24 March 2017

LAMPRELL PLC
("Lamprell" and with its subsidiaries the "Group")

2016 FINANCIAL RESULTS

Underlying performance in line with expectations

Strong balance sheet and cash position maintained

Management actions to position the business for ongoing market challenges

2016 FINANCIAL RESULTS

(USD million, unless stated)	**2016**	**2015**
Revenue	705.0	871.1
EBITDA**	30.6	90.0
EBITDA margin	4.3%	10.3%
Profit from continuing operations after income tax and before exceptional items*	1.7	66.5
Non-cash goodwill impairment	(180.5)	Nil
(Loss)/Profit from continuing operations after income tax and exceptional items*	(182.2)	66.5
Reported diluted earnings/(loss) per share (US cents)	(53.9)	18.8
Net cash as at 31 December	275.2	210.3
Dividend per share (US Cents)	Nil	Nil

Results excluding settlement with Ensco

Adjusted EBITDA**	73.2	90.0
Profit from continuing operations after income tax and before exceptional items	44.3	66.5
Adjusted EBITDA margin	10.4%	10.3%

**Exceptional items comprise the non-cash goodwill impairment (USD 180.5 million) and G&A cost of staff restructuring (USD 3.4 million)*
***EBITDA is calculated as profit from continuing operations before tax and exceptional items, net finance costs (finance income and interest on bank borrowings as per note 10 to the financial statements) but after our share of results from associates, adjusted to add back charges for depreciation and amortisation (as per note 13 and 14 to the financial statements respectively). Adjusted EBITDA is EBITDA excluding settlement with Ensco (USD 42.6 million)*

Financial highlights

- Solid underlying financial performance impacted by one-off events and exceptional items
- Revenue of USD 705 million (2015: USD 871 million) in line with latest guidance, reduced by the USD 25 million settlement with Ensco as a result of Cameron equipment issues
- Profit after tax impacted by an exceptional non-cash goodwill impairment charge of USD 180.5 million

arising on the acquisition of Maritime Industrial Services in 2011, in line with continued market downturn

- Profit from continuing operations of USD 44.3 million before exceptional items and one-off charges relating to Ensco settlement
- EBITDA decreased to USD 30.6 million from USD 90.0 million in 2015; EBITDA margin down to 4.3% (2015: 10.3%) as a result of the impact on profitability of the settlement with Ensco, slightly offset by cost savings and improved efficiencies
- Total impact of the settlement with Ensco revised to USD 42.6 million as a result of a finalised cost estimate of additional services (USD 17.6 million from USD 10.0 million) comprised in the settlement, in addition to the price reduction of USD 25 million
- Management actions on costs to align the business with near-term outlook, whilst retaining core strengths to enable Lamprell to rebound quickly; administrative reductions (20%) and other overhead cuts expected to deliver the full benefit of USD 23.4 million of annualised savings in 2017
- Robust net cash position of USD 275.2 million; strengthened with inflow from final milestones on project deliveries in 2H 2016

Operational highlights

- Safety performance for the Group continues to be world-class with an outturn total recordable incident rate of 0.29 (31 Dec. 2015: 0.31)
- Record high levels of activity in Hamriyah with seven concurrent jackup rigs under construction during FY2016
- Solid operational performance with four jackup rigs delivered in 2H2016; the modules fabrication project for Petrofac is now completed safely and to high quality standards with final deliveries underway
- Technical issues with Cameron jacking equipment successfully resolved; settlement discussions with Cameron ongoing
- Backlog of USD 393 million at year-end (31 Dec. 2015: USD 740 million) of which 76% is attributable to 2017
- Phase 2 of Project Evolution re-commencing in 2H2017 to help maintain Group's competitiveness through further efficiencies

Corporate strategy and business development

- Measures implemented to adapt the business to the market environment:
    - flattened the management structure for greater efficiency
    - restructured and strengthened the commercial and business development functions
    - refocused the pipeline to target higher potential opportunities where Lamprell has clear competitive advantages
- Two significant contract awards – from Master Marine (approximately USD 90 million) and ScottishPower Renewables (approximately USD 225 million) demonstrating ability to identify and convert prospects
- As at 31 December 2016, bid pipeline decreased to USD 2.5 billion (31 Dec. 2015: USD 5.4 billion) – reflecting the refocusing of business development strategy and recognising the challenging market which is expected to continue through 2017
- Working to leverage core strengths and transferable expertise into new areas, such as EPC and renewables
- JV negotiations for Maritime Complex in Saudi Arabia continued to progress since the signing of Joint Development Agreement in 2016 and nearing final stages

Current trading and outlook

- Group has restructured its overhead to remain competitive in lower price environment; tight cost control measures will be a high priority in 2017 as the Group looks to maintain its lower cost base
- Group is well-positioned to respond to an improvement in its core energy markets, with a strong balance sheet, a sustained robust cash position and its core competencies retained

- Working to bring the Saudi Maritime Complex opportunity to a successful conclusion
- Further jackup rig delivered to NDC post-period and remaining two will be delivered in 1H2017, with both projects progressing as planned
- The two new major projects scheduled to ramp up in 2Q2017
- 14 rigs currently stacked in Lamprell's facilities on behalf of clients offering potential refurbishment works in the event of redeployment of the rigs
- As previously announced, revenues for FY2017 currently expected to be in the lower half of the USD 400-500 million range in the absence of large project deliveries in 2H2017

John Kennedy, Executive Chairman for Lamprell, said:
"*2016 was an extremely busy year for Lamprell on all fronts: operationally, commercially and strategically. The handover to the Group's new Chief Executive Officer went very smoothly, and Chris has hit the ground running with decisive actions to protect Lamprell's competitive position. Our yards remained at record-high activity levels throughout the year with seven concurrent jackup rigs and a large onshore modules project.*

The past year's underlying performance was strong, albeit affected by one-off events, with market challenges expected to continue in the upcoming year. We are now fully focused on building a clear path to medium and long-term growth of the business. With this goal in mind, the board has worked hard to progress one of our key strategic priorities: the step-change opportunity offered by our potential participation in the Maritime Complex in the Kingdom of Saudi Arabia. Lamprell's board is focused on progressing the partnership negotiations on this impressive project."

Christopher McDonald, Chief Executive Officer for Lamprell, said:
"Since joining Lamprell in September 2016, I have been impressed with the strength of its operational capabilities which I am confident will support our drive for growth. We are now building on this platform to protect the business against the near-term challenges and, more importantly, position the Company to grow in the medium and long term.

Our short-term performance will be inevitably affected by the tough market environment, but we have implemented a set of effective measures to stand the Company in good stead to navigate the sector downturn. Our targeted cost-cutting and recent restructuring have aligned Lamprell with immediate challenges in a fast-paced and highly competitive bidding environment. We are leaner, more flexible and therefore more adaptable to target a broader set of new business opportunities. Our discussions with the Saudi Maritime Complex partnership continue to progress and show the ambitious approach of the management team to securing a successful future for Lamprell."

The management team will hold a presentation for research analysts at 9.30am at Holborn Bars (138-142 Holborn, London EC1 2NQ). The live webcast will be accessible on Lamprell's website and on the following link: http://webcasting.brrmedia.co.uk/broadcast/58cacb919980965ef1182120.

The Company is planning to hold its 2017 annual general meeting on 21 May 2017 in Dubai, United Arab Emirates.

- Ends -

Enquiries:

Lamprell plc

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Notes to editors
Lamprell, based in the United Arab Emirates ("UAE") and with over 40 years' experience, is a leading provider of fabrication, engineering and contracting services to the offshore and onshore oil & gas and renewable energy industries. The Group has established leading market positions in the fabrication of shallow-water drilling jackup rigs, liftboats, land rigs, and rig refurbishment projects, and it also has an international reputation for building complex offshore and onshore process modules and fixed platforms.

Lamprell employs more than 5,000 people across multiple facilities, with its primary facilities located in Hamriyah, Sharjah and Jebel Ali, all of which are in the UAE. In addition, the Group has facilities in Saudi Arabia (through a joint venture agreement). Combined, the Group's facilities cover approximately 828,000 m2 with 1.9 km of quayside.

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

Chairman's statement

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 Officer, Christopher McDonald, whose primary task is to define and lead the way to a successful recovery and then growth of the business.

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 Kennedy
Executive Chairman

Chief Executive Officer's Review

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.

Strong foundations

Lamprell has built excellent reputation 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. With these strong foundations and an established track record, the Board sees a large number of growth opportunities within Lamprell's reach in the coming years.

Over the past three years, Jim Moffat has taken Lamprell to the next level, ensuring that the Group remains competitive notwithstanding the changing market landscape. Jim has also implemented a step change improvement in the HSE culture across the Lamprell Group. The Company now has a strong base to deploy in new projects.

Over the same period Lamprell has gradually undergone a material restructuring as a result of which the Company has emerged more streamlined and efficient. The management team has spent considerable time and effort on developing the Group'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.

Near-term priorities

The management is focused on the immediate challenges facing the business, as well as on developing and implementing a strategy for Lamprell's 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.

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 it 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 the management structure was amended to become more flexible at a lower cost. Lamprell has 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 the Group's core skill-sets and the management team would like to thank all the staff for their hard work through these tough times.

Market environment and strategy for growth

Without underestimating the difficulties the sector has undergone over the past few years, the management remains fully confident that the long-term outlook will offer Lamprell significant opportunities for growth. 2017 is anticipated to be the Group's 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 we are starting to see early indications that a market recovery isn't too far away. 2018 is expected to start seeing a pick-up in market activity.

In this context, it is important that the Company stays on top of its operational performance to eliminate any potential factors which could impact its results. In mid-2016, a significant issue with essential jackup rig equipment supplied by Cameron LeTourneau resulted in Lamprell having to reach a settlement with a client, Ensco, for delayed delivery. The technical issue was resolved, with the remaining rig deliveries on track, and operational performance remains a key strength for Lamprell. That also applies to the Company's ability to ramp up as new projects kick off as Lamprell will be able to leverage its flexible labour structure to grow capacity quickly as yards start filling up again.

The management team has been working to define the path for Lamprell's growth and ensure that all the right resources are in place. This translated into 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. In order to set Lamprell in the strongest possible position to win new, profitable and strategically important business, the Group recognises the 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. A number of potential improvements to the business development function have been identified. The

Company has already started diversifying its offering, and its renewables win from ScottishPower Renewables demonstrates how versatile its 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, the efforts to broaden Lamprell's market reach will continue and its potential partnership in Saudi Arabia is a prime example of a step-change strategic initiative. In the longer term Lamprell has the potential 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 the Group needs to secure ways and means to achieve this target. Lamprell has a strong financial and operational platform which it needs to leverage to grow the scale at which the business operates. 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, the Board feels it is the directors' duty to shareholders to explore it. Whilst Lamprell's participation is still uncertain at this stage, the negotiations are progressing well and an update will be provided in due course.

To conclude, as the market recovers from the downturn, the management team is focused on ensuring Lamprell is positioned for future growth.

Christopher McDonald
Chief Executive Officer
Lamprell plc

Financial Review

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.

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.

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 beforeexceptional 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.

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%.

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

Lamprell plc

Consolidated income statement

	Notes	Year ended 31 December 2016 Pre-exceptional items USD'000	Exceptional items USD'000	Total USD'000	Year ended 31 December 2015 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	8,26	(48,402)	(3,361)	(51,763)	(44,318)	-	(44,318)
Impairment loss	14,26	-	(180,539)	(180,539)	-	-	-
Other gains/(losses) – net	11	1,944	-	1,944	260	-	260
Operating (loss)/profit		9,947	(183,900)	(173,953)	77,691	-	77,691
Finance costs	10	(12,822)	-	(12,822)	(14,647)	-	(14,647)
Finance income	10	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		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	12						
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	12						
Basic				(53.94)c			18.93c
Diluted				(53.94)c			18.84c

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	21	1,523	(1,988)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	20	(290)	(489)
Net loss on cash flow hedges	20	(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)

Consolidated balance sheet

	Notes	As at 31 December 2016 USD'000	2015 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	172,328	175,286
Intangible assets	14	24,951	205,884
Investment accounted for using the equity method		7,229	5,285
Trade and other receivables	16	10,905	12,712
Term and margin deposits	17	6,777	8,950
Derivative financial instruments	22	115	-
Total non-current assets		222,305	408,117
Current assets			
Inventories	15	24,415	29,066
Trade and other receivables	16	264,417	415,614
Derivative financial instruments	22	58	-
Cash and bank balances	17	327,893	280,668
Total current assets		616,783	725,348
Total assets		839,088	1,133,465
LIABILITIES			
Current liabilities			
Borrowings	25	(20,321)	(20,136)
Trade and other payables	23	(180,021)	(264,943)
Derivative financial instruments	22	(465)	(4)
Provision for warranty costs and other liabilities	24	(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	25	(39,163)	(59,163)
Derivative financial instruments	22	(794)	(14)
Provision for employees' end of service benefits	21	(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	19	30,346	30,346
Share premium	19	315,995	315,995
Other reserves	20	(20,693)	(19,144)
Retained earnings		229,750	410,360
Total equity attributable to the equity holders of the Company		555,398	737,557

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:						
Remeasurement of post-employment benefit obligations	21	-	-	-	(1,988)	(1,988)
Currency translation differences	20	-	-	(489)	-	(489)
Total comprehensive income for the year		-	-	(489)	62,712	62,223
Transactions with owners:						
Share-based payments:						
- value of services provided		-	-	-	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:						
Remeasurement of post-employment benefit obligations	21	-	-	-	1,523	1,523
Currency translation differences	20	-	-	(290)	-	(290)
Net loss on cash flow hedges	20	-	-	(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		-	-	-	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

Consolidated cash flow statement

	Notes	2016 USD'000	2015 USD'000
		Year ended 31 December	
Operating activities			
Cash generated from/(used in) operating activities	29	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	13	(22,871)	(55,681)
Proceeds from sale of property, plant and equipment		1,349	543
Additions to intangible assets	14	(2,753)	(3,782)
Finance income	10	2,895	2,679
Dividend received from joint ventures		-	1,151
Proceeds from disposal of a subsidiary - net		-	2,091
Movement in deposit with original maturity of more than three months	17	(24,506)	(6,706)
Movement in margin/short-term deposits under lien	17	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	20	(290)	(489)
Cash and cash equivalents, end of the year from continuing operations	17	245,514	224,164

Notes to the consolidated financial statements

1 Legal status and activities

Lamprell plc ("the Company") and its subsidiaries (together referred to as "the Group") are engaged in the 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.

2 Basis of preparation

The Group is required to present its annual consolidated financial statements for the year ended 31 December 2016 in accordance with EU adopted International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Isle of Man Companies Acts 1931-2004 applicable to companies reporting under IFRS.

This financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the year ended 31 December 2016. The financial information has been extracted from the consolidated financial statements for the year ended 31 December 2016 approved by the Board of Directors on 23 March 2017 upon which the auditors' opinion is not modified and did not contain a statement under section 15(4) or 15(6) of the Isle of Man Companies Act 1982.

The financial information comprises the Group balance sheets as of 31 December 2016 and 31 December 2015 and related Group income statement, statement of comprehensive income, cash flows, statement of changes in equity and related notes for the twelve months then ended, of Lamprell plc. This financial information has been prepared under the historical cost convention except for the measurement at fair value of share options, financial assets at fair value through profit or loss and derivative financial instruments.

The preliminary results for the year ended 31 December 2016 have been prepared in accordance with the Listing Rules of the London Stock Exchange.

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 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.

3 Accounting policies

The accounting policies used are consistent with those set out in the audited financial statements for the year ended 31 December 2015 and reviewed interim financial information for the period ended 30 June 2016, which are available on the Company's website, www.lamprell.com.

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. 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 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.

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) in the headroom if the net profit was to decrease.

If the terminal value growth rate used was to differ by 0.5% from management's estimates, in isolation, there would be a reduction in the headroom of USD 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.

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 Jack up 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 and 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 and 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*	668,835	36,159	704,994
Gross operating profit*	99,436	14,174	113,610

*As a result of the late delivery of the Ensco 140 rig which were 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.

Year ended 31 December 2015 (restated)

	Fabrication & Engineering USD'000	Services USD'000	Total USD'000
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	2015
	USD'000	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 service segment 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* (Note 14)	(180,539)	-
Selling and distribution expenses (Note 7)	(798)	(1,771)
General and administrative expenses (Note 8)	(51,763)	(44,318)
Other gains/(losses) – net (Note 11)	1,944	260
Finance costs (Note 10)	(12,822)	(14,647)
Finance income (Note 10)	2,895	2,679
Others	1,690	777
(Loss)/profit for the year from continuing operations	(182,190)	66,500

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

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	2015
	USD'000	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 assess the performance of the operating segments based on a measure of gross profit. The staff, equipment and certain subcontract costs are measured based on standard cost. The measurement basis excludes the effect of the common expenses for yard rent, repairs and maintenance and other miscellaneous expenses.

The 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 9)	134,945	150,979
Subcontract costs	128,064	77,561
Subcontract labour	26,998	20,968
Depreciation (Note 13)	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 15)	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 General and administrative expenses

	2016 USD'000	2015 USD'000
Staff costs (Note 9)	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 26)	3,361	-
Amortisation of intangible assets (Note 14)	3,147	2,624
Potential partnership expenses*	3,373	-
Depreciation (Note 13)	3,030	2,560
Utilities and communication	1,744	932
Bank charges	181	184
Others	6,444	6,718
	51,763	44,318

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

9 Staff costs

	2016 USD'000	2015 USD'000
Wages and salaries	115,796	120,611
Employees' end of service benefits (Note 21)	6,075	6,313
Share-based payments - value of services provided	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 8)	25,770	34,054
	160,715	185,033
Number of employees at 31 December	5,189	7,736

10 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.

11 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

12 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 19).

(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.

(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

13 Property, plant and equipment

	Buildings & infrastructure	Operating equipment	Fixtures and office equipment	Motor vehicles	Capital work-in-progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	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 to twenty one 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 25).

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 8) 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.

14 Intangible assets

	Goodwill	**Trade name**	**Customer relationships**	**Leasehold rights**	**Software**	**Work-in-progress**	**Total**
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	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 8)	-	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 8)	-	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

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 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.

15 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.

16 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 18)	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

17 Cash and bank balances

	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 3 months	(78,173)	(53,667)
Cash and cash equivalents (for the purpose of the cash flow statement)	245,514	224,164

18 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:

	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	326	294

Key management compensation comprises:

	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

Due from/due to related parties

Due from related parties

	2016 USD'000	2015 USD'000
MISA (in respect of sales) *(Joint venture)* (Note 16)	109	13

Due to a related party

	2016 USD'000	2015 USD'000
MISA (in respect of purchases) *(Joint venture)* (Note 23)	228	122

19 Share capital and share premium

Issued and fully paid ordinary shares

	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).

20 Other reserves

	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 22)	-	-	(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.

21 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:

	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

22 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 installments within fifty seven 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.

23 Trade and other payables

	2016	2015
	USD'000	USD'000
Trade payables	31,662	44,065
Accruals	111,022	127,155
Payables to a related party (Note 18)	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

24 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.

25 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

26 Exceptional items

Exceptional item comprises of:

	2016 USD'000	2015 USD'000
Impairment of goodwill (Note 14)	180,539	-
Staff redundancy expenses (Note 8)	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 14).

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 US$ 3.4 million (Note 8).

27 Commitments

(a) Operating lease commitments

The Group leases land and staff accommodation under various operating lease agreements. The remaining lease terms of the majority of the leases are between four to twenty 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

28 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.

29 Cash generated from operating activities

		Year ended 31 December	
		2016	2015
	Notes	USD'000	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	14	180,539	-
Share based payments - value of services provided		2,725	3,174
Depreciation	13	25,101	19,386
Amortisation of intangible assets	14	3,147	2,624
Share of profit from investment in joint ventures		(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	15	1,119	714
Provision/(release) for impairment of trade receivables, net of amounts recovered		977	(6,100)
Provision for employees' end of service benefits	21	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	10	(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	21	(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)

30 Statutory Accounts

This financial information is not the statutory accounts of the Company and the Group, a copy of which is required to be annexed to the Company's annual return to the Companies Registration Office in Isle of Man. A copy of the statutory accounts in respect of the year ended 31 December 2016 will be annexed to the Company's annual return for 2016. Consistent with prior years, the full financial statements for the year ended 31 December 2016 and the audit report thereon will be circulated to shareholders at least 20 working days before the AGM. A copy of the statutory accounts required to be annexed to the Company's annual return to the Companies Registration Office in respect of the year ended 31 December 2015 has been annexed to the Company's annual return for 2015.

31 Directors' responsibilities statement

We confirm that to the best of our knowledge

The financial statements, have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and, This announcement includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Further information is available on the Company's website, www.lamprell.com.