements.
- assessing the recoverability of related receivables, including testing of post year end cash receipts, and completeness and validity of any contract loss provisions through completion of the above procedures.

Key observations

We are satisfied that the estimation of project costs and the recognition of revenue are in accordance with IAS 11: Construction contracts.

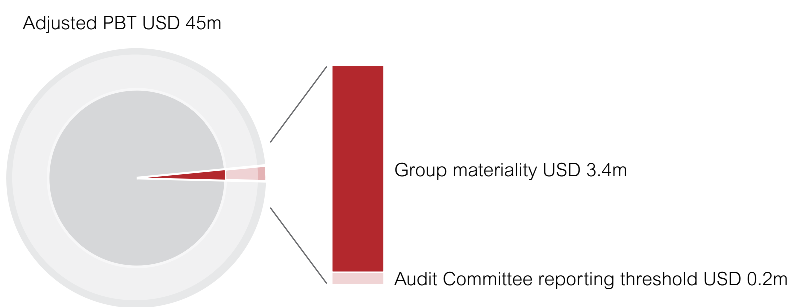
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	USD 3.4m
Basis for determining materiality	Materiality is based on 7.5% of adjusted forecast profit before taxation.
Rationale for the benchmark applied	We have determined materiality based on adjusted profit before tax of the group as we considered this to be the most appropriate measure to assess the performance of the group. We have adjusted profit before tax to exclude the goodwill impairment charge, the impact of the settlement of the Ensco contracts and certain one-off items in order to normalise the profit before tax. Materiality equates to less than 1% of net assets.



We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of USD 168,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement at the group level.

Based on that assessment, we consider that the group has a single component based in the United Arab Emirates ('UAE'). We performed a full scope audit of the Group's operations based in the UAE which comprises 100% of the Group's net assets and 100% of revenue.

The group team are responsible for the work performed on the component. The Group auditor also tested the consolidation process. We have obtained an understanding of the Group's system of internal controls and undertaken a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Acts 1931 to 2004 we are required to report to you if, in our opinion: • proper books of account have not been kept by the company and that proper returns adequate for our audit have not been received from branches not visited by us; or • the parent company's financial statements are not in agreement with the books of account and returns; or • we have not received all the information and explanations which to the best of our knowledge and belief, are necessary for the purpose of our audit.	**We have nothing to report in respect of these matters.**
Directors' loans and remuneration Under the Companies Acts 1931 to 2004 we are also required to report if in our opinion certain disclosures of directors' loans and remuneration have not been complied with.	**We have nothing to report arising from these matters.**
Corporate Governance Statement Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.	**We have nothing to report arising from our review.**
Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.	**We confirm that we have not identified any such inconsistencies or misleading statements.**

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Deloitte LLP
Chartered Accountants

London, United Kingdom
23 March 2017

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December 2016			Year ended 31 December 2015		
	Notes	Pre-exceptional items USD'000	Exceptional items USD'000	Total USD'000	Pre-exceptional items USD'000	Exceptional items USD'000	Total USD'000
Continuing operations							
Revenue	5	**704,994**	**–**	**704,994**	871,058	–	871,058
Cost of sales	6	**(647,791)**	**–**	**(647,791)**	(747,538)	–	(747,538)
Gross profit		**57,203**	**–**	**57,203**	123,520	–	123,520
Selling and distribution expenses	7	**(798)**	**–**	**(798)**	(1,771)	–	(1,771)
General and administrative expenses	9,33	**(48,402)**	**(3,361)**	**(51,763)**	(44,318)	–	(44,318)
Impairment loss	17,33	**–**	**(180,539)**	**(180,539)**	–	–	–
Other gains/(losses) – net	12	**1,944**	**–**	**1,944**	260	–	260
Operating (loss)/profit		**9,947**	**(183,900)**	**(173,953)**	77,691	–	77,691
Finance costs	11	**(12,822)**	**–**	**(12,822)**	(14,647)	–	(14,647)
Finance income	11	**2,895**	**–**	**2,895**	2,679	–	2,679
Finance costs – net		**(9,927)**	**–**	**(9,927)**	(11,968)	–	(11,968)
Share of profit of investments accounted for using the equity method	19	**1,944**	**–**	**1,944**	1,318	–	1,318
(Loss)/profit before income tax		**1,964**	**(183,900)**	**(181,936)**	67,041	–	67,041
Income tax expense		**(254)**	**–**	**(254)**	(541)	–	(541)
(Loss)/profit for the year from continuing operations		**1,710**	**(183,900)**	**(182,190)**	66,500	–	66,500
Discontinued operations							
Loss for the year from discontinued operations		**–**	**–**	**–**	(1,866)	–	(1,866)
(Loss)/gain on disposal of subsidiary		**(2,125)**	**–**	**(2,125)**	66	–	66
(Loss)/profit for the year attributable to the equity holders of the Company		**(415)**	**(183,900)**	**(184,315)**	64,700	–	64,700
(Loss)/earnings per share for (losses)/profit from continuing operations attributable to the equity holders of the Company during the period	13						
Basic				**(53.32)c**			19.46c
Diluted				**(53.32)c**			19.36c
(Loss)/earnings per share attributable to the equity holders of the Company during the period	13						
Basic				**(53.94)c**			18.93c
Diluted				**(53.94)c**			18.84c

The notes on pages 76 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

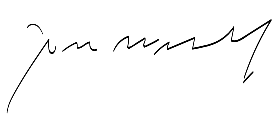
	Notes	Year ended 31 December 2016 USD'000	2015 USD'000
(Loss)/profit for the year		**(184,315)**	64,700
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	26	**1,523**	(1,988)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	25	**(290)**	(489)
Net loss on cash flow hedges	25	**(1,259)**	–
Other comprehensive income for the year		**(26)**	(2,477)
Total comprehensive (loss)/income for the year		**(184,341)**	62,223
Total comprehensive (loss)/income for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**(182,216)**	64,023
Discontinued operations		**(2,125)**	(1,800)

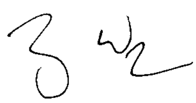
The notes on pages 76 to 111 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2016 USD'000	2015 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**172,328**	175,286
Intangible assets	17	**24,951**	205,884
Investment accounted for using the equity method	19	**7,229**	5,285
Trade and other receivables	21	**10,905**	12,712
Term and margin deposits	22	**6,777**	8,950
Derivative financial instruments	27	**115**	–
Total non-current assets		**222,305**	408,117
Current assets			
Inventories	20	**24,415**	29,066
Trade and other receivables	21	**264,417**	415,614
Derivative financial instruments	27	**58**	–
Cash and bank balances	22	**327,893**	280,668
Total current assets		**616,783**	725,348
Total assets		**839,088**	1,133,465
LIABILITIES			
Current liabilities			
Borrowings	30	**(20,321)**	(20,136)
Trade and other payables	28	**(180,021)**	(264,943)
Derivative financial instruments	27	**(465)**	(4)
Provision for warranty costs and other liabilities	29	**(7,958)**	(8,334)
Current tax liability		**(223)**	(451)
Total current liabilities		**(208,988)**	(293,868)
Net current assets		**407,795**	431,480
Non-current liabilities			
Borrowings	30	**(39,163)**	(59,163)
Derivative financial instruments	27	**(794)**	(14)
Provision for employees' end of service benefits	26	**(34,745)**	(42,863)
Total non-current liabilities		**(74,702)**	(102,040)
Total liabilities		**(283,690)**	(395,908)
Net assets		**555,398**	737,557
EQUITY			
Share capital	24	**30,346**	30,346
Share premium	24	**315,995**	315,995
Other reserves	25	**(20,693)**	(19,144)
Retained earnings		**229,750**	410,360
Total equity attributable to the equity holders of the Company		**555,398**	737,557

The financial statements on pages 68 to 111 were approved and authorised for issue by the Board of Directors on 23 March 2017 and signed on its behalf by:





Christopher McDonald
Chief Executive Officer and Director

Antony Wright
Chief Financial Officer and Director

The notes on pages 76 to 111 form an integral part of these financial statements.

COMPANY BALANCE SHEET

	Notes	As at 31 December 2016 USD'000	2015 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	18	**554,448**	692,569
Current assets			
Other receivables		**357**	634
Due from related parties	23	**13,694**	12,510
Cash at bank		**264**	218
Total current assets		**14,315**	13,362
Total assets		**568,763**	705,931
LIABILITIES			
Current liabilities			
Accruals		**(564)**	(17)
Total current liabilities		**(564)**	(17)
Net current assets		**13,751**	13,345
Non-current liabilities			
Provision for employees' end of service benefits	26	**(173)**	(121)
Total liabilities		**(737)**	(138)
Net assets		**568,026**	705,793
EQUITY			
Share capital	24	**30,346**	30,346
Share premium	24	**315,995**	315,995
Other reserve	25	**189,059**	329,153
Retained earnings		**32,626**	30,299
Total equity attributable to the equity holders of the Company		**568,026**	705,793

The financial statements on pages 68 to 111 were approved and authorised for issue by the Board of Directors on 23 March 2017 and signed on its behalf by:

Christopher McDonald
Chief Executive Officer and Director

Antony Wright
Chief Financial Officer and Director

The notes on pages 76 to 111 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2015		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	26	–	–	–	(1,988)	(1,988)
Currency translation differences	25	–	–	(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
Loss for the year		–	–	–	(184,315)	(184,315)
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	26	–	–	–	1,523	1,523
Currency translation differences	25	–	–	(290)	–	(290)
Net loss on cash flow hedges	25	–	–	(1,259)	–	(1,259)
Total comprehensive loss for the year		–	–	(1,549)	(182,792)	(184,341)
Transactions with owners:						
Share-based payments:						
– value of services provided	8	–	–	–	2,725	2,725
– treasury shares purchased		–	–	–	(543)	(543)
Total transactions with owners		–	–	–	2,182	2,182
At 31 December 2016		**30,346**	**315,995**	**(20,693)**	**229,750**	**555,398**

The notes on pages 76 to 111 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital USD'000	Share premium USD'000	Other reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2015		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	26	–	–	–	7	7
Total transactions with owners		–	–	–	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
		–	–	–	3,174	3,174
At 31 December 2015		30,346	315,995	329,153	30,299	705,793
Loss for the year		–	–	–	(140,020)	(140,020)
Other comprehensive income:						
Re-measurement of post-employment benefit obligations	26	–	–	–	16	16
Total comprehensive loss for the year		–	–	–	(140,004)	(140,004)
Transactions with owners:						
Share-based payments:						
– value of services provided	8	–	–	–	752	752
– investment in subsidiaries	18	–	–	–	1,973	1,973
– treasury shares acquired		–	–	–	(488)	(488)
Impairment during the year	25	–	–	(140,094)	140,094	–
Total transactions with owners		–	–	(140,094)	142,331	2,237
At 31 December 2016		**30,346**	**315,995**	**189,059**	**32,626**	**568,026**

The notes on pages 76 to 111 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2016 USD'000	2015 USD'000
Operating activities			
Cash generated from/(used in) operating activities	36	**100,124**	(522)
Tax paid		**(222)**	(257)
Net cash generated from/(used in) operating activities		**99,902**	(779)
Investing activities			
Additions to property, plant and equipment	16	**(22,871)**	(55,681)
Proceeds from sale of property, plant and equipment		**1,349**	543
Additions to intangible assets	17	**(2,753)**	(3,782)
Finance income	11	**2,895**	2,679
Dividend received from joint ventures	19	**–**	1,151
Proceeds from disposal of a subsidiary – net		**–**	2,091
Movement in deposit with original maturity of more than three months	22	**(24,506)**	(6,706)
Movement in margin/short-term deposits under lien	22	**804**	1,519
Net cash used in investing activities		**(45,082)**	(58,186)
Financing activities			
Treasury shares purchased		**(543)**	–
Repayments of borrowings		**(20,000)**	(20,000)
Finance costs		**(12,637)**	(14,386)
Net cash used in financing activities		**(33,180)**	(34,386)
Net increase/(decrease) in cash and cash equivalents		**21,640**	(93,351)
Cash and cash equivalents, beginning of the year from continuing operations		**224,164**	312,352
Cash and cash equivalents, beginning of the year from discontinued operations		**–**	5,652
Exchange rate translation		**(290)**	(489)
Cash and cash equivalents, end of the year from continuing operations	22	**245,514**	224,164

The notes on pages 76 to 111 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT

	Notes	Year ended 31 December 2016 USD'000	2015 USD'000
Operating activities			
(Loss)/profit for the year	31	**(140,020)**	443
Adjustments for:			
Impairment of investment in subsidiaries		**140,094**	–
Share-based payment – value of services provided	8	**752**	1,125
Provision for employees' end of service benefits	26	**68**	53
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**894**	1,621
Changes in working capital:			
Other receivables		**277**	(127)
Accruals		**547**	(2,470)
Due from related parties	23	**(1,184)**	908
Net cash generated/(used in) operating activities		**534**	(68)
Financing activities			
Treasury shares issued		**(488)**	–
Net cash used in financing activities		**(488)**	–
Net increase/(decrease) in cash and cash equivalents		**46**	(68)
Cash and cash equivalents, beginning of the year		**218**	286
Cash and cash equivalents, end of the year	22	**264**	218

The notes on pages 76 to 111 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 25). 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, IM1 5PD 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 ("LEL")	100	100	Isle of Man
Lamprell Investment Holdings Ltd. ("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
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
Maritime Industrial Services Co. Ltd. & Partners ("MISCLP")	70[1]	100	Sultanate of Oman
Global Investment Co. Ltd. Inc ("GIC")	100	100	Republic of Panama
Sunbelt Safety Services Co. Ltd. Inc. ("SSS")	100	100	Republic of Panama
MIS Qatar LLC ("MISQWLL")	49[1]	100	Qatar
Lamprell Kazakhstan LLP ("LAK")	100	100	Kazakhstan
Lamprell Energy (UK) Limited ("LUK")	100	100	England and Wales
Lamprell International (Netherlands) B.V. ("LIN")	100	100	Netherlands
Sunbelt Safety Services LLC ("SSSL")	70[1]	100	Sultanate of Oman

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, who 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 23).
2. The beneficiaries of the EBT are the employees of the Group.

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 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. The Group has adopted this amendment and it has no impact on the Group.

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 Group has adopted this amendment and it has no 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 has adopted this amendment and it has no impact on the Group.

IAS 1 (amendments), 'Presentation of Financial Statements' Disclosure Initiative clarifies, rather than significantly changes, 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. The Group has adopted this amendment and it has no impact on the Group.

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 has adopted this amendment and it has no impact on the Group.

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 has adopted this amendment and it has no impact on the Group.

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 has adopted this amendment and it has no impact on the Group.

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 has adopted this amendment and it has no impact on the Group.

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 has adopted this amendment and it has no impact on the Group.

2 Summary of significant accounting policies continued

2.1 Basis of preparation continued

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IFRS 2 (amendments), 'Share-based Payment' Classification and Measurement of Transactions, addresses three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group does not anticipate that application of the amendments in future will have a material impact as it does not have any cash-settled share-based arrangements.

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 use 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 has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9 which could result in earlier recognition of credit losses. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables (Note 21) and amounts due from customers (Note 21) as required or permitted by IFRS 15. We will perform a detailed assessment in the future to determine the extent, if any.

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 contracts 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. During 2016, the Group performed a preliminary assessment of IFRS 15 on its major construction contracts which will be completed after the effective date. At this stage of the process we have identified some specific areas such as revenue recognition on lump-sum contracts and the recognition of variable consideration as areas where our existing accounting policies will require further review. We are not yet in a position to quantify the impact of any changes, however our current assessment is as detailed below. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

Contract revenue

The Group provides lump-sum fabrication and engineering services to the oil and gas and renewable energy industry. Currently, the Group accounts for the lump-sum construction contracts as a single performance obligation and recognises the contract revenue by reference to the stage of completion on the overall contract (see current revenue recognition policies in Note 2.2).

Under IFRS 15, revenue recognition must take into account each separate performance obligation and relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these construction contracts may be impacted. The Group will continue its analysis during 2017 and provide an update on its progress in the 2017 interim financial statements.

In preparing to adopt IFRS 15 for its construction contracts, the Group is considering the following:

Variable consideration

Currently, the Group recognises revenue from the construction contracts measured based on the fair value of the consideration received or receivable, net of any allowances. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.

Warranty obligations

The Group generally offers a one year warranty for defects for work carried out and does not provide extended warranties or maintenance services in its contracts with customers. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. These costs are included in estimated contract costs. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice.

2 Summary of significant accounting policies continued

2.1 Basis of preparation continued

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted continued

IFRS 16, 'Leases', replaces IAS 17 'Leases' and the related interpretations when it becomes effective. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. As at 31 December 2016, the Group has operating lease commitments of USD 106.8 million (Note 34). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all of these leases unless they qualify for low value or short-term leases.

IAS 7 (amendments), 'Statement of Cash Flows' Disclosure Initiative requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

IAS 12 (amendments), 'Income Taxes' – Recognition of Deferred Tax Assets for Unrealised Losses clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2017 with early application permitted. These amendments are not expected to have any impact on the Group.

2.2 Revenue recognition

(a) Contract revenue

Contract revenue is recognised under the percentage-of-completion method by measuring the proportion of costs incurred for work performed to total estimated costs. 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 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 Summary of significant accounting policies continued

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

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

(b) 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 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 Summary of significant accounting policies continued

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

» all resulting exchange differences are recognised 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
Buildings and infrastructure	3 – 25
Operating equipment	3 – 15
Fixtures and office equipment	3 – 5
Motor vehicles	5

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

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.

2 Summary of significant accounting policies continued

2.7 Intangible assets continued

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

(c) Customer relationships

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

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'.

2 Summary of significant accounting policies continued

2.12 Employee benefits continued

(b) Share-based payments

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

2.18 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

2 Summary of significant accounting policies continued

2.19 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss 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 23), 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.

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 27. 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 Discontinued operations

Discontinued operations is a component of the Group's business that has been disposed of, or meets the criteria to be classified as held for sale. Discontinued operations are presented on the consolidated income statement as a separate line and are shown net of tax.

2 Summary of significant accounting policies continued

2.22 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill, 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 are reviewed for possible reversal of the impairment at each reporting date. Any impairment loss is recognised in the consolidated income statement and separately disclosed.

2.23 Share capital

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

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

2.24 Exceptional items

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk – foreign exchange risk

The Group has foreign exchange risk primarily with respect to balances in Euro, Great British Pound, Norwegian Kroner and Saudi Riyal with certain suppliers. During the year ended 31 December 2016, if foreign exchange rates on foreign balances had been 10% higher/lower, the exchange difference would have been higher/lower by USD 130,088 (2015: USD 139,602).

(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 2016, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 994,869 (2015: USD 1,395,304).

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 taking fixed interest rate swaps against the variable rates. Under these swaps, the Group agrees with other parties to exchange, at specified intervals, 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 2016, if interest rates on borrowings had been 0.5% higher/lower, the interest expense would have been higher/lower by USD 363,069 (2015: USD 462,028).

(c) Credit risk

The Group's exposure to credit risk is detailed in Notes 15, 21, 22 and 27. 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 the equivalent of investment grade and above are accepted unless if the bank is situated in a frontier market where minimal balances are held. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2016, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 86% (2015: 92%) 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.

3 Financial risk management continued

3.1 Financial risk factors continued

(c) Credit risk continued

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

	2016		2015	
Counterparty	External rating[1]	USD'000	External rating[1]	USD'000
Bank A	A+	175,429	A+	171,549
Bank B	A+	74,025	A+	51,922
Bank C	A	33,369	AA-	34,268
Bank D	AA-	32,479	AA-	11,614
		315,302		269,353

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

	2016		2015	
	Internal rating[2]	USD'000	Internal rating[2]	USD'000
Customer 1	Group A	37,149	Group B	38,798
Customer 2	Group A	18,048	Group C	23,665
Customer 3	Group C	11,219	Group B	12,548
Customer 4	Group C	4,470	Group B	5,332
Customer 5	Group C	1,525	Group A	2,159
Customer 6	Group A	1,293	Group B	1,156
Customer 7	Group C	1,209	Group B	1,096
Customer 8	Group B	1,065	Group A	773
Customer 9	Group C	1,045	Group B	649
		77,023		86,176

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

The above represents 86% (2015: 92%) of trade receivables of USD 89.4 million (2015: USD 94.1 million) (Note 21).

The counterparties in 2016 are not necessarily the same counterparties in 2015.

The customers in 2016 are not necessarily the same customers in 2015.

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

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group is currently financed from shareholders' equity and borrowings.

The Group's liquidity risk on derivative financial instruments is disclosed in Note 27.

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 2016				
Trade and other payables (excluding due to customers on contracts) (Note 28)	142,912	142,912	142,912	–
Derivative financial instruments (Note 27)	1,259	1,259	465	794
Borrowings (Note 30)	59,484	60,321	20,321	40,000
	203,655	204,492	163,698	40,794
31 December 2015				
Trade and other payables (excluding due to customers on contracts and dividend payable) (Note 28)	171,342	171,342	171,342	–
Derivative financial instruments (Note 27)	18	18	4	14
Borrowings (Note 30)	79,299	80,456	20,456	60,000
	250,659	251,816	191,802	60,014

3 Financial risk management continued

3.2 Capital risk management

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

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

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

At the balance sheet date, the Group has no net debt and was therefore un-geared.

3.3 Fair value estimation

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

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

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

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2016				
Derivative financial instruments (Note 27)	**–**	**173**	**–**	**173**

There are no assets at 31 December 2015 measured at fair value.

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

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
31 December 2016				
Derivative financial instruments (Note 27)	**–**	**1,259**	**–**	**1,259**
31 December 2015				
Derivative financial instruments (Note 27)	–	18	–	18

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:

Settlement agreement with Ensco

As stated in Note 5, the Group signed a contract settlement agreement for the Ensco 140 rig, which confirmed a reduction in contract revenue by USD 25.0 million.

The settlement agreement also increased estimated contract costs by USD 17.6 million. The additional estimated contract costs have been based on the historical experience for similar modifications and activities based on current working practice.

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 3.8 million (2015: USD 30.5 million) if the total costs to complete are decreased by 10% and the revenue and profit decreasing by USD 6.9 million (2015: USD 28.5 million) if the total costs to complete are increased by 10%.

Impairment of goodwill

The Group carries out an impairment review whenever events or changes in circumstance indicate that the carrying value of goodwill may not be recoverable. In addition, the Group carries out an annual impairment review as required by IAS 36.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The market downturn has resulted in a decrease in bidding activities and a reduction in new project awards which the Group had included in the expected pipeline at half year. The estimate of future cash flows and terminal value growth rate for each of the CGUs have been significantly affected by the current assumptions relating to market outlook, contract awards and contract margins. The Group had anticipated new project awards based on a visible bid pipeline as well as market knowledge. However, the awards have not crystalised and the market has continued to slow down, reducing the Group's confidence for new build awards in the short term. The outlook for the Group is discussed in the Chief Executive Officer's review.

As a result of the above, the carrying amount of goodwill at 31 December 2016 was Nil (31 December 2015: USD 180.5 million) after an impairment loss of USD 180.5 million was recognised during 2016 (2015: Nil). The goodwill arose from the acquisition of MIS and details of the impairment loss calculation are set out in Note 17.

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 9.2 million (2015: USD 48.0 million) if the discount rate was to increase or an increase in the headroom by USD 10.2 million (2015: USD 54.2 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 34.6 million (2015: USD 66.4 million) in the headroom if the net profit was to increase or there would be an reduction in the headroom of USD 34.6 million (2015: USD 66.4 million) 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 6.9 million (2015: USD 35.5 million) if the terminal value growth rate was lower or an increase in the headroom of USD 7.6 million (2015: USD 40.8 million) if the terminal value growth rate was higher.

Owing to the significant negative headroom in management's base case, in all of the above scenarios, the goodwill as at 31 December 2016 would be fully impaired.

The substantial negative headroom represents an indicator of impairment of other non-current assets and an impairment test was performed using the same assumptions as above. In all cases there was significant residual headroom and consequently no impairment of other non-current assets was recorded.

4 Critical accounting estimates and judgements continued

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% (2015: 5%). A discount rate of 11.54% (2015: 10.39%) 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 a long-term maturity period, the UAE inflation rate, the equity risk premium on the entities operating from the UAE, the Group's beta and the cost of Group's debt.

During the year, the Company recorded an impairment charge with respect to its investment in LEL of USD 140.1 million (Notes 18 and 25) (2015: Headroom of USD 354.7 million).

If the revenue growth rate used was to differ by 0.5% from management's estimates, in isolation, the impairment would be higher by USD 1.3 million (2015: Headroom lower by USD 3.9 million) if the revenue growth rate was decreased or the impairment would be lower by USD 1.3 million (2015: Headroom higher by USD 3.9 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 impairment would be higher by USD 9.2 million (2015: Headroom lower by USD 48.2 million) if the discount rate was increased or the impairment would be lower by USD 10.2 million (2015: Headroom higher by USD 55.1 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 impairment would be higher by USD 34.6 million (2015: Headroom lower by USD 67.0 million) if the net profit as a percentage of revenue was lower or the impairment would be lower by USD 34.6 million (2015: Headroom higher by USD 67.0 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 impairment would be higher by USD 6.9 million (2015: Headroom lower by USD 35.9 million) if the terminal value growth rate was lower or the impairment would be lower by USD 7.6 million (2015: Headroom higher by USD 41.3 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% (2015: 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 0.3 million (2015: USD 1.0 million) lower or USD 1.5 million (2015: USD 1.4 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 1.3 million (2015: USD 1.4 million) higher or USD 0.3 million (2015: USD 1.0 million) lower.

5 Segment information

The Group is organised into business units, which are the Group's operating segments and are reported to the Board of Directors, the chief operating decision-maker. These operating segments are aggregated into two reportable segments – 'Fabrication & Engineering' and 'Services' based on similar nature of the products and services, type of customer and economic characteristics. During 2015, the segments were reported as Segment A and Other segment and as a result, comparatives have been restated.

The Fabrication & Engineering segment contains business from New Build Jackup Rigs ("NBJR"), Modules ("MOD"), Offshore Platforms ("OP") and Oil and Gas Contracting Services ("OGCS") excluding that from the Operations & Maintenance manpower business. The Services segment contains business from Operations & Maintenance and safety services.

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. Operations & Maintenance derives its revenue from manpower supply and ancillary services.

	Fabrication & Engineering USD'000	Services USD'000	Total USD'000
Year ended 31 December 2016			
Revenue from external customers[1]	**668,835**	**36,159**	**704,994**
Gross operating profit[1]	**99,436**	**14,174**	**113,610**

1. As a result of the late delivery of the Ensco 140 rig which was caused by failures in the jacking equipment supplied by the original equipment manufacturer, Cameron LeTourneau ("Cameron"), the Group entered into a settlement agreement on 26 August 2016.

   The impact of the settlement agreement was that the Group's Fabrication & Engineering segment incurred a reduction of revenue amounting to USD 25.0 million, which was a deduction from the final 'Ensco 140' rig milestone payment and is likely to incur additional estimated contract costs amounting to USD 17.6 million as a result of an increase in the contract scope which the Group committed to provide for the 'Ensco 140 and 141' rigs.

	Fabrication & Engineering USD'000	Services USD'000	Total USD'000
Year ended 31 December 2015 (restated)			
Revenue from external customers	828,160	42,898	871,058
Gross operating profit	151,131	23,744	174,875

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

The reconciliation of the gross operating profit is provided as follows:

	2016 USD'000	2015 USD'000
Gross operating profit for the Fabrication & Engineering segment as reported to the Executive Directors	**99,436**	151,131
Gross operating profit for the Services segments as reported to the Executive Directors	**14,174**	23,744
Unallocated:		
Employee and equipment costs	**(23,151)**	(14,523)
Repairs and maintenance	**(10,147)**	(18,636)
Yard rent and depreciation	**(12,798)**	(12,667)
Others	**(10,311)**	(5,529)
Gross profit	**57,203**	123,520
Impairment loss[1] (Note 17)	**(180,539)**	
Selling and distribution expenses (Note 7)	**(798)**	(1,771)
General and administrative expenses (Note 9)	**(51,763)**	(44,318)
Other gains/(losses) – net (Note 12)	**1,944**	260
Finance costs (Note 11)	**(12,822)**	(14,647)
Finance income (Note 11)	**2,895**	2,679
Others	**1,690**	777
(Loss)/profit for the year from continuing operations	**(182,190)**	66,500

1. The impairment loss of USD 180.5 million recognised for the year in respect of goodwill is attributable to the Fabrication & Engineering reportable segment.

5 Segment information continued

Information about segment assets and liabilities is not reported to or used by the Board of Directors and, accordingly, no measures of segment assets and liabilities are reported. The breakdown of revenue from all services is as follows:

	2016 USD'000	2015 USD'000
Fabrication & Engineering		
New Build Jackup Rigs	**567,585**	675,821
Oil and Gas Contracting Services	**47,648**	93,318
Modules	**40,809**	47,121
Offshore platforms	**12,793**	11,900
Services		
Operations & Maintenance manpower supply	**36,159**	42,898
	704,994	871,058

The Board of Directors assesses 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 Group's principal place of business is in the UAE. The revenue recognised in the UAE with respect to external customers is USD 700.4 million (2015: USD 865.8 million), and the revenue recognised from other countries is USD 4.6 million (2015: USD 5.3 million).

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

	2016 USD'000	2015 USD'000
External customer A	**333,432**	275,296
External customer B	**161,529**	196,462
External customer C	**77,486**	147,251
	572,447	619,009

The revenue from these customers is attributable to the Fabrication & Engineering segment. The above customers in 2016 are not necessarily the same customers in 2015.

6 Cost of sales

	2016 USD'000	2015 USD'000
Materials and related costs	**304,144**	445,461
Staff costs (Note 10)	**134,945**	150,979
Subcontract costs	**128,064**	77,561
Subcontract labour	**26,998**	20,968
Depreciation (Note 16)	**22,071**	16,818
Repairs and maintenance	**10,147**	18,636
Yard rent	**6,379**	6,754
Equipment hire	**8,748**	5,136
Write-down of inventory to net realisable value (Note 20)	**2,000**	–
Release of warranty provision	**(3,876)**	(4,000)
Others	**8,171**	9,225
	647,791	747,538

7 Selling and distribution expenses

	2016 USD'000	2015 USD'000
Travel	**575**	628
Advertising and marketing	**153**	359
Entertainment	**66**	143
Others	**4**	641
	798	1,771

8 Share-based payments

Group

	2016 USD'000	2015 USD'000
Amount of share-based charge (Note 10):		
– relating to retention share plan	**790**	126
– relating to executive share option plan	**–**	130
– relating to performance share plan	**1,935**	2,918
	2,725	3,174

Company

	2016 USD'000	2015 USD'000
Amount of share-based charge:		
– relating to retention share plan	**178**	90
– relating to executive share option plan	**–**	130
– relating to performance share plan	**574**	905
	752	1,125

Retention share plan

The Company awarded shares to selected Directors, key management personnel and employees under the retention share plan that provides an entitlement to receive these shares at no cost. These retention shares are conditional on the Directors/key management personnel/employee completing a specified period of service (the vesting period). The awards do not entitle participants to dividend equivalents during the vesting period and some of the awards have a performance condition. 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	470,000	36 months	£1.55	–
	122,499	36 months	£1.41	–
	592,499			
2015	495,000	36 months	£1.20	–
2016	475,000	36 months	£0.17	–
	281,761	12 months	£0.73	–
	94,452	24 months	£0.73	–
	46,811	36 months	£0.73	–
	898,024			

A charge of USD 789,612 (2015: USD 125,661) 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 177,749 (2015: USD 90,356).

The Group has no legal or constructive obligation to settle the retention 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 2015	592,499
Shares granted under the retention share awards	495,000
Shares lapsed during the year	(131,247)
Shares expected to vest in future periods at 31 December 2015	956,252
Shares granted under the retention share awards	898,024
Shares lapsed during the year	(20,000)
Shares expected to vest in future periods at 31 December 2016	**1,834,276**

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 have a vesting condition, 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 2014		–		
Granted in 2014	1.41	340,855	17 Nov 2017	27 Nov 2027
At 31 December 2014 and 2015		340,855		
At 31 December 2016		**340,855**		

The outstanding options as at 31 December 2016 have a fair value per option of £0.73.

A charge of USD Nil (2015: USD 130,470) 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 Nil (2015: USD 130,470).

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 is assessed against financial metrics that may include relative or absolute total shareholder return, cumulative EBIDTA and end of period backlog. 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
2014					
30 June 2014	1,080,142	36 months	£ 1.35	No	–
18 November 2014	321,691	24 months	£ 1.41	No	–
18 November 2014	321,691	36 months	£ 1.23	No	–
	1,723,524				
2015					
9 April 2015	416,569	36 months	£ 1.05	No	–
9 April 2015	1,537,739	36 months	£ 1.05	No	–
21 September 2015	292,570	–	£ 0.67	No	–
	2,246,878				
2016					
10 October 2016	1,306,266	36 months	£ 0.45	No	–
10 October 2016	2,255,602	36 months	£ 0.45	No	–
10 October 2016	55,219	12 months	£ 0.38	No	–
10 October 2016	102,019	24 months	£ 0.42	No	–
10 October 2016	147,330	36 months	£ 0.44	No	–
10 October 2016	133,830	–	£ 0.41	No	–
	4,000,266				

Accordingly, a charge of USD 1,935,350 (2015: USD 2,918,062) 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 574,798 (2015: USD 905,000).

8 Share-based payments continued

Performance share plan continued

The Group has no legal or constructive obligation to settle the retention 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 2015	1,786,582
Shares granted under performance share plan	2,246,878
Shares lapsed due to non-satisfaction of vesting conditions	(205,046)
Shares expected to vest in future periods at 31 December 2015	3,828,414
Shares granted under performance share plan	4,000,266
Shares vested under performance share plan	(321,691)
Shares lapsed due to non-satisfaction of vesting conditions	(1,089,193)
Shares expected to vest in future periods at 31 December 2016	**6,417,796**

9 General and administrative expenses

	2016 USD'000	2015 USD'000
Staff costs (Note 10)	**25,770**	34,054
Provision/(release) for impairment of trade receivables, net of amounts recovered	**977**	(6,100)
Legal, professional and consultancy fees	**3,736**	3,346
Staff redundancy expenses (Note 33)	**3,361**	–
Amortisation of intangible assets (Note 17)	**3,147**	2,624
Potential partnership expenses[1]	**3,373**	–
Depreciation (Note 16)	**3,030**	2,560
Utilities and communication	**1,744**	932
Bank charges	**181**	184
Others	**6,444**	6,718
	51,763	44,318

1. Potential partnership expenses pertain to the cost incurred on establishing the Maritime yard in Ras Al Khair, in eastern Saudi Arabia.

10 Staff costs

	2016 USD'000	2015 USD'000
Wages and salaries	**115,796**	120,611
Employees' end of service benefits (Note 26)	**6,075**	6,313
Share-based payments – value of services provided (Note 8)	**2,725**	3,174
Other benefits	**36,119**	54,935
	160,715	185,033
Staff costs are included in:		
Cost of sales (Note 6)	**134,945**	150,979
General and administrative expenses (Note 9)	**25,770**	34,054
	160,715	185,033
Number of employees at 31 December	**5,189**	7,736

10 Staff costs continued

Directors' remuneration comprises:

	Salary 2016 USD'000	Fees 2016 USD'000	Allowances & benefits 2016 USD'000	Share-based payments value of services provided 2016 USD'000	Post employment benefits 2016 USD'000	Total 2016 USD'000	Total 2015 USD'000
Executive Directors							
John Kennedy[1]	**680**	**–**	**–**	**334**	**–**	**1,014**	399
Christopher McDonald[2]	**197**	**–**	**56**	**158**	**9**	**420**	–
Jim Moffat[3]	**650**	**–**	**202**	**129**	**39**	**1,020**	2,382
Antony Wright[4]	**410**	**–**	**243**	**131**	**21**	**805**	358
Non-Executive Directors							
John Kennedy	**–**	**–**	**–**	**–**	**–**	**–**	229
Peter Whitbread[5]	**–**	**–**	**–**	**–**	**–**	**–**	40
Michael Press[6]	**–**	**–**	**–**	**–**	**–**	**–**	87
John Malcolm	**–**	**103**	**–**	**–**	**–**	**103**	115
Ellis Armstrong	**–**	**133**	**–**	**–**	**–**	**133**	125
Mel Fitzgerald[7]	**–**	**92**	**–**	**–**	**–**	**92**	40
Debra Valentine[8]	**–**	**99**	**–**	**–**	**–**	**99**	34
	1,937	**427**	**501**	**752**	**69**	**3,686**	3,809

The emoluments of the highest paid Director were USD 1.0 million (2015: USD 2.4 million) and these principally comprised salary, bonus and benefits.

1. Appointed Executive Chairman with effect from 13 August 2015.
2. Appointed as Chief Executive Officer with effect from 1 October 2016.
3. Retired as Chief Executive Officer with effect from 30 September 2016.
4. Appointed as Chief Financial Officer and Director on 13 August 2015.
5. Retired as Non-Executive Director with effect from 12 May 2015.
6. Retired as Non-Executive Director with effect from 13 August 2015.
7. Appointed as Non-Executive Director on 13 August 2015.
8. Appointed as Non-Executive Director on 1 September 2015.

11 Finance costs – net

	2016 USD'000	2015 USD'000
Finance costs		
Bank guarantee charges	**3,731**	5,300
Commitment fees	**3,637**	3,829
Interest on bank borrowings	**3,317**	3,588
Others	**2,137**	1,930
	12,822	14,647

Finance income

Finance income comprises interest income of USD 2.9 million (2015: USD 2.7 million) from bank deposits.

12 Other gains/(losses) – net

	2016 USD'000	2015 USD'000
Profit on disposal of assets	**621**	315
Exchange gain/(loss) – net	**539**	(16)
Loss on derivative financial instruments	**(234)**	(780)
Others	**1,018**	741
	1,944	260

13 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the (loss)/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 retention 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.

	2016 USD'000	2015 USD'000
The calculations of (loss)/earnings per share are based on the following (loss)/profit and numbers of shares:		
(Loss)/profit for the year	**(184,315)**	64,700
Loss for the year from discontinued operations	**(2,125)**	(1,800)
Weighted average number of shares for basic (loss)/earnings per share	**341,655,353**	341,710,302
Adjustments for:		
– Assumed vesting of performance share plan	**–**	51,331
– Assumed vesting of retention share plan	**–**	1,683,467
Weighted average number of shares for diluted (loss)/earnings per share	**341,655,353**	343,445,100

Assumed vesting of performance and retention share plans amounting to 2,467,849 shares and 700,303 shares respectively have been excluded in the current period as these are anti-dilutive.

	2016 USD'000	2015 USD'000
(Loss)/earnings per share:		
Basic	**(53.94)c**	18.93c
Diluted	**(53.94)c**	18.84c
(Loss)/earnings per share from continuing operations:		
Basic	**(53.32)c**	19.46c
Diluted	**(53.32)c**	19.36c
Loss per share from discontinued operations:		
Basic	**(0.62)c**	(0.53)c
Diluted	**(0.62)c**	(0.52)c

14 Operating (loss)/profit

(a) Operating (loss)/profit

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

	2016 USD'000	2015 USD'000
Impairment of goodwill (Note 17)	**180,539**	–
Depreciation (Note 16)	**25,101**	19,378
Operating lease rentals – land and buildings	**11,872**	12,437
Provision/(release) for impairment of trade receivables	**977**	(6,100)
Write-down of inventory to net realisable value (Note 20)	**2,000**	–

(b) Auditor's remuneration

Services provided by the Group's auditors and its associates comprised:

	2016 USD'000	2015 USD'000
Auditor's remuneration – audit and related services	**520**	568
Auditor's remuneration – taxation and other services	**–**	101

(c) Loss on sale of subsidiary

Loss for the year of USD 2.1 million (2015: USD 1.8 million) comprises additional losses incurred by Litwin, a subsidiary disposed during 2015, which the Group have incurred under the warranty provisions in the Purchase and Sale Agreement.

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	2016 USD'000	2015 USD'000
Trade receivables – net of provision (Note 21)	Loans and receivables	**83,943**	88,926
Other receivables excluding prepayments	Loans and receivables	**17,967**	6,404
Due from related parties (Note 23)	Loans and receivables	**109**	13
Derivative financial instruments (Note 27)	Fair value through profit or loss	**173**	–
Cash and bank balances (Note 22)	Loans and receivables	**334,670**	289,618
		436,862	384,961

Liabilities as per balance sheet

	Classification	2016 USD'000	2015 USD'000
Derivative financial instruments (Note 27)	Derivatives used for hedging	**1,259**	18
Trade payables (Note 28)	Liabilities at amortised cost	**31,662**	44,065
Due to a related party (Note 23)	Liabilities at amortised cost	**228**	122
Accruals (Note 28)	Liabilities at amortised cost	**111,022**	127,155
Provision for warranty costs and other liabilities (Note 29)	Liabilities at amortised cost	**7,958**	8,334
Borrowings (Note 30)	Liabilities at amortised cost	**59,484**	79,299
		211,613	258,993

15 Financial instruments by category continued

Company

Assets as per balance sheet

	Classification	2016 USD'000	2015 USD'000
Cash at bank	Loans and receivables	**264**	218
Due from related parties (Note 23)	Loans and receivables	**13,694**	12,510
Other receivables	Loans and receivables	**357**	635
		14,315	13,363

Liabilities as per balance sheet

	Classification	2016 USD'000	2015 USD'000
Accruals	Liabilities at amortised cost	**564**	17

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:

	2016 USD'000	2015 USD'000
Trade receivables		
Group A	**57,315**	4,473
Group B	**975**	12,502
Group C	**17,733**	21,668
	76,023	38,643

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.

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

	2016 USD'000	2015 USD'000
Cash at bank and short-term bank deposits		
Fitch's ratings		
AA-	**39,884**	46,463
A+	**259,389**	230,471
A	**33,420**	10,547
BBB+	**–**	395
BBB	**395**	–
BBB-	**13**	–
B	**620**	963
Not rated	**202**	202
	333,923	289,041
Cash in hand	**747**	577
Cash at bank and in hand (Note 22)	**334,670**	289,618

Company

	2016 USD'000	2015 USD'000
Due from related parties (Note 23)	**13,694**	12,510

Due from related parties is neither past due nor impaired.

	2016 USD'000	2015 USD'000
Cash at bank		
Fitch's ratings		
AA-	**264**	218

16 Property, plant and equipment

	Buildings & infrastructure USD'000	Operating equipment USD'000	Fixtures and office equipment USD'000	Motor vehicles USD'000	Capital work-in-progress USD'000	Total USD'000
Cost						
At 1 January 2015	126,620	126,384	17,410	3,089	5,387	278,890
Additions	10,793	25,104	2,121	1,372	16,159	55,549
Disposals	(370)	(1,760)	(3,118)	(295)	–	(5,543)
Transfers	1,088	3,597	129	83	(4,897)	–
At 31 December 2015	138,131	153,325	16,542	4,249	16,649	328,896
Additions	4,166	4,643	155	196	13,711	22,871
Disposals	(147)	(19,803)	(711)	(1,040)	–	(21,701)
Transfers	3,973	8,551	982	36	(13,542)	–
At 31 December 2016	**146,123**	**146,716**	**16,968**	**3,441**	**16,818**	**330,066**
Depreciation						
At 1 January 2015	(36,273)	(84,278)	(16,586)	(2,410)	–	(139,547)
Charge for the year	(7,209)	(10,906)	(803)	(460)	–	(19,378)
Disposals	331	1,723	3,001	260	–	5,315
At 31 December 2015	(43,151)	(93,461)	(14,388)	(2,610)	–	(153,610)
Charge for the year	(7,661)	(15,652)	(1,315)	(473)	–	(25,101)
Disposals	98	19,216	711	948	–	20,973
At 31 December 2016	**(50,714)**	**(89,897)**	**(14,992)**	**(2,135)**	**–**	**(157,738)**
Net book value						
At 31 December 2016	**95,409**	**56,819**	**1,976**	**1,306**	**16,818**	**172,328**
At 31 December 2015	94,980	59,864	2,154	1,639	16,649	175,286

Buildings have been constructed on land, leased on a renewable basis from various Government Authorities. The remaining lives of the leases range between two and 21 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 109.3 million (2015: USD 115.2 million) are under lien against the bank facilities (Note 30).

A depreciation expense of USD 22.1 million (2015: USD 16.8 million) has been charged to cost of sales; USD 3.0 million (2015: USD 2.6 million) to general and administrative expenses (Notes 6 and 9) and USD Nil (2015: USD 0.04 million) is presented within profit for the year from discontinued operations.

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

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 2015	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
Additions	–	–	–	–	2,753	–	2,753
At 31 December 2016	**180,539**	**22,335**	**19,323**	**8,338**	**14,281**	**–**	**244,816**
Amortisation and impairment							
At 1 January 2015	–	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
Charge for the year (Note 9)	–	1,804	–	488	855	–	3,147
Impairment	180,539	–	–	–	–	–	180,539
At 31 December 2016	**180,539**	**14,143**	**19,323**	**2,942**	**2,918**	**–**	**219,865**
Net book value							
At 31 December 2016	**–**	**8,192**	**–**	**5,396**	**11,363**	**–**	**24,951**
At 31 December 2015	180,539	9,996	–	5,884	9,465	–	205,884

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 10 to 16 years.

During 2015, work-in-progress represented 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	10 – 16
Software	15

Goodwill is monitored by management at the operating segment level. Goodwill of USD 180.5 million arising due to the acquisition of MIS has been allocated to the Fabrication & Engineering cash generating units (CGU) as follows:

	USD'000
New Build Jackup Rigs	122,645
Oil and Gas Contracting Services	22,054
Modules	17,581
Offshore platforms	18,259
	180,539

The recoverable amount of each CGU 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 the 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 each of the CGUs operate. The discount rate used is pre-tax and reflects the 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 for each of the CGUs is as follows:

	2016	2015
Revenue growth rate[1]	5%	5%
Discount rate[2]	11.54%	10.42%
Net profit rate[3]	3%	3%
Terminal value growth rate[4]	2%	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, which includes various assumptions relating to market outlook, contract awards and contract margins.
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.

The market downturn has resulted in a decrease in bidding activities and new project awards for each of the CGUs, resulting in an impairment loss of USD 180.5 million.

18 Investment in subsidiaries

	2016 USD'000	2015 USD'000
Balance at 1 January	692,569	593,747
Additions – conversion of loan	–	96,773
Share-based payments to employees of subsidiaries in accordance with IFRS 2	1,973	2,049
Impaired during the year	(140,094)	–
Balance at 31 December	554,448	692,569

The recoverable amount of the investment in subsidiaries is determined based on value-in-use calculations (Note 4). Based on these calculations, an impairment charge of USD 140.1 million with respect to the investment in LEL is recognised during 2016 in the other reserve (Note 25) in the separate balance sheet of Company. This relates to the impairment of investment in LEL which was accounted for using the uniting of interest method for business combinations.

The Company granted retention and performance shares to employees of its subsidiaries under various plans (Note 8). These shares have a vesting period that ranges from 12 to 36 months. Accordingly, the proportionate share-based charge for the year of USD 2.0 million (2015: USD 2.0 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

During 2015, management converted a loan receivable from LEL into an equity contribution. Accordingly, an amount of USD 96.8 million was treated as a further investment in the subsidiary.

19 Investment accounted for using the equity method

Investment in a joint venture

	2016 USD'000	2015 USD'000
At 1 January	5,285	5,118
Dividend received during the year	–	(1,151)
Share of profit for the year	1,944	1,318
At 31 December	7,229	5,285

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.

19 Investment accounted for using the equity method continued

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

MISA

	2016 USD'000	2015 USD'000
Total non-current assets	**7,305**	6,902
Total current assets	**46,553**	21,452
Total non-current liabilities	**(25,140)**	(2,600)
Total current liabilities (excluding income tax payable)	**(3,005)**	(6,977)
Net assets (excluding income tax payable)	**25,713**	18,777
Income tax payable	**(1,053)**	(628)
Net assets	**24,660**	18,149
Group's share of joint venture's net assets (excluding income tax payable) – 30%	**7,714**	5,633
Group's share of joint venture's income tax payable	**(485)**	(348)
Group's share of joint venture's net assets – net of Group's share of income tax	**7,229**	5,285
Revenue	**56,221**	30,809
Expenses	**(48,122)**	(25,077)
Profit before tax	**8,099**	5,732
Group's share of joint venture's net profit – net of Group's share of income tax	**1,944**	1,318

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.

	2016 USD'000	2015 USD'000
Letters of guarantee	**2,172**	2,532
Operating lease commitments	**284**	119

20 Inventories

	2016 USD'000	2015 USD'000
Raw materials, consumables and finished goods	**27,989**	21,917
Work in progress	**–**	9,604
Less: Provision for slow moving and obsolete inventories	**(3,574)**	(2,455)
	24,415	29,066

The cost of inventories recognised as an expense amounts to USD 21.8 million and this includes USD 2.0 million (2015: USD Nil) in respect of write-down of inventory to net realisable value.

21 Trade and other receivables

	2016 USD'000	2015 USD'000
Trade receivables	**89,431**	94,146
Other receivables and prepayments	**38,244**	30,206
Advance to suppliers	**17,556**	19,435
Receivables from a related party (Note 23)	**109**	13
	145,340	143,800
Less: Provision for impairment of trade receivables	**(5,488)**	(5,220)
	139,852	138,580
Amounts due from customers on contracts	**127,809**	133,487
Contract work in progress	**7,661**	156,259
	275,322	428,326

Non-current portion:		
Prepayments	**10,905**	12,712
Current portion	**264,417**	415,614

The non-current portion includes an amount of USD 8.5 million paid to Sharjah Electricity and 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:

	2016 USD'000	2015 USD'000
Costs incurred to date	**1,644,890**	1,098,234
Attributable profits	**299,154**	204,586
	1,944,044	1,302,820
Less: Progress billings	**(1,816,235)**	(1,169,333)
	127,809	133,487

An analysis of trade receivables is as follows:

	2016 USD'000	2015 USD'000
Fully performing	**76,023**	38,643
Past due but not impaired	**7,920**	50,283
Impaired	**5,488**	5,220
	89,431	94,146

At 31 December 2016, trade receivables of USD 7.9 million (2015: USD 50.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

	2016 USD'000	2015 USD'000
Up to 3 months	**5,863**	48,446
3 to 6 months	**566**	785
Over 6 months	**1,491**	1,052
	7,920	50,283

At 31 December 2016, trade receivables of USD 5.5 million (2015: USD 5.2 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:

	2016 USD'000	2015 USD'000
Not yet overdue	**–**	569
Over six months	**5,488**	4,651
	5,488	5,220

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.

21 Trade and other receivables continued

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

	2016 USD'000	2015 USD'000
At 1 January	**5,220**	11,622
Provision for impairment of receivables	**1,894**	1,309
Receivables written off during the year as uncollectable	**(709)**	(302)
Amounts recovered during the year	**(917)**	(7,409)
At 31 December	**5,488**	5,220

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

	2016 USD'000	2015 USD'000
Cash at bank and on hand	**88,491**	92,301
Term deposits and margin deposits – Current	**239,402**	188,367
Cash and bank balances	**327,893**	280,668
Term deposits and margin deposits – Non-current	**6,777**	8,950
Less: Margin/short-term deposits under lien	**(10,983)**	(11,787)
Less: Deposits with original maturity of more than three months	**(78,173)**	(53,667)
Cash and cash equivalents (for the purpose of the cash flow statement)	**245,514**	224,164

At 31 December 2016, the cash at bank and short-term deposits were held with 13 banks (2015: 13 banks). The effective interest rate on short-term deposits was 1.46% (2015: 0.96%) per annum. Margin and short-term deposits of USD 11.0 million (2015: USD 11.8 million) and deposits with an original maturity of more than three months amounting to USD 75.8 million (2015: USD 43.9 million) are held under lien against guarantees issued by the banks (Note 35).

Company
Cash at bank comprises of cash held with one bank (2015: one bank).

23 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

	2016 USD'000	2015 USD'000
Key management compensation	**6,824**	7,099
Legal and professional services	**58**	–
Sales to joint ventures	**109**	315
Purchases from joint ventures	**243**	342
Sponsorship fees and commissions paid to legal shareholders of subsidiaries (Note 1)	**326**	294

Company

	2016 USD'000	2015 USD'000
Key management compensation	**3,258**	3,139
Revenue (management fees charged to subsidiaries)	**6,723**	6,119

23 Related party balances and transactions continued

Key management compensation comprises:

Group

	2016 USD'000	2015 USD'000
Salaries and other short-term benefits	**5,313**	5,075
Share-based payments – value of services provided	**1,337**	1,832
Post-employment benefits	**174**	192
	6,824	7,099

Key management compensation comprises:

Company

	2016 USD'000	2015 USD'000
Salaries and other short-term benefits	**2,438**	1,905
Share-based payments – value of services provided	**752**	1,183
Post-employment benefits	**68**	51
	3,258	3,139

The terms of the employment contracts of the key management include reciprocal notice periods of between three and 12 months.

Due from/due to related parties

Due from related parties

	2016 USD'000	2015 USD'000
Group		
MISA (in respect of sales) (Joint venture) (Note 21)	**109**	13
Company		
MIS[1]	**11,231**	11,236
EBT[2]	**210**	13
LEL[3]	**2,253**	1,261
	13,694	12,510

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.

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

	2016 USD'000	2015 USD'000
Group		
MISA (in respect of purchases) (Joint venture) (Note 28)	**228**	122

24 Share capital and share premium

Issued and fully paid ordinary shares
Group/Company

	Equity Number	Share capital USD'000	Share premium USD'000
At 1 January 2015 and 31 December 2015	341,726,570	30,346	315,995
At 31 December 2016	**341,726,570**	**30,346**	**315,995**

The total authorised number of ordinary shares is 400 million shares (2015: 400 million shares) with a par value of 5 pence per share (2015: 5 pence per share).

During 2016, Lamprell plc employee benefit trust ("EBT") acquired 376,691 shares (2015: 51 shares) of the Company. The total amount paid to acquire the shares was USD 542,539 (2015: USD Nil) and has been deducted from the consolidated retained earnings. During 2016, 321,691 shares (2015: no shares amounting to USD Nil) were issued to employees and 71,217 shares (31 December 2015: 16,268 shares) were held as treasury shares at 31 December 2016. The Company has the right to reissue these shares at a later date. These shares will be issued on vesting of the retention shares/performance shares/share options granted to certain employees of the Group.

25 Other reserves

Group

	Legal reserve USD'000	Merger reserve USD'000	Hedge reserve USD'000	Translation reserve USD'000	Total USD'000
At 1 January 2015	98	(18,572)	–	(181)	(18,655)
Currency translation differences	–	–	–	(489)	(489)
At 31 December 2015	98	(18,572)	–	(670)	(19,144)
Currency translation differences	–	–	–	(290)	(290)
Loss on cash flow hedges (Note 27)	–	–	(1,259)	–	(1,259)
At 31 December 2016	**98**	**(18,572)**	**(1,259)**	**(960)**	**(20,693)**

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.

Company
Other reserve

	2016 USD'000	2015 USD'000
At 1 January	**329,153**	329,153
Transferred to retained earnings (Note 18)	**(140,094)**	–
At 31 December	**189,059**	329,153

The other reserve arose on acquisition of LEL and is not available for distribution. However, transfers may be made to retained earnings in an amount equal to any impairments recognised.

26 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 2016 and 2015, 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

	2016 USD'000	2015 USD'000
At 1 January	**42,863**	38,752
Current service cost	**4,879**	4,871
Interest cost	**1,196**	1,442
Remeasurements	**(1,523)**	1,988
Benefits paid	**(12,670)**	(4,190)
At 31 December	**34,745**	42,863

Remeasurements consist of actuarial gain from a change in demographic assumptions USD 1.8 million (2015: actuarial loss of USD 1.0 million), a change in financial assumptions USD Nil (2015: actuarial loss of USD 0.6 million) and actuarial loss from other experiences USD 0.3 million (2015: actuarial loss of USD 0.4 million).

Company

	2016 USD'000	2015 USD'000
At 1 January	**121**	75
Current service cost	**61**	40
Interest cost	**7**	13
Remeasurements	**(16)**	(7)
At 31 December	**173**	121

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

	2016 USD'000	2015 USD'000
Current service cost	**4,879**	4,871
Interest cost	**1,196**	1,442
Total (included in staff costs) (Note 10)	**6,075**	6,313

The above charges are included in cost of sales and general and administrative expenses.

Company

	2016 USD'000	2015 USD'000
Current service cost	**61**	40
Interest cost	**7**	13
Total (included in staff costs)	**68**	53

The above charge of USD 0.1 million (2015: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	**3.50%**	3.50%
Future salary increase:		
Management and administrative employees	**2.00%**	3.00%
Yard employees	**2.00%**	3.00%

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% (2015: 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 decreased from 3% to 2%.

26 Provision for employees' end of service benefits continued

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

	Percentage of employees at each age exiting the plan per	
	2016	2015
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%

27 Derivative financial instruments

	2016			2015		
	Notional contract amount USD'000	**Assets USD'000**	**Liabilities USD'000**	Notional contract amount USD'000	Assets USD'000	Liabilities USD'000
Forward contracts	**51,731**	**–**	**1,259**	–	–	–
Interest rate swaps	**60,000**	**173**	**–**	80,000	–	18
Total	**111,731**	**173**	**1,259**	80,000	–	18
Non-current portion:						
Forward contracts	**40,179**	**–**	**794**	–	–	–
Interest rate swaps	**40,000**	**115**	**–**	60,000	–	14
Current portion	**31,552**	**58**	**465**	20,000	–	4

The Group has 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 57 months from the date of inception. The fair value at 31 December 2016 of this derivative was USD 0.2 million (2015: USD 0.02 million).

During 2016, the Group designated foreign currency forward contracts as hedges of highly probable purchases of fixed assets and material in EUR, GBP and NOK. The forecast purchases are expected to occur during 2017 and 2018. The terms of the forward contracts have been negotiated to match the terms of the forecast transactions. Consequently, the hedges were assessed to be highly effective and an unrealised loss of USD 1.2 million relating to the forward contracts is included in other comprehensive income.

28 Trade and other payables

	2016 USD'000	2015 USD'000
Trade payables	**31,662**	44,065
Accruals	**111,022**	127,155
Payables to a related party (Note 23)	**228**	122
Amounts due to customers on contracts	**37,109**	93,601
	180,021	264,943
Amounts due to customers on contracts comprise:		
Progress billings	**339,528**	357,154
Less: Cost incurred to date	**(247,867)**	(226,975)
Less: Recognised profits	**(54,552)**	(36,578)
	37,109	93,601

29 Provision for warranty costs and other liabilities

	Warranty costs USD'000	Minimum purchase obligations USD'000	Total USD'000
At 1 January 2015	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
Charge during the year	3,500	–	3,500
Released/utilised during the year	(3,876)	–	(3,876)
At 31 December 2016	**7,724**	**234**	**7,958**

Warranty costs charged during the year relates to management's assessment of potential claims under contractual warranty provisions. The charge during the year is included in subcontract cost in Note 6.

30 Borrowings

	2016 USD'000	2015 USD'000
Bank term loans	**59,484**	79,299
The bank borrowings are repayable as follows:		
Current (less than 1 year)	**20,321**	20,136
Non-current (later than 1 year but not later than 5 years)	**39,163**	59,163
	59,484	79,299

At 31 December 2016, the Group has banking facilities of USD 1,362 million (2015: USD 1,381 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 91.2 million (2015: USD 55.7 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 0.8 million (2015: USD 1.2 million) and including accrued interest of USD 0.3 million (2015: USD 0.5 million).

The bank facilities relating to overdrafts, term loans and revolving facilities carry interest at LIBOR + 3.5%. However, the Group has entered into an interest rate swap against the variable interest rate on its term loan facility to convert the LIBOR component into a fixed interest rate of 1.2375% (2015: 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.

31 Profit of the Company

The loss of USD 140.0 million (2015: profit of USD 0.4 million) in respect of the Company is included in these consolidated financial statements.

32 Dividends

There were no dividends declared or paid during the year ended 31 December 2016 or 31 December 2015.

33 Exceptional items

Exceptional item comprises of:

	2016 USD'000	2015 USD'000
Impairment of goodwill (Note 17)	**180,539**	–
Staff redundancy expenses (Note 9)	**3,361**	–
	183,900	–

Impairment of goodwill
The market downturn has resulted in a decrease in bidding activities and new project awards for the Fabrication & Engineering segment, causing an impairment loss of USD 180.5 million (Note 17).

Staff redundancy expenses
During 2016, the Group undertook a major review of how the future organisation should be structured in view of the market downturn and the costs relating to this exercise pertaining to staff redundancy amounted to USD 3.4 million (Note 9).

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 and 20 years and are renewable at mutually agreed terms.

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

	2016 USD'000	2015 USD'000
Not later than one year	**6,528**	6,988
Later than one year but not later than five years	**23,997**	9,992
Later than five years	**76,264**	36,530
	106,789	53,510

(b) Other commitments

	2016 USD'000	2015 USD'000
Capital commitments for construction of facilities	**10,347**	196
Capital commitments for purchase of operating equipment and computer software	**345**	4,791
Purchase commitments	**51,659**	54,200

35 Bank guarantees

	2016 USD'000	2015 USD'000
Performance/bid bonds	**163,812**	126,375
Advance payment, labour visa and payment guarantees	**240,383**	315,200
	404,195	441,575

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

	Notes	Year ended 31 December 2016 USD'000	2015 USD'000
Operating activities			
(Loss)/profit before income tax including discontinued operations		**(184,061)**	65,241
Adjustments for:			
Release of excess tax provision		**(260)**	–
Impairment of goodwill	17	**180,539**	–
Share-based payments – value of services provided	8	**2,725**	3,174
Depreciation	16	**25,101**	19,386
Amortisation of intangible assets	17	**3,147**	2,624
Share of profit from investment in joint ventures	19	**(1,944)**	(1,318)
Release for warranty costs and other liabilities		**(376)**	(7,478)
Profit on disposal of property, plant and equipment		**(621)**	(315)
Provision for slow moving and obsolete inventories	20	**1,119**	714
Provision/(release) for impairment of trade receivables, net of amounts recovered		**977**	(6,100)
Provision for employees' end of service benefits	26	**6,075**	6,313
Gain on disposal of a subsidiary		**–**	(66)
(Loss)/gain on derivative financial instruments		**(1,259)**	780
Finance costs		**12,822**	14,706
Finance income	11	**(2,895)**	(2,679)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**41,089**	94,982
Payment of employees' end of service benefits	26	**(12,670)**	(4,225)
Changes in working capital:			
Inventories before movement in provision/(release)		**3,532**	(15,220)
Derivative financial instruments		**1,068**	(962)
Trade and other receivables before movement in provision/(release) for impairment of trade receivables		**152,027**	(14,768)
Trade and other payables		**(84,922)**	(60,329)
Cash generated from/(used in) operating activities		**100,124**	(522)

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 Group plc
"API"	American Petroleum Institute
"ASME"	American Society of Mechanical Engineers
"bn"	Billion
"Board" or "Directors"	the Board of Directors of the Company
"BP"	British Petroleum
"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
"CO_2e	Carbon Dioxide equivalent
"Code"	UK Corporate Governance Code 2014
"Company"	Lamprell plc
"CSR"	Corporate Social Responsibility
"DAFWC"	Day away from work case
"E&C"	Engineering & Construction
"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 Risk Management
"ERP"	Enterprise Resource Planning
"ESOP"	Lamprell plc Executive Share Option Plan
"FID"	Final Investment Decision
"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
"GCC"	Gulf Cooperation Council
"GIC"	Global Investment Co. Ltd. Inc
"Group"	The Company and its subsidiaries
"HR"	Human Resources
"HSE"	Health, Safety and Environment
"HSES"	Health, Safety, Environment, Security
"HSESQ"	Health, Safety, Environment, Security and Quality
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"IOC"	International Oil Company
"ISO"	International Organization for Standardization
"IA"	Internal Audit
"IT"	Information Technology
"JD"	Juris Doctor
"JGC"	Japanese Gas Corporation
"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
"LEL"	Lamprell Energy Limited
"LHL"	Lamprell Holdings Limited
"LIH"	Lamprell Investment Holdings Limited
"LNG"	Liquid Natural Gas
"LS"	Lamprell Sharjah WLL
"LSE"	London Stock Exchange Group plc
"LTIP"	Long-Term Incentive Plan
"m"	Million

"MAR"	Market Abuse Regulation
"MENA"	Middle East North Africa
"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
"Mtoe"	Million Tonnes of Oil Equivalent
"MW"	Megawatts
"NBJR"	New Build Jackup Rigs
"NBS"	New Bridge Street
"NDC"	National Drilling Company
"NED"	Non-Executive Director
"NOC"	National Oil Company
"O&M"	Operations & Maintenance
"OGCS"	Oil and Gas Contracting Services
"OP"	Offshore Platforms
"OPEC"	Organization of the Petroleum Exporting Countries
"RIM"	Rig Metals LLC
"RSP"	Retention Share Plan
"SPR"	ScottishPower Renewables
"STIP"	Short-Term Incentive 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
"UZ750"	Upper Zakum 750
"VP"	Vice-President

ADDITIONAL INFORMATION

Alternative Performance Measures

EBITDA

In addition to measuring financial performance of the Group based on operating profit, we also measure performance based on EBITDA and underlying EBITDA (also referred to as adjusted EBITDA). EBITDA is defined as the Group (loss)/profit for the year from continuing operation before depreciation, amortisation, net finance expense and taxation. Underlying EBITDA is defined as EBITDA before non-recurring items or certain accounting adjustments that do not reflect changes in performance.

We consider EBITDA and underlying EBITDA to be useful measures of our operating performance because they approximate the operating cash flow by eliminating depreciation and amortisation and, for underlying EBITDA, excludes the impact of the Ensco settlement. EBITDA and underlying EBITDA are not direct measures of our liquidity, which is shown by our cash flow statement, and need to be considered in the context of our financial commitments.

A reconciliation from Group (loss)/profit for the year from continuing operation, the most directly comparable IFRS measure, to reported and underlying EBITDA, is set out below:

	Year ended 31 December		
	2016 USD'000	2015 USD'000	2014 USD'000
(Loss)/profit for the year from continuing operations	**(182,190)**	66,500	93,220
Exceptional items (Note 33)	**183,900**	–	–
Depreciation (Note 16)	**25,101**	19,378	27,606
Amortisation (Note 17)	**3,147**	2,624	11,895
Interest on bank borrowings (Note 11)	**3,317**	3,588	6,006
Finance income (Note 11)	**(2,895)**	(2,679)	(2,166)
Tax	**254**	541	484
EBITDA	**30,634**	89,952	137,045
Settlement agreement with Ensco (Note 4)	**42,609**	–	–
Underlying EBITDA	**73,243**	89,952	137,045

Underlying EBITDA margins are calculated as underlying EBITDA shown above as a percentage of the Group's revenue.

Net cash

Net cash measures financial health after deduction of liabilities such as borrowings. A reconciliation from the cash and cash equivalents per the consolidated cash flow statement, the most directly comparable IFRS measure, to reported net cash, is set out below:

	2016 USD'000	2015 USD'000	2014 USD'000
Cash and cash equivalents (Note 22)	**245,514**	224,126	312,352
Margin/short-term deposits under lien (Note 22)	**10,983**	11,787	12,312
Deposits with original maturity of more than 3 months (Note 22)	**78,173**	53,667	46,961
Borrowings (Note 30)	**(59,484)**	(79,299)	(98,979)
Net cash	**275,186**	210,282	272,646

Underlying gross profit

Underlying gross profit is defined as gross profit before non-recurring items or certain accounting adjustments that can mask underlying changes in performance. A reconciliation from Group gross profit, the most directly comparable IFRS measure, to reported and underlying gross profit, is set out below:

	2016 USD'000	2015 USD'000	2014 USD'000
Gross profit	**57,203**	123,520	182,080
Settlement agreement with Ensco (Note 4)	**42,629**	–	–
Underlying gross profit	**99,832**	123,520	182,080

Normalised underlying margins or underlying gross profit margins are calculated as underlying gross profit shown above as a percentage of the Group's revenue adjusted for the reduction in revenue as result of the settlement agreement with Ensco.

Underlying profitability

Underlying profitability is defined as profit for the year from continuing operations before non-recurring items or certain accounting adjustments that do not reflect changes in performance. A reconciliation from loss for the year from continuing operations, the most directly comparable IFRS measure, to reported and underlying profitability, is set out below:

	2016 USD'000	2015 USD'000	2014 USD'000
(Loss)/profit for the year from continuing operations	**(182,190)**	66,500	93,220
Exceptional items (Note 33)	**183,900**	–	–
Settlement agreement with Ensco (Note 4)	**42,629**	–	–
Underlying profitability	**44,339**	66,500	93,220

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