Lamprell

Annual Report & Accounts 2008

Lamprell plc is a leading contractor in the Arabian Gulf, providing specialist services to the offshore and onshore oil and gas industry.

The principal markets in which Lamprell operate are:

– new build construction of jackup rigs and liftboats and upgrade and refurbishment of jackup rigs; and
– other new build construction for the offshore oil and gas sector including FPSO, tender assist drilling units and other offshore and onshore structures.
– Lamprell is also involved in providing oilfield engineering services, including the new build construction, upgrade and refurbishment of land rigs.

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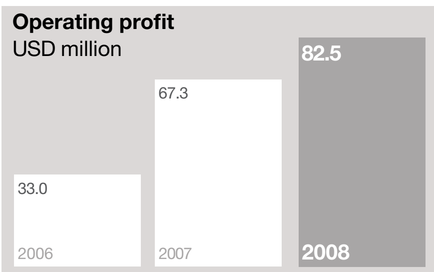
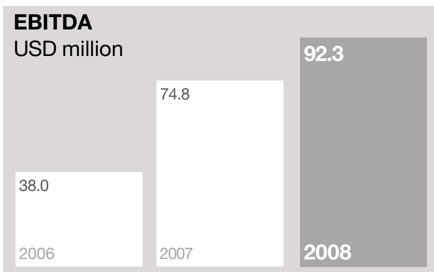
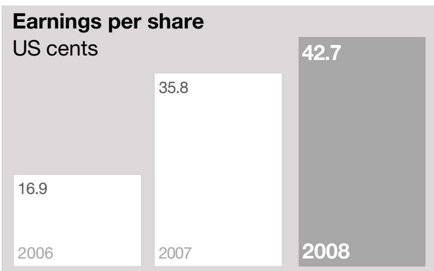
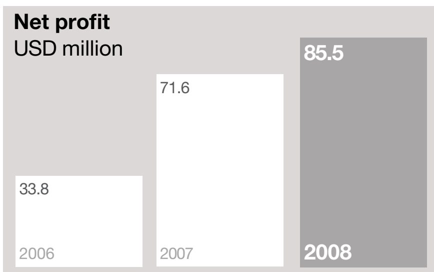








Lamprell at a Glance

Lamprell is located in the UAE in the Arabian Gulf, one of the most important oil and gas regions in the world. The Group has four facilities in three locations in the UAE and is in the process of developing a new much larger facility in the Hamriyah Free Zone.

Hamriyah

This 51,000m² portside facility has direct quayside access. This facility primarily undertakes jackup rig upgrade and refurbishment projects together with new build projects.

There is a core workforce of more than 1,000 skilled tradesmen at this facility and as with both the Sharjah and the Jebel Ali facilities workforce is supplemented from the local labour market when required to meet the demands of specific projects.

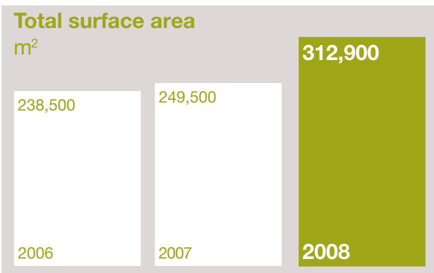
New facility

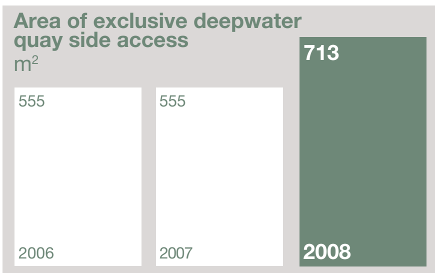
When completed the new facility will have a developed area of 250,000m² with a deepwater berthing quay wall 1,250m in length and 9m deep. This will enable Lamprell to work on up to 10 rigs and simultaneously construct up to three new build jackups.

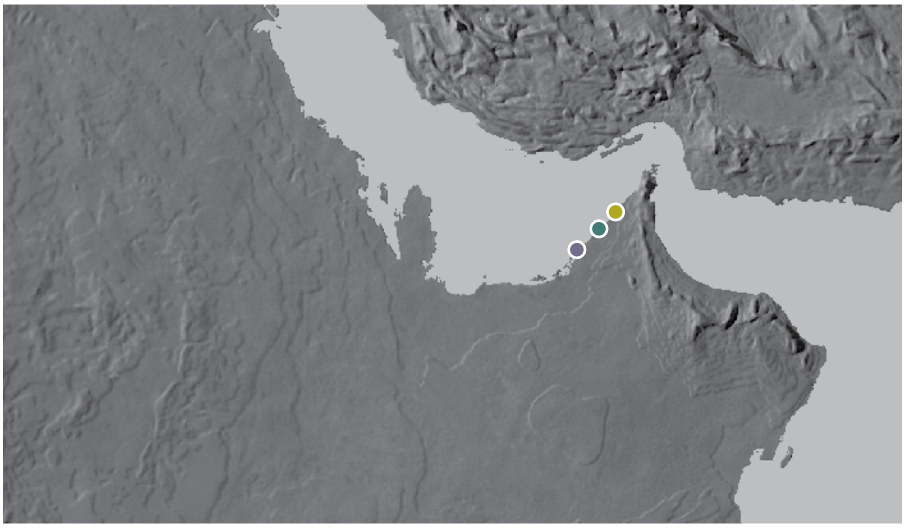
Sharjah

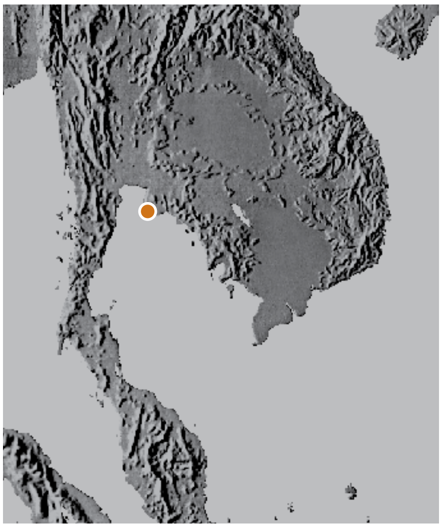
Lamprell's facility in Sharjah is located in Port Khalid, a designated free zone, and it has 360m of direct quayside access at which the majority of Lamprell's jackup rig upgrade and refurbishment projects are executed.

The facility has a total surface area of 36,000m² that includes 28,000m² of open fabrication areas that are serviced by mobile crawler cranes and tower cranes, as well as 3,500m² of covered fabrication areas. Lamprell's senior management team and the service departments such as finance, human resources and procurement are all located at the Sharjah facility.









Jebel Ali

The facility occupies an area of 178,900m² that includes more than 16,000m² of covered work spaces with internal overhead cranes suitable for carrying out fabrication and assembly activities under cover.

The covered areas also contain the latest welding and CNC cutting machinery. This protected work environment is cooler, safer and more productive than an outside location, and it allows the production of a higher quality product at less cost. The yard was designed to allow optimum production based on a clear and logical flow of material through the facility. In addition to the covered fabrication areas it has extensive open fabrication areas that are equipped with gantry and mobile crawler cranes.

Oilfield Engineering

The Oilfield Engineering facility was completed in 2005 and is a purpose-built facility located within the boundaries of the Jebel Ali facility. The Oilfield Engineering facility is accredited with all relevant API licences and certifications.

In addition to the covered fabrication areas it has extensive open fabrication areas that are equipped with gantry and mobile crawler cranes. These open areas are used to assemble the final structures. There are also first class project, production, engineering and client offices for more than 300 people at the facility.

Lamprell's Jebel Ali facility was purpose built in 2002 and is one of the most modern in the region. It is located in the Jebel Ali Free Zone and is 25km from the centre of Dubai.

Thailand

Five year lease for a 46,950m² facility with 158 meters of exclusive deep water quayside in Sattahip, Thailand.

The Company believes this expansion provides an excellent opportunity to transfer the skills and reputation Lamprell has built over many years, through its operations in the United Arab Emirates, to a region which offers a significant fleet of jackup drilling rigs owned by predominantly the same group of clients that operate in the Middle East.

The yard is ready to commence revenue generating projects and has been granted necessary operating licences.

Chairman's Statement

I am honoured to be writing this Statement, following my appointment, on 27 March 2009, as Chairman of Lamprell plc.

Jonathan Silver, Chairman

Steven D. Lamprell, President

2008 was a very busy year for the Company. The strategic aim, set out at the time of the IPO in 2006, to move the Company's listing to the Main Market of the London Stock Exchange, was achieved; work on the planned expansion at the new Hamriyah site progressed significantly; the new facility at Sattahip in Thailand officially opened; Lamprell undertook some of the largest and most complex projects in its history; and it won several sizeable contracts for both existing and new customers. Despite the extraordinary turbulence in the world's financial and other markets, Lamprell generated, in 2008, revenue of USD 740.8 million (up 58.5% on the previous year), an adjusted net profit of USD 95.5 million (an increase of nearly 11% on the prior year) and fully diluted and adjusted earnings per share of 47.58 cents (up 10.6% on the prior year).

With the move to the Main Market, we took the opportunity to strengthen the Board. We have been fortunate to have been joined by Colin Goodall, now the Senior Independent Non-Executive Director, who brings with him enormous experience gained with BP in the upstream oil and gas industry and Brian Frederick, a career banker with HSBC. However, David Moran stepped down from the Board on 2 November and Peter Birch, who had joined the Board at the time of the IPO, left the Board, for personal reasons, in early December having very ably chaired the Board since 5 February 2008.

As planned at the time of the IPO, Peter Whitbread will step down as CEO on 1 May 2009 and Nigel McCue will step up from his current role as Chief Operating Officer to take Peter's place. Peter and Nigel have worked together extremely closely since Nigel accepted a full-time role with Lamprell and I expect the transition to be "seamless". Nigel brings huge experience both of the oil industry in general and Lamprell, in particular, having served as a Director since 7 July 2006 and I am confident he will make a very significant contribution to the Company in the coming years. Peter's contribution to Lamprell over the last 17 years has been absolutely enormous and I am particularly delighted that he has agreed to remain on the Board and to take on the strategic role of Director of International Development for the Group.

As announced on 20 March 2009, Lamprell has experienced, in recent weeks, a slow down in its business, except for the rig refurbishment business which is currently busy but is now expected also to slow down in the second half of the year. However, although the global turmoil in financial and other markets, the depressed oil price and the uncertainty that prevails generally in the world economy are having an adverse effect on most business sectors, the Executive Directors have been quick to recognise the challenging market conditions that have emerged within the industry in which Lamprell operates and they are working very hard to put in place appropriate measures to limit the impact of those conditions on the business. I fully expect these measures, Lamprell's long-standing reputation for quality, technical capability, project execution and delivery and the dedication, commitment and experience of Lamprell's management and staff, to stand us in good stead for the difficult year that lies ahead.

With the new appointments and the skills that my other colleagues bring to the Board, Lamprell has a solid platform on which to build and I am looking forward to working with them in leading the Company through the current, difficult phase it is facing.

Jonathan Silver
Chairman
Lamprell plc

A year of significant opportunities to further expand the scope and reach of the Company.

Rig refurbishment outperforming the market
With its diverse offering for a broad customer base, the Company's operating markets and facilities remain busy. Rig refurbishment in particular, will continue to be a core activity in the coming years as customers maintain and upgrade their existing rig fleets.

Global Reach
Lamprell's expansion into Thailand in 2008 is an exciting development. South-East Asia has a significant fleet of jackup drilling rigs owned principally by Lamprell's current clients in the UAE and offers exciting possibilities for future growth.

Move to the Main Market
Further to Lamprell's continued development and growth since its successful AIM listing, the Company moved its listing to the Main Market of the London Stock Exchange in November 2008. Lamprell believes this to be a more appropriate platform than AIM for its continued growth and looks to the future with confidence.

Building on Lamprell's reputation
Since its inception, Lamprell has strived to offer its clients a best in class service. Projects are completed on time, within budget, and to the very highest of standards which has garnered Lamprell an unparalleled reputation in rig refurbishment. Looking ahead, we hope to leverage our exacting standards as we move into new markets and diversify our offering.

Chief Executive Officer's Statement

I am pleased to announce that we have had another successful year in 2008, having seen significant growth in revenues of 58.5% compared to 2007, and a net profit (adjusted for exceptional charges) for the year of USD 95.5 million (USD 85.5 million after exceptional charges).

Peter Whitbread, Chief Executive Officer

Towards the end of 2008 we entered a time of market uncertainty as a result of the worldwide financial crisis. Lamprell, like every other company, is looking at a different economic landscape from that which existed this time last year. In mid 2008, the Group was operating against a backdrop of record oil prices, with the oil services sector working at near maximum capacity. This is in stark contrast to the operating markets we are now experiencing and as a result, we have reviewed our business to ensure we are able to steer the Group effectively through these turbulent times.

One of the cornerstones of Lamprell's development and success has been its rigorous approach to project execution. We are committed to offering our customers the highest standards available and our clients enjoy exacting levels of service. We are in the privileged position of enjoying a great many repeat contracts from our customers who see the value which Lamprell brings. In addition to this, we have been fortunate to have a strong balance sheet and net cash position.

Throughout our history, we have approached expansion and development in a measured way, only embarking on such projects when we could afford to pay for such developments from our own cash resources. At a time when bank debt is not readily available, we are pleased to continue operating with no long-term debt.

In the past year we have undertaken some of the largest and most complex projects in the Company's history. We have a strong order book going forward, which at the end of the year stood at approximately, USD 600 million extending into late 2010 and to date there have been no cancellations received impacting our order book.

On our major EPC contracts we completed the commissioning and delivery of the Seajacks Kraken new build self propelled liftboat to Seajacks International Limited in March 2009, on time and on budget. The construction phase of the second liftboat, the Seajacks Leviathan, has significantly advanced during 2008 and the unit will be launched on schedule later in the year awaiting final completion and commissioning.

The construction phases of the new build jackup rig projects for Scorpion Offshore Limited have significantly advanced during 2008 and the first rig, the Offshore Freedom, is on target for delivery in April 2009, with the Offshore Mischief planned to be launched later in the year awaiting final completion and commissioning. We are delighted that Scorpion have now arranged the full funding requirements for the Offshore Freedom and also that they have arranged financing to meet a substantial progress payment on the Offshore Mischief and have stated to the market that they are confident of meeting all future contract payments.

The new build jackup rig project with Riginvest GP for the construction and delivery of a completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platform of a Super 116E (Enhanced) Class design is continuing and is now planned for completion in November 2010. In addition, the construction phase of the lump sum turnkey construction contract with BassDrill for a self-erecting tender assist drilling unit is progressing on target for completion later this year.

The Al Ghallan jackup drilling rig refurbishment project for NDC was carried out during the year and has been completed successfully on time and on budget in February 2009. This project, with a contract value to Lamprell of USD 59 million, is part of the NDC Strategic RIAP. The project is the second contract awarded under the RIAP programme and follows the successful completion of the NDC Junana upgrade project in 2007.

The Board

On 6 November 2008 we moved our listing from the AIM to the Official List of the UK Listing Authority and the shares of Lamprell plc were admitted for trading on the London Stock Exchange plc's main market for listed securities.

Subsequent to our move to the Official List, Peter G Birch, the then Chairman of the Company, resigned from the Board of Lamprell plc due to personal reasons. David Moran who held the position of Director of Corporate Communications stepped down from the Board on 2 November 2008 and has subsequently left the Company. We acknowledge the contribution made by both Peter and David during their tenure with the Company.

Colin Goodall joined the Board of Lamprell as a Non-Executive Director on 14 September 2008. Colin was appointed to the role of Senior Independent Non-Executive Director on 2 November. In addition, on 15 September 2008, the Board announced the appointment of Brian Fredrick who joined the Board as a Non-Executive Director with effect from 1 January 2009. Brian has held a variety of senior banking roles, most recently with HSBC.

Jonathan Silver joined the Board on 24 August 2007, pursuant to arrangements made with Lamprell Holdings Limited, the Company's principal shareholder, at the time the Company's shares were admitted to trading on the AIM. In accordance with those arrangements, Jonathan ceased to be a Director immediately upon Admission to the Official List becoming effective. However, the Board considered that Jonathan's detailed knowledge of the Group and the Middle East region made it desirable for his services to be retained and accordingly, the Board resolved to reappoint Jonathan immediately as a Non-Executive Director.

We are pleased to announce that on 27 March 2009 the Board appointed Jonathan Silver as Non-Executive Chairman. Jonathan's detailed knowledge of the Group and the Middle East region means he is the ideal candidate for the role and the Board is delighted he has agreed to become the Chairman of Lamprell plc. He has already made an invaluable contribution to the Group's development in recent years and we look forward to working with him as we seek to build our business, both in the Middle East and overseas.

On 1 May 2009 I will be stepping down from the position of CEO which I have held for the past 17 years. My intention to step down was initially advised to the Market at the time of the initial offering in October 2006 and I am delighted that Nigel McCue is stepping into the CEO position. I am confident that Nigel has the right level of experience and knowledge to successfully take the Company forward.

I will be taking on a role more outwardly focused on long-term strategic development of the Company. This position, entitled Director of International Development, will focus on the development and maintenance of client

Chief Executive Officer's Statement (continued)

relationships and on the longer term strategic positioning of the Company as we seek to further expand the Company's international interests and markets. This role will also entail working closely with Nigel in providing managerial assistance and support to him in his new role as CEO.

I would also like to particularly thank the founder and President of the Company, Steven Lamprell, for his friendship and support during the 17 years of working together. Without that long-term relationship and trust, the Company would not have developed to the structure that we have today. This ongoing support and enthusiasm, particularly during the current difficult and uncertain market conditions, is truly appreciated both from a business as well as a personal standpoint.

Future developments

Despite the uncertain economic environment, our operational developments are continuing as planned. We believe our expansion is essential so that Lamprell is well placed to harness future business streams once the financial markets have improved and we see an upturn once more in activity levels.

Construction of the new facility at Hamriyah continues and operations are scheduled to commence in the second quarter of 2009. When completed the new facility will have a developed area of 250,000m^2 with a deepwater berthing quay wall 1,250m in length and 9m deep. Lamprell will have a much more flexible capacity with the ability to work on up to 10 rigs simultaneously and construct up to three new build jackups. Lamprell will also be able to refurbish drill ships and semi-submersible drilling units which, up to this time, the Company has been unable to service in any significant capacity because of space and water depth constraints.

We are additionally developing and expanding our facilities at Jebel Ali and we have recently completed the construction of an extension to our existing production facility.

The Company's new 46,950m^2 facility with 158m deep water quayside in Sattahip, Thailand, is now complete and our first revenue generating project commenced in the first quarter of 2009. In addition, the Board of Investment privileges for the new Thailand operations were granted on 4 December 2008 providing amongst other benefits, certain corporate tax and import duty exemptions.

Market overview

As a result of the diverse range of activities that Lamprell undertakes and its broad range of customers, all of the Company's facilities have remained active during 2008. This has been a significant contributor in delivering a strong financial performance for the year and reporting net profit for 2008 in line with market expectations, despite current market conditions.

During this current period, Lamprell continues to remain operationally active but also extremely vigilant. The Board continues to be cautious with respect to the market for new build orders for drilling jackup rigs as it expects that these may slow, as clients reduce their capital expenditure plans and focus on existing assets.

The Company continues to see a significant interest in the use of jackup liftboats for alternative energy usage, particularly related to the development of offshore wind farms and our proposals activity generally remains active.

Rig refurbishment performed strongly in 2008 with higher levels of activity than expected in the second half of the year. This business area has remained buoyant as we enter 2009, however, there have been recent signs of a slow down which is likely to impact during the second half of 2009.

The Board remains optimistic of the medium term prospects for this business area. Over 75% of the existing global rig fleet is over 25 years old and over 25% of that fleet is located within Lamprell's regional catchment area. To that end, the Company anticipates that demand for its services will continue, despite the fact that multiple new build rigs will be delivered in the next three years and the current oil price is depressed. The continued maintenance and refurbishment of this aging fleet is still seen as a regional priority for operators and will continue to represent a major ongoing component in the overall mix of projects which Lamprell will be undertaking in the coming years.

FPSO related activities were significant in the first half of 2008, however, there was a slow down in the second half of the year due to a general reduction of capex budgets and the weakening oil price. Notwithstanding this fact, the Board remains confident in the long term viability of the offshore construction market both for fixed and floating structures.

Activities relating to land rigs have continued at a consistent level and progress on the four new build API 2000 HP fast moving land rigs continues on schedule. The demand for land rigs also continued to grow through to the end of 2008 both in the UAE and internationally and the rig count in the Middle East has seen a substantial increase in the past three years. There have been a number of land rigs which have been temporarily laid up in the first quarter of 2009, reflecting a sharp reaction to the sudden drop in the oil price and the impact of the world wide financial uncertainty. However, because of the regional dynamics of the Middle Eastern market, we anticipate a strong recovery in land drilling activities in the Middle East in the second half of 2009. This provides the Board with confidence that both the refurbishment and new build land rig markets will regionally recover and will be attractive for some years to come.

The Board believes it is well placed to capitalise on the rig refurbishment opportunities that are being presented to the Company with the increasing offshore rig count in the Middle East region and although they are cautious in the short-term market for new build construction, the Board is confident of the Company's long-term prospects for the markets in which we operate.

Dividend

Given the current difficult market conditions and the general uncertainty of the markets, the Board of Directors is recommending a final dividend payment of 3.15 cents per ordinary share, with a Sterling equivalent of 2.18 pence per ordinary share. This will be payable, when approved, on 18 June 2009 to eligible shareholders on the register at 22 May 2009.

Outlook

2008 was another successful year for Lamprell. In the period, we saw significant revenue and earnings growth, exceeding all targets set at the beginning of the year, and we continue to operate with a substantial order book extending into mid 2010. We have a strong balance sheet and operate with no long-term debt, and are proud to maintain a business model without claims or cases of litigation either against us or against our clients, subcontractors or suppliers.

However, it has become apparent in recent weeks that there is a marked slow down in the Company's business except for the rig refurbishment business which is currently busy but is anticipated to slow down in the second half of the year. On 20 March we announced that as a result of that change we expected the out turn for 2009 to be below the market's expectations at that time.

We fully recognise the challenging prevailing market conditions that the wider service sector is currently encountering. In order that we operate as prudently as is possible, we are reviewing the impact this might have on our business in the short-term and action has already been taken to achieve cost savings, which is possible as a result of our flexible business model. Whilst the market today presents significant challenges to the Group, we are confident that our long-term prospects remain promising as we seek to build a strong platform for future growth.

I would like to take the opportunity to again express the thanks and appreciation of the Board of Directors and my own personal thanks to all of our workforce for their support and unfailing efforts for producing a great year in 2008.

Peter Whitbread
Chief Executive Officer

Continuous growth as the new facility at Hamriyah is completed and our expansion into Thailand gains momentum.

Construction of the new facility at Hamriyah continues and operations are scheduled to commence at the new facility at the end of quarter 1 2009. When completed the new facility will have a developed area of 250,000m² with a deepwater berthing quay wall 1,250m in length and 9m deep. This will enable Lamprell to work on up to 10 rigs simultaneously and construct up to three new build jackups. Lamprell will also be able to refurbish drill ships and semi submersible drilling units which, up to this time, the Company has been unable to service in any significant capacity because of space and water depth constraints.

The Company signed an initial five year lease for a 46,950m² facility with 158m of exclusive deep water quayside in Sattahip, Thailand in May 2008. The Company continued enhancing the facilities throughout the year. The first revenue generating project, minor rig refurbishment works, was undertaken in the first quarter of 2009.

Our existing client base is looking very positively at the potential that these new facilities will offer to them to provide further services to meet their increasing regional needs.

250,000m²

Total developed area at new Hamriyah facility

Diversifying our core offering is a key focus and we are progressing well with expansion into engineering, procurement and construction contracts.

Our biggest contract win to date of USD 205 million from BassDrill Limited is a significant step towards the planned growth of the Company as we seek to diversify our offering. We see large scale engineering, procurement and construction of drilling and rig related equipment as a key component of our future growth strategy.

In March 2009, the Seajacks Kraken was successfully delivered and is now with its end user, Exxon Mobil. Hailed anecdotally as the "best constructed rig ever seen" the Kraken is a new prototype and a landmark project for Lamprell. We are confident of securing further new business enquiries based on its successful launch.

In addition to Lamprell's traditional areas of expertise, the Company is exploring new business streams, in areas such as wind farms, floating desalinisation plants and power barges. Many of Lamprell's skills and technical capabilities are transferable to these activities and we are excited by the potential, particularly as alternative energy gains momentum and market share.

Maintaining superior customer service is something we are committed to. Our operating philosophy is built upon quality and customer satisfaction.

Customer service is imperative in the oil services sector and at Lamprell it forms the backbone of every project we undertake.

We constantly strive to improve upon our exacting standards and are proud to enjoy high levels of repeat business with our clients. Many of our customers have been working with Lamprell over many years which is testament to our quality control and service culture. However, we are not complacent. Each and every project we undertake is reviewed upon completion such that improvements to customer service can be implemented for future projects and this is one of the reasons why we have such a high level of repeat business from our customers.


AL-GHALLAN

Our Strategy

Our strategy is centred on sustainable, profitable growth. In delivering this strategy our main aim is to secure value enhancement for our shareholders and other stakeholders. We use financial and non-financial KPI's to measure our success in the delivery of our strategy and the management of our business.

01

Maintaining a leading position in the EPC market

Objectives

- Proximity to growing Middle East market
- Focus on maintaining relations with all market participants
- Expansion of facilities and service offering
- Transfer of skills to new regions
- Investment in capital equipment to improve service levels

02

Maintaining a focus on repeat business and continued expansion of services

Objectives

- Differentiated service offering
- Focus on quality, timeliness of delivery and price competitiveness
- Expansion of offering to include major EPC projects
- Focus on achieving leading HSE standards
- Focus on quality assurance and quality control
- Expansion of engineering services to include detailed design

03

Investment in a new facility in Hamriyah Free Zone

Objectives

- Production focused design
- Emphasis on operating efficiency
- Yard layout and quayside design focused on rig related operations
- Increased capacity to accommodate multiple new build projects
- Improved staff welfare facilities
- Focus on semi-automated processes

04

Continuing to expand its client base

Objectives

- Maintain customer focus
- Broad service offering
- International marketing in multiple sectors
- Transfer of skills to alternative energy markets
- Strategic marketing across sectors

Review of Operations

Lamprell had a very successful year in 2008, with all operating facilities successfully working on a wide range of different projects.

Nigel McCue, Chief Operating Officer

During the year Lamprell has continued to focus on maintaining our high standards of project execution with a particular focus on safety, maintaining high quality standards and to delivering projects both on time and on budget to all our customers. This focus has ensured that Lamprell has not only maintained and indeed strengthened its relationships with its existing customers, but also added new key customers to our expanding client base.

During the year Lamprell has continued to focus on core business whilst developing EPC new build projects, including the construction of jackup drilling rigs, liftboats and tender assist drilling units. The EPC projects ongoing during 2008 have all continued to progress on schedule and we now look forward to delivering our first completed EPC projects during 2009.

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

- upgrade and refurbishment of offshore jackup rigs;
- new build construction for the offshore oil and gas sector;
- oilfield engineering services, including the upgrade and refurbishment of land rigs; and
- EPC new build construction of jackup drilling rigs, liftboats and tender assist drilling units.

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

Upgrade and refurbishment of offshore jackup rigs

During 2008 Lamprell executed refurbishment and upgrade works on a total of 25 jackup rigs. The rigs, owned by a wide range of international drilling contractors including National Drilling Company, Ensco Oceanics International Company, Nabors Drilling International Limited, Noble Drilling Limited, Transocean Offshore International Ventures, Rowan Drilling, Hercules Offshore Middle East Ltd and Japan Drilling Company, were all berthed at our Sharjah and existing Hamriyah facilities.

Refurbishment and upgrade projects such as these vary greatly in scope from project to project and depend on the existing condition of each rig and the owner's upgrade requirements. A minor project can have a work schedule lasting a few days, whereas a major upgrade project with a significant engineering requirement can last for 12 months or more. Typical upgrade and refurbishment projects include some of the following work scopes:

- leg extensions and/or strengthening;
- conversion of slot rigs to cantilever mode;
- living quarters extension, upgrade and refurbishment;
- engine replacement and re-power works;
- mud process system upgrade and/or refurbishment;
- helideck replacement, upgrade and/or refurbishment; and
- condition-driven refurbishment, including structural steel and piping replacement and painting.

New contract wins

Lamprell continues to win new clients and its pipeline remains strong.

USD 204.5m

Largest single contract value to date.

In 2008, the Company announced its largest single contract from BassDrill Limited with a value of USD 204.5 million. This marked a significant step in the planned growth of the Company and reinforces our reputation for quality, technical capability and long-term relationships. In addition, a further contract for the construction of a LeTourneau Super 116E jackup rig was signed with Riginvest GP further developing our Engineering, Procurement and Construction offering.

Review of Operations
(continued)

The jackup rig upgrade and refurbishment projects carried out in 2008 included:

NDC Al Ghallan
The rig, which was working for ADNOC, arrived at our Sharjah facility in May 2008 for an extensive upgrade and refurbishment programme scheduled as part of NDC's RIAP. The work scopes on this project included the conversion of the rig from slot to cantilever drilling, the addition of hull sponsons and accommodation refurbishment. The project has been completed in the first quarter of 2009 and the rig has returned to Abu Dhabi to continue its drilling programme. Notably two million man-hours were expended and the project was completed without a lost time incident.

Transocean CE Thornton
The CE Thornton was mobilised to Lamprell's Sharjah facility from India on the completion of its drilling programme. The rig arrived in April 2008 with a major upgrade and refurbishment work scope, including condition driven works such as hull steel replacement and piping renewals, as well as accommodation refurbishment and the complete repainting of the rig. On completion of the project in October 2008 the rig returned to India to resume its contract with Reliance and ONGC.

Hercules 261 and 262
Hercules rigs 261 and 262 arrived at Lamprell's Sharjah facility in June 2008. The rigs were transported on a heavy lift vessel from the Gulf of Mexico after Hercules secured drilling contracts with Saudi Aramco. The works scope included spud can repairs, accommodation upgrades including the fabrication and installation of additional modules, leg repairs and the installation of a fifth generator. The works were successfully completed in November 2008.

Offsite and other services
In addition to major refurbishment projects we also undertook a wide range of minor projects including the supply of engineering services, procurement activities and various smaller rig refurbishment projects carried out on board rigs whilst they remain in operation. These projects do not account for a large proportion of revenue but they provide a critical service to our customers and reflect Lamprell's flexible approach to servicing our clients needs.

New build construction for the offshore oil and gas sector
Our Jebel Ali facility has been working on a variety of major projects during 2008 for clients including SBM, Saipem SA, Kanfa AS and Scana AMT AS. These projects all require the utilisation of our state of the art facility as well as high levels of project management control to ensure that safety and quality standards are maintained whilst keeping a strong focus on delivering on schedule.

The Jebel Ali facility undertakes a range of different new build construction projects which in 2008 included:

Process barges
SBM Kashagan Flash Gas Compression Barges
In 2006 Lamprell commenced the construction of three process barges for SBM. These barges form part of the ongoing development of the Kashagan project, the world's largest oil and gas project, and each weighs in excess of 3,000 tonnes, including 1,800 tonnes of topside process components.
In July 2007, the first two barges were successfully loaded out from our Jebel Ali facility onto the Lamprell owned semi-submersible barge, the "Hamriyah Pride". The third barge was delivered to SBM in March 2008 following the completion of a modification work scope including the addition of further access platforms to the barge.

FPSO process modules
Saipem Gimboa
In 2008 Lamprell completed the construction of six process modules for Saipem. These modules were designed and constructed for the Gimboa FPSO to suit typical production of around 60,000 barrels of oil per day. The modules were delivered to Saipem ready for installation onto the FPSO and Lamprell thereafter provided assistance with the integration of the modules onto the FPSO. The FPSO is now working for Sonangol in Angola.

SBM Frade FPSO process modules
In the first quarter of 2007 Lamprell was awarded the contract to build seven process modules and a turret manifold deck by SBM for their Frade FPSO. The work scope includes structural, piping, E and I and pressure vessel works. The modules were delivered to SBM from March to May 2008 ready for integration onto the converted tanker located at Dubai Drydocks. Following delivery Lamprell provided resources to assist with the integration of the modules onto the FPSO.

Oilfield engineering services
Lamprell's Oilfield Engineering operation, located within our main Jebel Ali facility, was busy throughout 2008, executing contracts for a variety of clients including LTDS, Nabors Drilling, KCA Deutag and Ensign. Projects executed during 2008 included the new build construction of four fast moving land rigs for LTDS, the upgrade and refurbishment of five land rigs, as well as the construction of land camps and the inspection and overhaul of mechanical and rotary equipment. In addition to these projects, we also executed a number of minor offsite

projects to assist our clients by providing our services on location at drilling sites.

Engineering, Procurement and Construction

Throughout 2008 Lamprell continued the construction of a range of major EPC new build projects. These projects are being executed at both our Jebel Ali and Hamriyah Free Zone facilities.

Seajacks liftboats

Throughout 2008 we have continued the construction of two harsh environment special purpose self-propelled four legged jackup "liftboats" for Seajacks International Limited. These turnkey contracts cover all aspects of project execution from design to delivery. The first unit, the Seajacks Kraken was loaded out from our Jebel Ali facility in September 2008 and transported to our Hamriyah facility for completion and commissioning. The Kraken was subsequently successfully delivered to Seajacks in March 2009. The second liftboat, Seajacks Leviathan, will be delivered to Seajacks later in 2009.

Scorpion S116E jackup drilling rigs

Throughout 2008 construction has continued at Lamprell's Hamriyah facility on the Offshore Freedom and Offshore Mischief LeTourneau design S116E jackup drilling rigs for Scorpion Freedom Ltd and Scorpion Rigs Ltd. The Offshore Freedom hull was launched using Lamprell's semi-submersible barge, Hamriyah Pride, in September 2008 and the rig is scheduled for final delivery to Scorpion in April 2009. The construction of the Offshore Mischief continues in the yard with the load out of the hull scheduled for later in 2009.

BassDrill tender assist drilling units

In June 2008 we announced the contract award from BassDrill for the construction

Review of Operations
(continued)

of two self-erecting tender assist drilling units. The engineering and procurement activities relating to the first unit are now significantly advanced and construction of the vessel and the modular mast equipment package is ongoing at our Jebel Ali facility. The first unit will be delivered later in 2009 and work on the second unit is scheduled to commence thereafter.

Human resources

Attracting, developing and retaining talented staff is still of paramount importance to the success of Lamprell as a business. At Lamprell we consider our employees to be our greatest asset and the continuous development and multi-skilling of our staff remains a focus for our growth success. The Human Resources Department has developed policies and best practices for effective employee management enabling managers to capitalise on the strengths of the employees and their ability to contribute to the accomplishment of work. It is recognised that successful employee management helps employee motivation, employee development, and employee retention.

Retention was an issue of concern for all major players in the oil and gas industry at the beginning of the year. However at Lamprell the retention issues were minimised due to the Company's successful benchmarking, job matching and "career ladder" methodologies. This was combined with communication of clear expectations to the employee, providing frequent feedback and making the employee feel valued.

The provision of purpose built accommodation and transportation for the labour force further enhanced our ability to manage the retention issues and dramatically improved the quality and work life balance expectations of the employees.

We aim to provide a safe and supportive work environment to our employees from diverse cultural backgrounds and in an environment that provides a competitive compensation programme that is affordable to the Company. We believe this continues to be our market differentiator and will strengthen our position as an "employer of choice". These will continue to be our goals in 2009 and beyond.

The HR department continues to work closely with senior business leaders on strategy execution, in particular designing HR systems and processes that address strategic business issues, organisational and people capability building, longer term resource and talent management planning, and intelligence gathering of good people management practices internally and externally.

General recruitment

The recruitment drive continues with over 5,400 permanent staff in the Company at the end of 2008, a 26% increase in headcount during the year. Our search for new and talented staff is a continual process as a result of the competitive market in which the Company operates. As a result of the growth that Lamprell has experienced, we aim to recruit staff with the requisite skills and professional experience to add value to the Company and the service which we offer to our clients. This is particularly so in the areas of engineering and project management, where we clearly differentiate ourselves from our competitors.

Operating facilities

In accordance with our strategy to promote organic growth we maintained our capital investment programme throughout 2008. The aim of this

Hamriyah offers exciting potential

First jackup drilling rig refurbishment work expected in April 2009.

1.25km
of direct quayside access

Lamprell's new facility at Hamriyah, with 1.25km of direct quayside access, will be operational at the end of the first quarter of 2009. One of the most modern facilities in the Middle East, the new Hamriyah site offers the Company significant scope and flexibility to satisfy customer demand in a variety of business segments going forward.

investment is to increase our capacity, increase our existing levels of productivity and improve the working environment for both yard and administrative personnel.

The construction of our new 250,000m^2 facility in the Hamriyah free zone is continuing and remains an exciting focus point of Lamprell's development. The dredging work is now complete and the 1.25km quay wall is close to completion, with the inner basin having been completed in early 2009. In addition, the construction of the main office, client office and main workshops are all ongoing and several construction areas have been completed. As planned we now expect that the first jackup drilling rig will undergo refurbishment work at the quayside during March 2009.

In May 2008 Lamprell signed an initial five year lease for a 46,950m^2 facility with 158m of exclusive deep water quayside in Sattahip, Thailand. The facility has subsequently been enhanced with offices, fabrication areas and equipment and the first revenue generating project, Rig Ensco 51 arrived at the facility in the first quarter of 2009 for minor refurbishment works.

In Jebel Ali we completed the construction of an extension to our existing production facility. This building has three levels and it provides increased covered storage capacity on the ground floor with additional office space for project personnel on the first and second floors.

During the year our investment in operating equipment also continued including mobile cranes, forklift trucks, generators and automated welding equipment.

Nigel McCue
Chief Operating Officer

Financial Review

Group revenue increased by 58.5% to USD 740.8 million (2007: USD 467.3 million) reflecting strong growth over the prior year.

Scott Doak, Chief Financial Officer

+23%

Increase in operating profit.

9.55c

Per share dividend.

This growth was largely driven by a significant increase in revenue generated from EPC projects comprising three new build jackups, two liftboats and the first self erecting tender assist drilling unit. Revenue from other key activities reflected a strong performance but generally was lower than 2007 as the prior year reflected exceptional revenues, particularly with respect to jackup rig upgrade and refurbishment activities. The offshore new build activity, based in Jebel Ali, also reflected a lower level of revenue for the year with projects largely being completed in the first half of the year and no significant new projects planned to commence until H1 2009. Revenue from Oilfield Engineering services, related to the refurbishment and construction of land rigs and land camps, reflected initial revenues from the construction of four new build fast moving land rigs under a contract with LeTourneau Drilling Systems Inc. The Group revenue includes the results of International Inspection Services Limited, with revenue growth resulting from a significant increase in the demand for the inspection and non-destructive testing services the subsidiary provides.

Gross profit increased by 19.9% to USD 129.3 million (2007: USD 107.8 million) resulting in a gross margin of 17.5% (2007: 23.1%). This decrease is mainly due to the higher level of lower margin EPC activity, the margin being lower as a result of the higher level of procurement with respect to both material purchases and the level of sub-contractor work. In addition, the year reflected a lower level of higher margin rig refurbishment activity than the prior year and a lower level of completions of major offshore construction new build activities undertaken in the Jebel Ali facility. The projects in 2007 reflected a number of positive variations and also included contract completion bonuses.

Operating profit in 2008 was USD 82.5 million (2007: USD 67.3 million) reflecting an increase of 22.6%. This includes exceptional charges in the current year for share based payments of USD 6.6 million (2007: USD 14.7 million) related to shares granted at the time of the admission of Lamprell plc to AIM and also before reflecting various legal and professional charges amounting to USD 3.4 million (2007: USD nil) incurred in connection with the admission of Lamprell plc to the Main Market of the London Stock Exchange plc. The operating profit before these exceptional charges amounts to USD 92.5 million (2007: USD 82.0 million) representing an increase of 12.8% over the prior year and largely reflects a strong growth in revenue.

The operating profit margin decreased from 14.4% in 2007 to 11.1% in 2008 largely reflecting a decreased gross margin as a result of the change in revenue mix, offset by lower exceptional charges and reflecting the impact of operational gearing with respect to the significant growth in revenue. The operating margin prior to exceptional charges decreased to 12.5% (2007: 17.5%).

As a result of the strong revenue growth and strong operational performance, net profit increased by 19.6% to USD 85.5 million (2007: USD 71.5 million). The net margin decreased to 11.5% (2007: 15.3%) primarily due to the decrease in the Group's operating margin and a decrease in net interest income to USD 3.0 million (2007: USD 4.2 million) largely reflecting lower average deposit rates achieved on cash balances held by the Group during the year. The net profit before exceptional charges amounts to USD 95.5 million (2007: USD 86.2 million) reflecting an increase of 10.8% over the previous year. The net margin before exceptional charges decreased to 12.9% (2007: 18.4%).

Results for the year from operations

	2008 USD '000	2007 USD '000
Revenue	**740,831**	467,332
Gross profit	**129,303**	107,800
Operating profit	**82,462**	67,301
Net profit	**85,455**	71,550
EBITDA	**92,308**	74,830

EBITDA increased to USD 92.3 million (2007: USD 74.8 million) reflecting an increase of 23.4% over the prior year. EBITDA margin for the year decreased to 12.5% (2007: 16.0%) largely in line with the decrease in operating margin. Prior to charging exceptional costs for the year, EBITDA increased to USD 102.3 million in 2008 (2007: USD 89.5 million) with a margin of 13.8% (2007: 19.1%).

Interest income

Interest income of USD 3.0 million (2007: USD 4.2 million) relates mainly to bank interest earned on surplus funds deposited on a short-term basis with the Company's bankers. The decrease reflects a lower level of average deposit rates achieved during the year offset by an increase in average funds on deposit during 2008 when compared to 2007.

Taxation

The Company, which is incorporated in the Isle of Man, has no income tax liability for the year ended 31 December 2008 as it is taxable at 0% in line with local Isle of Man tax legislation. The Group is not currently subject to income tax in respect of its operations carried out in the United Arab Emirates, and does not anticipate any liability to income tax arising in the foreseeable future. On 4 December 2008, Lamprell Asia Limited, was granted Board of Investment privileges which allows the Company's wholly owned subsidiary in Thailand to operate with a tax exempt status for a period of up to eight years.

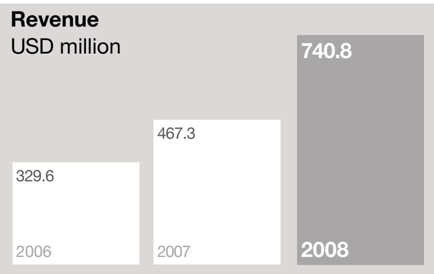
Earnings per share

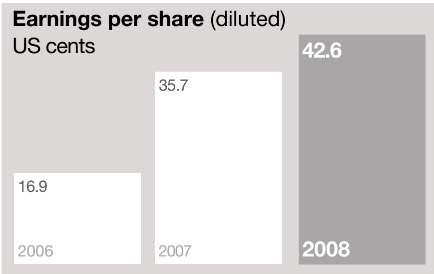
Fully diluted earnings per share for 2008 increased to 42.59 cents (2007: 35.72 cents) reflecting primarily the improved profit of the Group for the year.

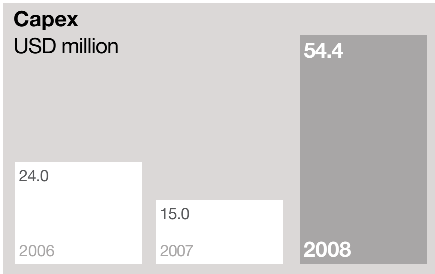
Operating cash flow and liquidity

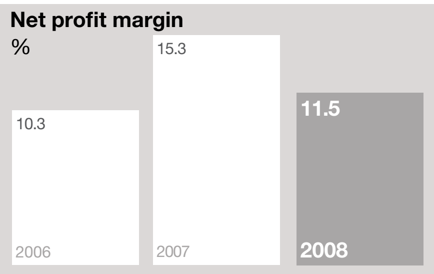
The Group's net cash flow from operating activities for the year was USD 18.3 million (2007: USD 176.8 million). The net cash flow from operations was lower than the prior year and mainly reflected increased profit for the period offset by movements in working capital, largely comprising an increase in trade and other receivables, including an amount due from a major EPC customer which was largely cleared subsequent to the year end. Amounts due from customers on contracts from predominantly EPC projects also increased reflecting the advanced stages of certain EPC projects. Payments have been received post year end against these balances.

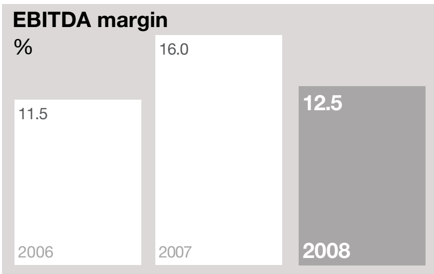
Financial Review
(continued)











The amounts due to customers on contracts was USD 72.5 million (2007: USD 95.1 million) which includes cash advances due to customers of USD 31.3 million (2007: USD 86.5 million). Other working capital movements reflect timing differences in respect to other receivables and also supplier commitments primarily on the larger EPC contracts.

Investing activities for the year absorbed USD 47.9 million (2007: USD 21.4 million) as a result of a significant investment in property, plant and equipment amounting to USD 54.4 million (2007: USD 15.0 million) largely comprising the purchase of operating equipment and investment in new buildings. This investment activity was offset by interest income of USD 3.0 million received from surplus funds and also the release of margin deposits of USD 3.5 million.

Net cash used in financing activities was USD 29.4 million (2007: USD 22.6 million). This represents dividend payments of USD 37.5 million (2007: USD 22.5 million) and the purchase of treasury shares to meet the settlement of share awards to certain directors and staff of USD 2.6 million. This was offset by an increase in short term borrowings of USD 10.7 million.

Capital expenditure

Capital expenditure on property, plant and equipment during the year amounted to USD 54.4 million (2007: USD 15.0 million). The main area of expenditure was the investment in operating equipment amounting to USD 23.5 million to support the growth in activities experienced during the year and to replace hired equipment where this was deemed cost effective. Expenditure on cranes reflects an investment of USD 15.1 million. Further expenditure on buildings and related infrastructure at Group facilities amounted to USD 27.1 million, including capital work-in-progress, with additional committed expenditure amounting to USD 25.4 million reflecting the development of the infrastructure of the Company at all facilities but primarily expenditure at the new Hamriyah facility.

Shareholders' equity

Shareholders' equity increased from USD 158.8 million at 31 December 2007 to USD 212.3 million at 31 December 2008. The movement mainly reflects the retained profits for the year of USD 85.5 million net of dividends declared of USD 37.4 million. The movement also reflects a credit for the accounting of share based payments of USD 8.1 million made to certain Directors and employees of the Group and charged to General and Administrative expenses.

Shareholders' equity includes a Merger reserve amounting to USD 22.4 million that was created in the year ended 31 December 2006 as a result of Lamprell plc, on 25 September 2006, entering 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 and transfer to LHL of 200,000,000 shares of the Company. This acquisition was accounted for using the uniting of interests method and the difference between the nominal value of shares issued by the Company (USD 18.7 million) and the nominal value of LEL shares acquired (USD 0.082 million) was taken to the merger reserve. In addition, during 2006 LEL acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million on 11 September 2006. This acquisition was accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4 million) and share capital of Inspec (USD 0.15 million) was taken to the merger reserve.

Dividends

For the year ended 31 December 2008, the Board of Directors of the Group having duly considered the current market conditions, profit earned, cash generated during the year and taking note of the capital commitments for the year 2009, recommend a final dividend of 3.15 cents per share. If approved this will be paid to shareholders on 18 June 2009 provided they were on the register on 22 May 2009.

Scott Doak
Chief Financial Officer

Risk Factors

Risk Factors

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

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

Business risks

Demand for the Company's services may be adversely impacted by a fall in the levels of expenditure by oil and gas companies;

The Company is subject to counterparty credit risk;

The Group's growth in the longer term may be dependent on the availability of financing both for its own future projects and for its customers;

The Company may be unable to utilise equipment purchased in advance, if it is unable to find customers for such equipment;

On certain projects, The Company operates on the basis of lump sum contracts and is therefore subject to financial risk if it fails to operate within budget. The Company may also be subject to liquidated damages payments if it fails to complete its contracts on time;

The Company is dependent on a relatively small number of contracts at any given time, many of which are for the same customers;

The Company operates on a project-by-project basis for EPC contracts and it does not have long-term commitments with the majority of its customers, which may cause its visible order book to fluctuate significantly;

The Company's visible order book for upgrade and refurbishment work is usually relatively short and can fluctuate significantly;

The Company's revenues, cash flow and earnings may vary in any period depending on a number of factors, including its performance on major contracts;

The Group may be affected by the actions of third parties, including sub-contractors and manufacturers; the Company may be adversely affected by inflation and rising labour costs;

The Company operates in a highly competitive industry and its ability to compete successfully depends on its ability to provide and service high quality products and systems;

The Company operates in markets where legal systems are still developing and which do not offer the certainty or predictability of legal systems in mature markets;

The Company is subject to a variety of local and federal regulations in the UAE and Thailand; certain countries in which the Company's customers operate have experienced armed conflict or terrorism.

conditions and in legal, regulatory and tax requirements. Additionally, there may be risks of which the Board is not aware or believes to be immaterial which may, in the future, adversely affect the Group's business.

The management conducts an annual risk assessment and review and wherever possible effort is made to mitigate risks or transfer risks through purchase of insurance.

Human resources risks

The Company faces significant challenges in attracting and retaining sufficient numbers of skilled personnel;

The Company depends on the performance of its President, Directors, Senior Managers and other essential employees and if it loses any of these key personnel, its business may be impaired; and

The Company's ability to perform its contractual obligations may be adversely affected by work stoppages and other labour problems.

Liability risks

The Company could be subject to substantial liability claims due to the hazardous nature of its business;

Liability to customers under warranties may materially and adversely affect The Company's earnings;

The Company's business is subject to risks resulting from product defects, faulty workmanship or errors in design as well as warranty claims and other liabilities;

The Company may be involved in litigation in the future; and

The Company conducts its business within an increasingly strict environmental and health and safety regime and may be exposed to potential liabilities and increased compliance costs.

Taxation risks

Changes in the fiscal regime of the UAE or Thailand could adversely impact the financial condition of the Group.

Hazards

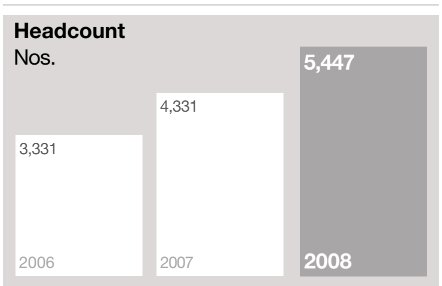
Hazards constitute perils such as fire and flood. Hazards are managed through prevention, mitigation, continuity planning and risk transfer through the purchase of insurance.

Financial risks

An analysis of the financial risks can be found on pages 68 to 70.

Corporate Social Responsibility

Lamprell is a socially responsible employer and is committed to maintaining the highest Health, Safety and Environmental standards.



A commitment to the local community

At Lamprell, we recognise the value of fulfilling our responsibilities as a corporate citizen, believing that by doing so we will bring benefits to all our stakeholders. Having been based in Dubai since 1977, the Company is rooted in a community within which it has worked for over 30 years and it has both benefited from, and been a contributor to, that community's development during that period. As a result of both this history and the international nature of our business, we believe we are fortunate to have a local business with a genuinely global perspective, and a rich variety of cultures and backgrounds from which to draw expertise and experience.

Formalising our principles

Our commitment to act as a responsible corporate player has long been reflected throughout the entire organisation, but the Group has recently formalised this approach by creating and implementing a set of policies that state the principles by which we seek to manage our operational activities, work with our staff and host communities, and minimise our impact on the environment.

Our business, the provision of construction services to the oil and gas industry, requires the highest standards of engineering skill and Health, Safety and Environment awareness. Our fundamental principle is to carry out these activities in a way that delivers the best possible product to our customers whilst minimising risks and maximising rewards to our wider stakeholders.

Accordingly, when we make all our investment and operational decisions, we take account of the social and environmental impacts that they may have, and minimising these is a central part of our decision-making process.

As a publicly listed company our aim is to ensure that our reporting meets all the requisite levels of scrutiny for a business of our size and areas of activity. Maintaining our reputation by aligning our commercial goals with our ethical standards is an essential part of achieving this aim.

Social initiatives

In 2008, we continued to work closely with local communities, business partners and regulatory authorities to make a positive difference within the localities where we operate.

In particular we at Lamprell are aware of the cultural mix of our employees with some 80% originating from India. Lamprell's training and development programme called "**LEARN2WORK**", developed jointly with the DBMA in Mumbai, India, was initially set up as a training school for potential welders and fabricators who would ultimately join the Company after qualification. In 2008, 260 qualified employees joined Lamprell further to this scheme.

The "**WORK2LIVE**" programme introduced in January 2008 to provide welfare, education and support to disadvantaged young people in the North West of India was an extension to the initial "**LEARN2WORK**" programme. The concept of the programme is to provide sufficient support to the disadvantaged such that they will ultimately acquire a working skill which will enable them to become self sufficient. This broad spectrum education and training programme will ultimately produce better educated and skilled members of society who can rise above the poverty line and become productive members of society. We believe that both the wider community and Lamprell will benefit. We have the advantage of not only providing the financial resources to provide this education and training but ultimately to provide direct employment within our Company.

At the beginning of 2009 the above programmes, which are related to the provision of labour, have been suspended due to the current economic conditions.

Don Bosco Snehalaya is a project focused on the street children and youth, living in the city of Vadodara. The basic objective of Snehalaya is to provide shelter to the young living on the railway platforms and in the streets, and other vulnerable children who are in need of care and protection. Snehalaya provides food, clothes, medicines, recreational facilities, counselling, job placement, contact with their families, and training in trades according to their capacities and individual circumstances. They are given opportunities to interact with the public, to express their potential and their talents. This helps them to develop their self confidence and the awareness that they too can contribute something to society. Ultimately, Snehalaya aims at enabling these street children to return to a decent life within mainstream society.

People

Attracting, developing and retaining talented staff is a major challenge for the oil and gas industry and at Lamprell we are fortunate to have high quality people across the whole range of our services. It is therefore vital for our continued success that we encourage our staff's personal development and career progression, and treat our people with respect, maturity and openness. We also invest significantly in building their skill sets. We are confident that this approach is the one most likely to enable us to achieve our business objectives by providing quality, continuity and growth.

In 2008, the Company worked closely with local communities, business partners and regulatory authorities.

Corporate Social Responsibility
(continued)

Our policy is to ensure equal opportunity in career development, promotion, training and reward for all of our employees. We aim to ensure that all our employees understand our business goals and our business principles through ongoing communications programmes.

With a diverse range of nationalities working within the Group, we also respect and recognise the value of different cultures.

Health, safety, environment and security summary ("HSES")

Given the nature and demands of our business, ensuring a high level of performance in health, safety, environment and security is absolutely essential, and Lamprell has a strong track record in these areas. We are very conscious though that there is no room for complacency in HSES and we seek to improve our performance year-on-year.

Health and safety

Internal measures for health and safety performance are very important to ensure focus on this area of our business. Our aim for 2008 was to maintain and improve the developed "safety culture" within the organisation, with all staff encouraged to report any activities they perceive as not conforming to best practice through the improved and incentive linked in-house Safety Observation Audit Programme so that any areas of oversight can be rectified and brought up to the highest possible standard as quickly as possible.

A major contributory factor this year was the implementation of the revised reporting system for administering first aid treatments. This system through the reporting and analysing of first aid case trends, identified potential areas for LTI.

As a result of this approach, we have developed an even stronger track record in the area of safety. Lamprell has established a safety record which is exceptional for the oil and gas construction industry and we have seen ongoing, progressive improvements in these safety figures over the past five years.

The facilities individually achieved LTI statistics as follows:

	LTI	LTI Frequency Rate
Sharjah	2	0.38
Jebel Ali	1	0.19
Hamriyah	7	2.15
LOEF	1	1.00

However, whilst our own measurement of our safety performance is essential, we also recognise the importance of external analysis of our methods and have achieved relevant accreditation by third parties of our capabilities.

In 2008 Lamprell maintained the accreditation with the management system certificate ISO 14001: 2004 and the Occupational, Health and Safety Assessment Series, OHSAS 18001:1999.

Environment

Across all our activities we seek to minimise the mark we leave on the sites at which we work. A good example is at Hamriyah where, as we expand our existing facility, we are seeking ways to minimise our impact on the local environment and increase our energy efficiency and recycling capability.

Throughout our business by delivering the best possible product to our customers utilising the most up to date technologies, we also have a direct impact on the environmental performance of the rigs we refurbish by improving their systems and ensuring they conform to all relevant international legislation.

Our policy is to strive to achieve continual improvement in environmental performance. We are committed to preventing pollution and reducing the overall impact of our operations on the environment. In addition, we maintain an internal management structure for the management of environmental issues which includes clearly defined responsibilities for environmental management capable of delivering this policy commitment.

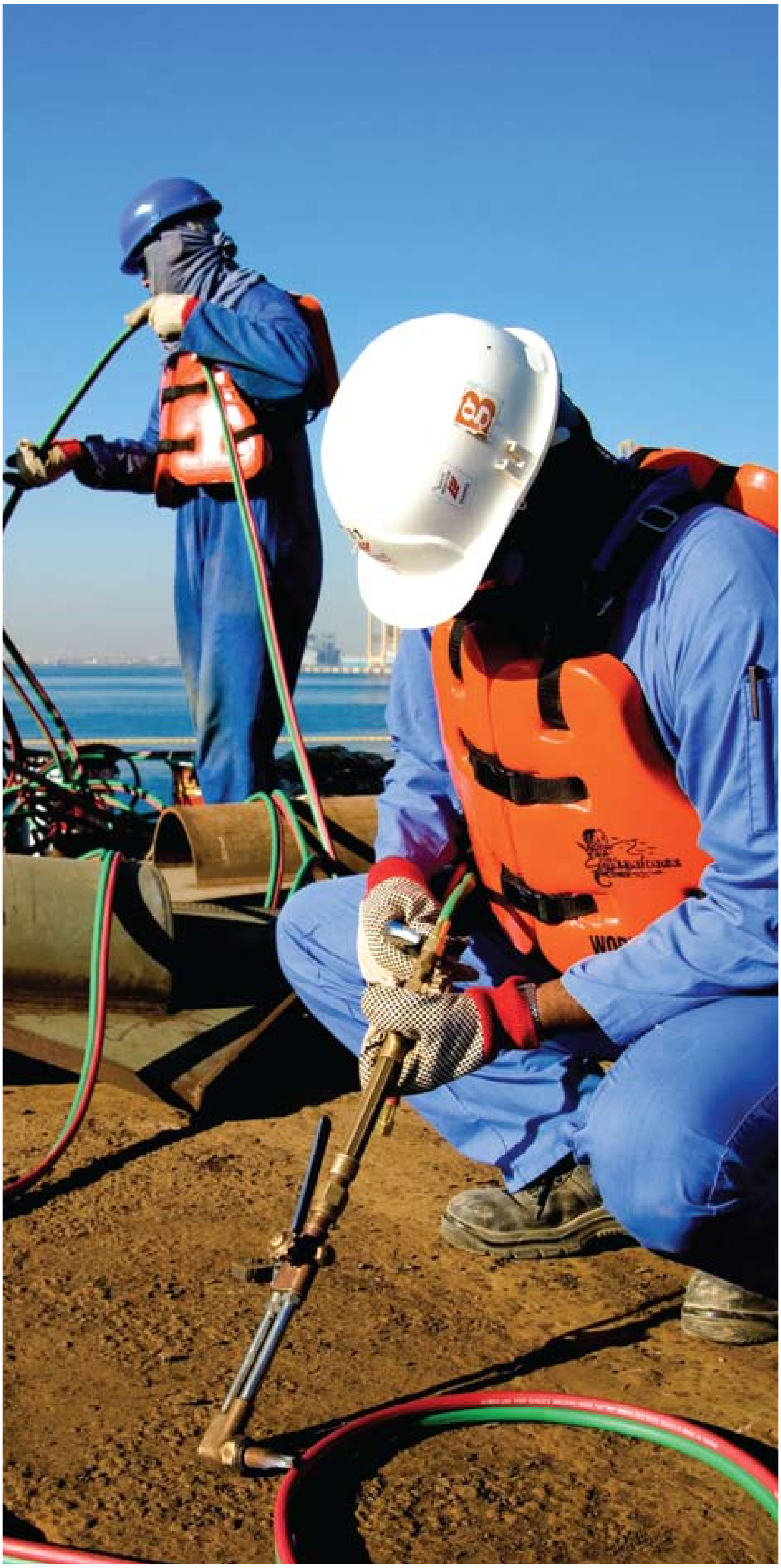
At all times Lamprell aims to comply with, and where possible, exceed applicable legal and other requirements relating to the organisation. We are also committed to monitoring our environmental performance and setting objectives and targets for improvement and at all times provide appropriate training and awareness programmes for our staff.

Waste management policy

All businesses affect the environment through the use of resources and discharge of waste products. Our Waste Management Policy is therefore consistent with our broader Environmental Policy, which includes a stated commitment to minimise the environmental impacts of our operations and prevent pollution. Our aim is to limit our discharge of waste material wherever we can and the policy lays out how we seek to achieve this goal.

Security

During this year Lamprell identified the requirement to heighten internal and external security controls of its assets on behalf of all stakeholders. These controls were in the form of the development of



security procedures, a new corporate wide security access system and increased physical security presence.

Quality

Lamprell aims to achieve maximum customer satisfaction and quality of product. In the pursuit of this objective the Company will comply with all national and international standards and requirements with respect to quality assurance. Lamprell will also strive to optimise resources and reduce wastage in the development of our facilities and training of personnel. Whilst aiming to meet these objectives the Company ensures cost effective jobs and services, and delivery on time.

Lamprell meets these objectives by understanding customer requirements, working together with our customers to meet those requirements, understanding our processes well and monitoring and measuring our activities. Ultimately the Company strives to continually improve the Quality Management Systems and operations.

Board of Directors

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4


5


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7


1 Jonathan Silver (56)
Chairman
Jonathan Silver was appointed to the Board on 24 August 2007 and was appointed as the Chairman of the Company on 27 March 2009. Jonathan trained with a leading City of London law firm and qualified as a solicitor in 1978, working first in London and later in the United Arab Emirates. In 1981, he started his own practice in the United Arab Emirates and merged that practice with Clyde & Co in 1989. Since then he has headed up Clyde & Co's operations in the region, creating the largest international law firm operating in the Middle East. Jonathan chairs Clyde & Co's regional management board and represents the region on the firm's global management board. Throughout his career in the legal profession, Jonathan has worked in the areas of international banking and finance, mergers & acquisitions, private equity, project and construction work involving him in most sectors of commercial activity including international trade, energy, construction, shipping, commodities and insurance. He has advised the boards of public and private companies from around the world extensively on their obligations, responsibilities and governance arrangements. Jonathan has, for more than 20 years, been associated with the Lamprell Group, providing legal advice on numerous matters including on the Company's listing on AIM and more recently, the Official List. Jonathan is currently a Director of International General Insurance Holdings Limited and Tri-Emirates Property Corporation.

2 Peter Whitbread (64)
Chief Executive Officer
Peter Whitbread joined Lamprell in 1992. Peter is a Chartered Quantity Surveyor with over 35 years of experience in the oil and gas services sector, with extensive experience in managing marine construction companies and in the direct project management of a wide range of major marine projects, heavy marine equipment and vessels. He is currently the Chief Executive Officer of the Group and was also the Chairman of the Group until 5 February 2008 when he resigned from that position. He is expected to hand over his current responsibilities to Nigel McCue in May 2009 and take up the position of Director of International Development. During his career he has held a number of other senior management positions and directorships with marine construction companies in the Middle East region.

3 Nigel Robert McCue (57)
Chief Operating Officer
Nigel McCue was appointed to the Board on 7 July 2006 as a Non-Executive Director prior to being appointed to the Executive position of Chief Operating Officer in May 2008. He is expected to take up the position of Chief Executive Officer in June 2009 at the time Peter Whitbread assumes his new role with the Company. Nigel has over 30 years of experience in the petroleum industry and, prior to being appointed Chief Operating Officer of Lamprell, he was a Director and the Chief Executive Officer of Jura Energy Corporation, a company listed on the Toronto Stock Exchange, and is now the Chairman and a member of the Compensation Committee of that company. He is also a Director of Nemmoco Petroleum Limited, a private exploration and production company and Frontier Acquisition Company Limited. Prior to this, he was a Director and the Chief Financial Officer of Lundin Petroleum AB. Nigel has also held various positions with Chevron Overseas Inc. and Gulf Oil Corporation. Nigel is the Senior Independent Non-Executive Director, within the definition of the FRC Combined Code, of Dragon Oil plc, where he is the Chairman of its Audit Committee and a member of the Remuneration and Nomination Committees.

4 Scott Doak (47)
Chief Financial Officer
Scott Doak joined Lamprell in March 2007. Scott is responsible for the finance and administration activities of Lamprell. Prior to joining Lamprell, he worked for Reuters Limited, based in Dubai, in the position of Head of Finance for Middle East & Africa, where he was a member of the Senior Management Group involved in strategic planning and market development. Previously he has held senior financial roles with Telerate Limited, Dubai, Price Waterhouse, Dubai and Whinney Murray & Company (Saudi affiliate to Ernst & Young). Scott is a member of the Institute of Chartered Accountants of Scotland and has a Bachelor of Accountancy from the University of Glasgow.

5 Colin Goodall (64)
Senior Independent Non-Executive Director
Colin Goodall was appointed to the Board on 14 September 2008. He is also the Chairman of Dana Petroleum plc; Parkmead Group plc and Sindicatum Carbon Capital Ltd. Colin qualified as a chartered accountant and is a member of the Chartered Institute of Taxation. He spent most of his career in the upstream oil & gas industry with BP plc, where he joined the finance team in 1975, later becoming the first Chief of Staff within the BP Group. From 1995 to 1999 he served as Chief Financial Officer for BP Europe and then as BP's senior representative in Russia. His career has involved assignments in Africa, the Middle East, Europe, Russia and the Americas.

6 Richard Germain Daniel Raynaut (53)
Non-Executive Director
Richard Raynaut was appointed to the Board on 7 July 2006. Richard has been involved in the oil and gas industry since 1977 when he was appointed as an accountant at IHC Caland. Between 1977 and 2004, he held a variety of positions at IHC Caland (renamed SBM Offshore), including Chief Accountant, Treasurer and Financial Controller. From 2000 to 2004, he was appointed the Chief Financial Officer of the offshore division and was an Executive board member of Single Buoy Moorings Inc. From January 2005 onwards he has been involved in Sri Lanka, with the charity Monaco Aide et Presence.

7 Brian Fredrick (57)
Non-Executive Director
Brian Fredrick was appointed to the Board on 1 January 2009. He spent most of his career in the financial services industry in Asia and the Middle East and worked in the United Arab Emirates in the 1980s and 1990s. He has also worked for HSBC in Hong Kong, where he was HSBC Asia-Pacific Head of International between 2003 and 2007 and in Brunei, and Vietnam. He was the Chief Executive Officer of HSBC's operations in Mauritius, the Philippines and Indonesia for over ten years. He has served on the boards of a number of companies including A. Soriano Corporation and Concrete Aggregates Inc, both quoted on the Philippine Stock Exchange, Techcombank, one of the largest private sector banks in Vietnam and was Chairman of HSBC Bank (Mauritius) Ltd.

Directors' Report

The Directors present their Annual Report on the affairs of the Company and the Group together with the financial statements and Auditors' Report, for the year ended 31 December 2008. Lamprell plc is the holding company of the Group and all its issued, and authorised, ordinary shares were admitted to listing on the main market of the London Stock Exchange on 6 November 2008.

Principal activities

The principal activity of the Group is the provision of specialised refurbishment and construction services to the oil and gas industry. The Group operates through a number of subsidiaries which are set out in Note 1 to the financial statements.

The principal activity of the Company is to act as a holding company for the Group.

Results and dividends

The financial statements of the Group for the year ended 31 December 2008 are as set out on pages 55 to 61. The Group net profit for the year amounted to USD 85.5 million (2007: USD 71.5 million).

The Directors recommend a final dividend of 3.15 cents per ordinary share with a Sterling equivalent of 2.18 pence per ordinary share which, if approved, will be paid on 18 June 2009 to eligible shareholders on the register at 22 May 2009. The Company has paid an interim dividend of 6.40 cents per share in November 2008, which makes the total dividend per ordinary share for the year 9.55 cents.

There was a transfer of USD 53.5 million to retained earnings for the year ended 31 December 2008 representing the profit for the year, less dividends paid, adjustments for share based payments and the purchase of treasury shares. For details refer to the Consolidated Statement of Changes in Equity on page 58.

Business review and future developments

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement on pages 4 to 5, the Chief Executive Officer's Statement on pages 6 to 9, the Review of Operations on pages 18 to 23, and the Financial Review on pages 24 to 27.

Corporate governance and corporate social responsibility

The Corporate Governance Report on pages 39 to 43 and the Corporate Social Responsibility Report on pages 30 to 33 provide full details on the efforts made by the Company in these areas.

Directors' remuneration report

Details of Directors' remuneration for the year ended 31 December 2008 can be found in the Directors' Remuneration Report on pages 44 to 53.

Directors

The Company's Articles of Association provide for a Board of Directors consisting of not fewer than two but not more than 12 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the next AGM of the Company at which point they will be required to stand for election by the members. At each AGM one-third or the number nearest to one third of the Directors are required to retire by rotation and they may stand for re-election. A Director may be removed from office at a general meeting by the passing of an Ordinary Resolution.

The Directors who served in office during the financial year were as follows:
Jonathan Silver
Peter Whitbread
Nigel McCue
Scott Doak
Colin Goodall *(appointed as Director on 14 September 2008)*
Richard Raynaut
Peter Birch *(resigned as Director on 19 December 2008)*
David Moran *(resigned as Director on 2 November 2008).*

Brian Fredrick joined the Board as a Non-Executive Director with effect from 1 January 2009.

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Remuneration Report on page 52.

Capital structure and significant shareholders

Details of the authorised and issued share capital together with details of movements in share capital during the year are included in Note 22 to the financial statements. The Company has one class of share in issue, ordinary shares of 5 pence each, all of which are fully paid. Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Company's Articles of Association and applicable laws. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the Notice of Meeting and proxy cards issued in connection with the relevant meeting. There are no restrictions on the transfer of shares.

Details of employee share schemes are disclosed on page 48 of the Directors' Remuneration Report and in Note 7 to the financial statements. During the year, 318,258 ordinary shares of 5 pence at nil price were granted under the free share award scheme (2007: 99,365). At the year end 870,718 ordinary shares of 5 pence under the free share award scheme and options on 105,369 ordinary shares of 5 pence under the executive share option scheme remained outstanding.

Pursuant to the Company's share schemes, the employee benefit trust as at the year-end, held a total of 669,257 ordinary shares of 5 pence, representing 0.33% of the issued share capital. The voting rights attaching to these shares can not be exercised directly by the employees, but can be exercised by the Trustees. However, in line with good practice, the Trustees do not exercise these voting rights. In the event of another company taking control of the Company, the employee share schemes operated by the Company have set change of control provisions. In short, awards may, in certain circumstances and in approved proportions, be allowed to vest early or be allowed to be exchanged for awards of equivalent value in the acquiring company.

The Company was given authority at the 2008 AGM to make market purchases of up to 20,000,000 ordinary shares of £0.05. This authority will expire at the 2009 AGM, where approval from shareholders will be sought to renew the authority.

Approval from shareholders is also proposed to be sought to authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £3,000,000, representing approximately 30% of the Company's current issued ordinary share capital (excluding treasury shares) and to issue equity securities of the Company for cash to persons other than existing shareholders, other than in connection with existing exemptions contained in the Company's Articles of Association or in connection with a rights, scrip dividend, or other similar issue, up to an aggregate nominal value of £500,000 representing approximately 5% of the current issued ordinary share capital of the Company. Similar authorities were given by the shareholders at the AGM in 2008 and the authorities now sought, if granted, will expire on the earlier of the conclusion of the AGM of the Company next year and the date which is 15 months after the granting of the authorities.

As at 19 March 2009, being the latest practicable date prior to the publication of this Annual Report, the significant interests in the voting rights of the Company's issued ordinary shares as per notification received by the Company (at or above the 3% notification threshold) were as follows:

	Voting rights attaching to issued of total ordinary shares	% of total voting rights	Nature of holding
Lamprell Holdings Limited	66,333,944	33.12	Direct
Standard Life Investments Ltd	18,712,534	9.34	Direct/Indirect
Ignis Investment Services Ltd	9,530,430	4.76	Indirect
Moore Credit Fund (Master) LP	7,900,000	3.95	Direct
Artemis Investment Management	7,595,000	3.79	Direct
Legal & General Group Plc	6,033,770	3.01	Direct

Articles of Association

The Company's Articles of Association may only be amended by a resolution of the shareholders.

Annual General Meeting

The Company's third AGM as a listed public company will be held at the offices of the Lamprell Group in Jebel Ali Free Zone, Dubai, United Arab Emirates on Thursday 11 June 2009 at 12.00 noon (UAE time). The Notice of Meeting and an explanatory circular to shareholders setting out the AGM business accompanies this Annual Report.

Principal risks and uncertainties
The Board has established a process for identifying, evaluating and managing the significant risks the Group faces. A detailed analysis of the risks and uncertainties can be found on pages 28 to 29.

Payment policy
The Group's policy in respect of its vendors is to agree and establish terms of payment when contracting for the goods or services and to abide by those payment terms. The Company is the holding company of the Group and has no trade creditors.

Charitable and political donations
During the year the Group made no political (2007: nil) or charitable donations (2007: nil).

Auditors
As far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. In addition, each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors for the year ended 31 December 2008 were PricewaterhouseCoopers. They have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming AGM.

Going concern
After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to remain in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities
The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2008 and that applicable accounting standards have been followed.

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

The financial statements have been prepared on the going concern basis since the Directors have reasonable expectation that, firstly, the Company's and the Group's activities are sustainable and, secondly, that adequate resources are available to continue in operational existence for the foreseeable future.

The Directors are responsible for the maintenance and integrity of the Company website. Your attention is drawn to the fact that legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from other jurisdictions and uncertainty regarding the legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

Subsequent events
Subsequent events are as set out in Note 32 to the financial statements.

By order of the Board

Ravindra Dabir
Company Secretary
27 March 2009

Corporate Governance

The Company is incorporated in the Isle of Man, where there is no formal code covering corporate governance. However, the Board is strongly committed to the highest standards of corporate governance and, wherever possible, will apply the provisions of the Combined Code on Corporate Governance published in 2006 (the "Code") as if the Company was incorporated in the United Kingdom.

The Code seeks to ensure that the Company is run in a manner whereby the interests of shareholders are protected and as such the Code sets out principles of good corporate governance together with specific provisions.

Statement of compliance with the provisions of good governance

The Directors consider that throughout 2008 and up to the date hereof, the Company has applied the principles and complied with the provisions of the Code, subject to exceptions identified in this report.

The Board

The Board plans to meet at least six times in a year. The role of the Board is to provide leadership of the Company, set values and standards, and to ensure that the Company's obligations to its shareholders and other stakeholders are met. The Board has a formal schedule of matters reserved to itself for decision, including but not limited to, matters of a strategic nature, approval of the annual budget, approval of major acquisitions, investments and disposals, major changes to the Group's capital structure, the preparation of financial statements, the recommendation or declaration of dividends, the entry into contracts which are deemed to be material strategically or by reason of size, succession planning and appointments to the Board, executive remuneration, ensuring the maintenance of a sound system of internal controls, reviewing its own and its Committees' performance, and reviewing the Company's overall corporate governance arrangements.

The current membership of the Board and the commitments of the Directors are stated on page 35, which record the names of the Chairman, the Senior Independent Director and the CEO. The names of the chairmen and members of each of the Audit, Remuneration and Nomination Committees are detailed below under the respective committee summaries.

The Board met 11 times during the year and of these meetings four were conducted by telephone via a conference call. These meetings were required to deal with specific business matters which arose as part of the normal business of the Group and which needed to be addressed between scheduled Board meetings. In addition to the formal meetings of the Board, the Executive Directors maintain frequent verbal and written contact with the Non-Executive Directors to discuss various issues affecting the Company and its business. In addition, the Board executes a number of resolutions in writing to conduct Company business. The Chairman and Non-Executive Directors have met without the executives present when necessary. The agenda and appropriate supporting Board papers are distributed by the Secretary to the Board on a timely basis.

Attendance by the Directors at the meetings of the Board and its Committees are summarised in the table below:

Meeting description	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings	11	4	4	6
Jonathan Silver [1] Chairman of the Company	9	n/a	n/a	n/a
Colin Goodall [2] Senior Independent Non-Executive Director	4	2	1	2
Richard Raynaut Non Executive Director	8	4	4	6
Peter Whitbread [3] CEO	10	n/a	n/a	n/a
Nigel McCue [4] COO	9	2	3	4
Scott Doak CFO	10	n/a	n/a	n/a
Peter Birch [5] Non-Executive Director	7	4	4	4
David Moran [6] DCC	7	n/a	n/a	n/a

1 Jonathan Silver was appointed as the Chairman of the Company on 27 March 2009.
2 Colin Goodall was appointed as the Senior Independent Director on 14 September 2008.
3 Peter Whitbread resigned as the Chairman of the Company on 5 February 2008 and will be appointed to the position of the Director of International Development with effect from 1 May 2009 on his resignation as CEO.
4 Nigel McCue was appointed to the position of the COO on 16 May 2008 and will be appointed to the position of the CEO with effect from 1 May 2009.
5 Peter Birch resigned as a Director on 19 December 2008.
6 David Moran resigned as a Director on 2 November 2008.

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

Chairman and Chief Executive

Section 1 A.2.2 of the Code states that the roles of Chairman and Chief Executive should not be exercised by the same individual and responsibilities between these roles should be clearly established, set out in writing and agreed by the Board. The Chairman should meet the independence criteria set out in Section 1 A.3.1 of the Code.

Since 5 February 2008 the roles of Chairman and CEO have been split. Peter Whitbread is CEO and Jonathan Silver is Lamprell's Non-Executive Chairman. Prior to Jonathan's appointment on 27 March 2009, Peter Birch acted as Non-Executive Chairman, until he resigned for personal reasons in December 2008.

Jonathan Silver was first appointed as Non-Executive Director based on the nomination received from the major shareholder Lamprell Holdings Limited and he is employed by a firm that represents the Company as one of its legal advisers. Jonathan Silver was therefore not deemed independent.

On the Company's admission to the Official List of the LSE, Jonathan Silver, having been appointed at the request of Lamprell Holdings Limited, the Company's principal shareholder, was removed as a Director in accordance with the provisions in the Articles of Association of the Company. However, the Board, considering his detailed knowledge of the Company and the Middle East, immediately re-appointed Jonathan as a Non-Executive Director. The Board and the Nomination Committee, considering his performance, experience and his knowledge of Lamprell plc, believe that, despite his lack of independence on appointment, Jonathan Silver's appointment as the Chairman of the Company is in the best interest of the Company and its shareholders.

Board balance and independence

The Board currently has seven Directors, consisting of four Non-Executive Directors and three Executive Directors. The Board considers all the Non-Executive Directors, excluding the Chairman, Jonathan Silver, to be independent in accordance with the definition of the Code and their appointment to be in the best interests of the shareholders. To that end, half of the Board excluding the Chairman (as cited above), is comprised of Non-Executive Directors determined by the Board to be independent. However, due to changes in Board composition, during certain periods in the year the Company was not in compliance with the requirements of Section 1 A.3.2 of the Code. This requires that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent or in the case of a smaller company, the Board should include at least two independent Non-Executive Directors. The Directors believe that the extensive knowledge and experience of the Non-Executive Directors combined with the focus and experience of the Executive Directors, enable the Board to lead and give direction to the Group without any imbalance that may allow any individual or group of individuals to dominate its decision making. Any Director having a concern in this or any other regard may raise this with the Chairman or the Senior Independent Director.

Colin Goodall has been appointed as the Senior Independent Non-Executive Director and is available to shareholders if they have any concerns for which contact through the normal channels of Chairman and CEO or CFO cannot be resolved or for which such contact is inappropriate.

The Board considers that independence is a matter of judgement and therefore it believes that the Non-Executive Directors should be free from any business or other relationships that could materially interfere in the exercise of their independent judgement. It is the Board's policy to provide its Non-Executive Directors fair remuneration for the contribution they make with respect to the business and affairs of the Company and the responsibilities they undertake in performing their duties as Non-Executive Directors.

Appointments to the Board

All appointments to the Board are based on the recommendation of the Nomination Committee. The composition and working of the Nomination Committee are explained under "Principal Board Committees" on page 42. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours and will be available at the AGM 15 minutes prior to the meeting and during the meeting.

Induction and professional development

A formal induction programme is provided to new Directors on their appointment. The programme is designed to cover Companies Act requirements, dealing restrictions as outlined in the Disclosure Rules and the Model Code on Directors' dealings in securities contained in the Listing Rules of the Financial Services Authority in the United Kingdom, Board and business related matters, meetings with senior management, site visits and the opportunity to meet with major shareholders. Major shareholders have had discussions with Colin Goodall. Brian Fredrick, Lamprell's other newly appointed Non-Executive Director will be available at the AGM to meet with major shareholders.

The Directors are entitled to take independent professional advice, at the Company's expense, if required. Directors have access to the advice and services of the Secretary to the Board, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed, and for advising the Board, through the Chairman, on governance matters. The agenda for each Board and

Committee meeting is considered by the relevant Chairman and papers for each scheduled formal Board and Committee meeting are provided beforehand. In addition, the Chairman maintains regular contact with the Executive Directors to discuss specific issues.

Directors are free to meet individual members of the senior management team and have done so during the year under review. The Board and its Committees receive briefings on legislative and regulatory developments and new accounting requirements as appropriate and believe that, given the experience and skills of its Directors, the identification of general training needs is best left to individual discretion.

No Director took independent professional advice during the year.

Performance evaluation

A performance evaluation of the Board, its members and Committees was conducted through a questionnaire led interview with other members of the Board. The questionnaires included a review of the Directors' attendance at Board meetings, the Board agenda, those areas on which the Board should focus during its meetings, the respective roles of the Executive and Non-Executive Directors, Board procedures and administration, and the operation of the Board's Nomination, Audit and Remuneration Committees. The results were considered satisfactory by the Board.

An evaluation of the performance of the Chairman was not carried out as Jonathan Silver was appointed to the position on 27 March 2009 following Peter Birch's resignation for personal reasons.

The performance evaluation of the Board, its members and its Committees will continue on an annual basis.

Retirement and re-election

In accordance with the Company's Articles of Association, all Directors are subject to election at the first AGM after their appointment and one-third, or the number nearest to one-third of the Board, shall retire from office at every AGM. Any Director in office for more than three years at the start of an AGM shall also retire. Accordingly, Colin Goodall, Jonathan Silver and Brian Fredrick who were appointed to the Board after the last AGM of the Company will retire and offer themselves for re-election at the forthcoming AGM. Scott Doak and Nigel McCue being the longest serving Directors, and making up the number nearest to one-third of the Board, will also retire and offer themselves for re-election at the forthcoming AGM. The biographical details of the Directors proposed for re-election can be found on page 35. The Chairman confirms that following formal performance evaluation, the performance of the Directors proposed for re-election continues to be effective and such Directors demonstrate commitment to their roles. The Board supports the re-election of all the retiring Directors.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 44 to 53. The composition and working of the Remuneration Committee are explained under "Principal Board Committees" on page 42.

Principal Board Committees

The Board is assisted by the Audit, Remuneration and Nomination Committees. A summary of the activities of each committee is set out below. The Committees are constituted with appropriate written terms of reference, which are reviewed annually and are available on the Company's website. The minutes of meetings and/or reports from the chairmen of the Committees are made available to the Board for its next scheduled meeting following the Committee meeting in question, or as soon as practicable thereafter.

Audit Committee

The members of the Audit Committee are Richard Raynaut who acts as Chairman, Colin Goodall and Brian Fredrick. Others may be co-opted onto the Committee by the Committee members. The Board considers all the members of the Audit Committee who are Non-Executive Directors, to be independent in character and judgement and free from any relationship or circumstance which may, or could or would be likely to, or which appears to, affect their judgement. During the period from 15 May 2008 to 14 September 2008, at least two of the members of the Audit Committee were not independent Non-Executive Directors as is applicable to a smaller company under Section C.3.1 of the Code although this was corrected on the appointment of Colin Goodall. This requires that the Audit Committee should be made up of at least three, or in the case of smaller companies two, independent Non-Executive Directors. Meetings of the Audit Committee are held not less than three times a year. The CFO is invited to attend meetings, where appropriate, and the Company's auditors are regularly invited to attend meetings, including once at the planning stage before the audit and once after the audit at the reporting stage. Other Board members may also be invited to attend, although at least once a year the Audit Committee meets the Company's external auditors without management being present. The terms of reference of the Audit Committee include consideration of matters relating to the appointment of the Company's auditors and the independence of the Company's auditors, reviewing the integrity of the Company's annual and interim reports, preliminary results announcements and any other formal announcement relating to its financial performance. The Audit Committee also reviews the effectiveness of the Group's system of internal audit, internal control and compliance procedures. The Audit Committee has established and monitors the Group's policy in relation to non-audit services provided by the external auditor, with a view to ensuring objectivity, independence and cost effectiveness. The Audit Committee also monitors the procedure to ensure that employees may raise ethical concerns in confidence.

The Audit Committee met (including meetings by conference call) four times during the year and the attendance at its meetings is reported on page 39.

Nomination Committee

The current members of the Nomination Committee are Colin Goodall, who acts as Chairman, Richard Raynaut and Brian Fredrick. During the period from 15 May 2008 to 24 September 2008, the majority of the members of the Nomination Committee were not independent Non-Executive Directors as required by Section 1 A.4.1 of the Code although this was corrected on the appointment of Colin Goodall. The Nomination Committee's terms of reference are to periodically review the structure, size and composition, including the skills, knowledge and experience required of the Board compared to its current position and make its recommendations to the Board with regard to any changes. The Nomination Committee also considers the future composition of the Board, taking into account the challenges and opportunities facing the Company, and skills and expertise needed on the Board. The Nomination Committee also makes recommendations to the Board about the membership of the Audit and Remuneration Committees.

During the year the Nomination Committee recommended the appointment of Colin Goodall and Brian Fredrick as Non-Executive Directors. The selection process involved interviews with a number of candidates who were shortlisted from a list of candidates who had been considered at the time of the Company's IPO and from a list of candidates referred by the Directors and Company's advisers. The Nomination Committee considered the candidate's relevance to the Company's business, experience and the candidate's time commitment, as well as the skills required on the Board.

While recommending the nomination for the position of the Chairman to replace Peter Birch, the Nomination Committee reviewed and accepted the job specification for the Chairman adopted by the Board in July 2008, assessed the time commitment expected for the position and the availability of the Chairman in the event of crisis.

An external search for the Board appointments was not undertaken as the referrals and the information held by the Company for the positions of the Non-Executive Director and internal candidature for the position of the Chairman, satisfied the requirement.

The Nomination Committee met (including meetings by conference calls) six times during the year and the attendance at its meetings is reported on page 39.

Remuneration Committee

The members of the Remuneration Committee are Richard Raynaut, who acts as Chairman, Colin Goodall and Brian Fredrick. During the period from 15 May 2008 to 24 September 2008, at least two of the members of the Remuneration Committee were not independent Non-Executive Directors as is applicable to a smaller company as per the requirement under Section 1 B.2.1 of the Code although this was corrected on the appointment of Colin Goodall. The terms of reference of the Remuneration Committee provide for it to determine and agree with the Board the framework or broad policy for the remuneration of the Company's CEO, the COO and the CFO, any such other Executive Directors, the Company Secretary and other such members of the executive management as it is designated to consider. The remuneration of the Non-Executive Directors is a matter for the Executive Directors. No Director or manager may be involved in any decisions as to his own remuneration.

The Remuneration Committee met (including meetings by conference call) four times during the year. The attendance at its meetings is reported on page 39.

Accountability and audit

The Board plays a direct role in the development of the Group's internal controls and risk management systems in addition to overseeing controls and risk management procedures via the Audit Committee. However, the primary responsibility for developing and implementing internal control and risk management procedures covering strategic, commercial, operational and financial aspects of the business, lies with the management.

Financial reporting

The statement on the responsibilities of the Directors in relation to the preparation of the accounts and the Directors' evaluation of the business as a going concern is contained in the Directors' Report on page 38.

Internal control

The control environment, risk management system and assurance processes being the three key elements leading to a robust system of internal control in the Group, are described below.

There exists a clear organisational structure for the control and monitoring of the Group's businesses, including defined lines of responsibility and delegation of authority. The business follows policies and procedures which amongst other matters, include policies for the Company and its employees on health and safety, security, the environment, corporate social responsibility and areas of legal compliance.

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This has been in place for the year under review and up to the date of this Annual Report and is in accordance with the Revised Turnbull Guidance. The Directors are aware that the Group's risk management systems cannot completely eliminate risks and thus there can never be an absolute assurance against the Group failing to achieve its objectives or a material loss arising. In the Board's regular review of the Group's strategic plans, consideration is given to those risks which have been identified as potential impediments to achieving the Group's strategic objectives. The Board receives regular formal updates from management on the key risks and the related controls in relation to the Group's existing business and, if appropriate, on potential new business. Management thoroughly considers risks associated with undertaking new business.

The Directors receive assurances from the following internal and external controls:
- Annual self assessment of agreed internal controls by process owners and review of such results by the internal auditors.
- Regular executive reports from management in areas covering key issues, performance, business outlook, human resources and health, safety and environment.
- Financial performance reports including analyses of significant variances regularly reported by the management.
- External audit reports, presentations and management letters from the Group's auditors.
- Reports from the Internal Audit function.
- Reports from internal Quality Audits.
- Reports from the Audit Committee.

The Board conducts an annual review of the effectiveness of the systems of internal control including financial, operational and compliance controls and risk management systems. Where material weaknesses have been identified, safeguards are implemented and monitored.

Audit Committee and auditors

The composition and working of the Audit Committee are explained under "Principal Board committees" on page 41.

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

During the year, the external auditors PricewaterhouseCoopers, were also engaged to provide services in relation to the listing of the Company's shares on the Main Market of the London Stock Exchange. The Audit Committee, in accordance with the Policy on Auditor Independence and adopted by the Group, and having considered the nature of work to be carried out believes that, whilst being cost effective, the appointment of the external auditors to carry out the work for the Main Listing process did not affect the objectivity, or the independence, of the external auditors.

Dialogue with institutional shareholders

The Chairman, Deputy Chairman and the Senior Independent Non-Executive Director, the CEO and the CFO have regular meetings with major shareholders and research analysts. The Board receives regular feedback from analysts and major shareholders, compiled by the Company's brokers and financial public relations consultants, in particular, following presentations and meetings after the publication of financial results. The principal method of communicating with the majority of shareholders is via the Annual Report and Accounts and the Company's website which contains details of financial presentations to analysts, press releases and other information about the Group. All shareholders have the opportunity to attend the AGM. All Directors were present at the 2008 AGM and all Directors intend to be present at the 2009 AGM to answer shareholders' questions.

Constructive use of the AGM

The Board uses the AGM as an occasion to communicate with all shareholders, including private investors, who are provided with the opportunity to question the Directors. At the AGM the total number of proxy votes lodged on each resolution categorised as for, against, and votes withheld, will be made available both at the meeting and subsequently on the Company's website. Each separate issue is presented as a separate resolution and the Chairmen of the Audit, Nomination and Remuneration Committees will be available to answer questions from shareholders.

The Notice of the AGM, and related papers containing the text of resolutions to be proposed at the AGM, and explanatory notes, where necessary, will be posted to the shareholders at least 20 working days before the AGM. The interim and preliminary results of the Company, along with all other press releases, are posted on the Company's website, www.lamprell.com, as soon as they are announced and are available for download.

Directors' Remuneration Report

Opening statement from the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present to you the Remuneration Committee's report on Directors' remuneration for the year to 31 December 2008. This past year has been a year of continued growth and success for the Company, despite the turmoil that has existed in the world's financial markets. However, it has become apparent recently that there is a marked slowdown in the Company's business except for the rig refurbishment business which is currently busy but is anticipated to slowdown in the second half of the year. As a result, and as announced on 20 March 2009, we expect the outturn for 2009 to be significantly below that of 2008.

The current economic crisis has emphasised the important role that remuneration committees have to play in designing appropriate remuneration packages to recruit, retain and motivate executive talent, whilst providing an appropriate balance between risk and remuneration. In determining the remuneration policy of the Company, the Remuneration Committee has had regard to the general market conditions and developing best practices, as well as to the challenges and opportunities facing the Company going forward.

The Remuneration Committee seeks to provide packages for the Executive Directors that are appropriate to the needs of Lamprell and that are competitive. In doing this, the Remuneration Committee has established a number of key principles which are set out on page 46. These remuneration principles provided the foundation for the arrangements in place this year, and also provided the basis on which we will base remuneration going forward.

The results of benchmarking exercises in 2007 and 2008 have indicated that whilst the total remuneration of the Executive Directors was not materially lower than that of the comparator group, the mix between base salary and bonus was significantly different. During 2009, the Remuneration Committee intends to undertake a review of the the remuneration policy of the Company to ensure that remuneration continues to be aligned with the strategy of the Company and with evolving investor guidelines. The results of this review will be outlined in next year's Remuneration Report.

Amendments to the base salaries of Nigel McCue and Scott Doak have been made and reflect changes in their roles or responsibilities as Nigel McCue will assume the role of CEO from 1 May 2009, and Scott Doak, CFO, has assumed all responsibilities previously undertaken by the DCC who left the Company on 1 January 2009. It is noted that considerable savings, net of approved increments, will be achieved from the departure of the DCC and also from the change in the remuneration of the current CEO, who will retain the position of Director of International Development.

The details of the changes have been outlined in this report.

The Committee have also made share awards to Nigel McCue and Scott Doak and consider these awards essential to ensure that these Directors have a sufficient stake in the Company to align their interests more with those of shareholders. Both are relatively new to the Company and, as a result of circumstances, have not yet built up a stake in the Company commensurate to their positions as Directors of a UK listed plc. As noted below, the Performance Share Plan will only reward Senior Executives from the year ending 31 December 2011. These awards have been made under the Executive Share Option Scheme, but regular awards will no longer be made under this scheme.

Following our listing on the London Stock Exchange, a separate resolution to approve this report will be put to the AGM, and I hope for your support for this resolution.

Richard Raynaut
Remuneration Committee Chairman
27 March 2009

Introduction

This report has been prepared in accordance with the Companies Act, relevant provisions of the Listing Rules and the Combined Code.

The regulations require the auditors to report to the Company's shareholders on the "auditable part" of the Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act. This report has therefore been divided into two parts setting out the audited and non-audited information respectively.

A separate resolution to approve the Remuneration Report will be proposed at the forthcoming AGM.

Information not subject to audit

Composition of the Remuneration Committee

The terms of reference of the Remuneration Committee (the "Committee") provide for it to determine, and agree with the Board, the policy for the remuneration of Lamprell's Executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider. The full terms of reference of the Committee are available on the Company's website – www.lamprell.com.

During the year there were several changes to the composition of the Committee. Peter Birch resigned as Chairman of the Committee on 24 September 2008 and was replaced by Richard Raynaut with immediate effect. Colin Goodall and Brian Fredrick were appointed as Non-Executive Directors of the Company on 14 September 2008 and were appointed to the Committee with effect from 24 September 2008 and 1 January 2009 respectively. Nigel McCue resigned from the Committee on 24 September 2008 having been a member during 2008. The Board deems all of the current members of the Committee to be independent Non-Executive Directors in accordance with the Combined Code.

The Committee met four times during 2008 with all members of the Committee at the date of each meeting in attendance.

Advisers to the Committee

The Committee has appointed Deloitte LLP ("Deloitte") as its independent advisers in relation to remuneration matters and share incentive arrangements. Deloitte provided no other services to the Company during 2008.

The Committee consults with the Non-Executive Chairman and the Chief Executive as appropriate, and both may be asked to attend meetings by request. By request, the Committee is also supported by the Company Secretary and other employees, although no individual is involved in discussions around their own remuneration.

Remuneration policy

The remuneration policy of the Company has been designed with the aim of enabling the recruitment, motivation and retention of Executive Directors and senior managers of the highest calibre. The remuneration structure should support the needs of the business in a competitive marketplace. UK shareholder guidelines will be followed to the highest possible extent consistent with the needs of the business.

The reward policy determined by the Committee aims to drive business performance and maximise shareholder value through the use of a mixture of fixed and variable pay. It is based on the following key principles:

- remuneration is viewed from a total compensation perspective, taking account of all elements of reward;
- the total compensation opportunity should be market competitive to enable the recruitment and retention of the required talent and experience;
- a high proportion of the total compensation opportunity should be variable and therefore 'at risk' for the Executive Directors; and
- the reward policy should support the creation of shareholder value.

Total remuneration is benchmarked against comparators of a similar size and complexity. As a secondary reference point, the Committee also has reference to the remuneration framework of the following UK-listed oil equipment and services sector companies:

- Amec
- John Wood Group
- Petrofac
- Wellstream Holdings
- Hunting

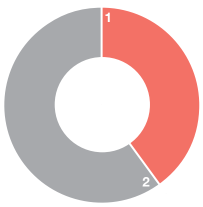
There are three main elements of the remuneration package for the Executive Directors:
- basic annual salary and benefits, including a pension equivalent;
- annual cash bonus payments; and
- share-based long-term incentives.

The table below summarises these elements and their key features:

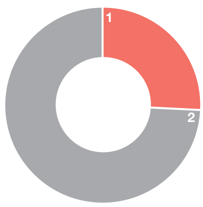
Component	Quantum	Positioning against market	Purpose	Delivery	Other key features
Base salary	Varies by role and individual	Below median	Provides the fixed element of the package	Monthly cash payment	Reviewed annually
Annual performance bonus plan	Individual maxima, with Executive Directors' capped at 200% of base salary	Upper quartile	To drive and reward annual performance of individuals, teams and the Company	Annual cash payment	Based on annual performance against pre-determined objectives
Pension equivalent	c. 8% of base salary	n/a – see below	To provide a retirement benefit	Cash payment following retirement, based on length of service and final salary	This is based on local UAE Labour Law and is consistently applied across all employees of the Company
Performance Share Plan	Normally, up to 100% of salary	Competitive	To motivate senior management and align interests with shareholders	Shares following a three-year vesting period	Effectively replaced Executive Share Option Plan awards for Executive Directors

Each element is described in further detail in separate sections below. The charts below illustrate the relative proportions of pay at risk (variable) and not at risk (fixed) at different levels of performance based on a projected value methodology.

On-target performance



Exceptional performance



1 Fixed
2 Variable

Elements of Remuneration

Base salary

Policy: below median base salary to facilitate high variable component

The Company has historically positioned the base salaries of the Executive Directors below the median for the competitive market, with a substantial proportion of their remuneration therefore being performance-related.

Actual base salary levels are reviewed annually and are influenced by the Executive Director's experience, responsibility and market value. Any changes usually take effect from the start of the year. During 2008, the Committee gave careful consideration to the level of base salaries and concluded that the base salaries would be reviewed after the results of the annual benchmarking exercise had been reviewed, particularly in context of the wider financial market and economic turmoil experienced in the fourth quarter of 2008. At a meeting of the Committee in March 2009 it was agreed that certain changes were necessary, largely to recognise the following:
- the results of the benchmarking exercises undertaken by Deloitte in 2007 and 2008 which indicated anomalies between the base salaries and bonus amounts paid by the Company, and that of its comparator group, with base salaries significantly lower and variable pay significantly higher than the comparator group.

- the variable pay component of the remuneration packages of the Executive Directors was significantly higher than the comparator group at 200% of base salary for on target performance. In line with the increased base the bonus maximum has been reduced to 175%.
- changes to the roles and responsibilities of both the current COO and CFO. Nigel McCue, COO, will assume the role of CEO from 1 May 2009, and Scott Doak, CFO, has assumed all responsibilities previously undertaken by the Director of Corporate Communications who left the Company on 1 January 2009.

The table below shows the base salaries of each current Executive Director effective as at 1 January 2008, and those that will apply from 1 April 2009:

Name	Position	Base salary from 1.1.2008 USD	Base salary from 1.4.2009 USD	% increase
Peter Whitbread	Chief Executive Officer	360,000	378,000	5.0%
Nigel McCue	Chief Operating Officer	300,000	415,500	38.5%
Scott Doak	Chief Financial Officer	261,545	354,393	35.5%

The benchmarking reports for the last two years have identified that the base salaries of the Executive Directors are approximately 55% of the comparator group median, while bonus opportunities are approximately double that of the comparator group. During 2009, the Remuneration Committee intends to undertake a review of the remuneration policy of the Company to ensure that remuneration continues to be aligned with the strategy of the Company and with evolving investor guidelines.

Annual bonus

Policy: high maximum bonus to provide competitive total cash opportunity

The Executive Directors and senior management receive annual bonus payments based on the achievement of net profit targets and individual objectives, which are reviewed by the Committee at the start of the financial year. The Committee has an overriding discretion to consider, if deemed necessary, performance on environmental, social and governance issues when determining the annual bonus payments for the Executive Directors.

The Committee took into account the Executive Directors' success in achieving the set financial objectives, as well as each individual's performance, when determining the bonus awards for 2008. In particular, the Committee considered the Company's record financial performance for the year, overachievement of financial targets versus budget and achievement of specific targets, including moving the Company's listing to the Official List of the London Stock Exchange during the year. In addition, completing the incorporation of the new facility in Thailand with an eight-year tax holiday was noted as an achievement for 2008. The Committee determined that the bonus payments for the Executive Directors for the financial year 2008 would be as follows:

Name	Position	Annual bonus paid USD	% of base salary
Peter Whitbread	Chief Executive Officer	720,000	200%
Nigel McCue	Chief Operating Officer	600,000	200%
Scott Doak	Chief Financial Officer	523,090	200%
David Moran [a]	Chief Financial Officer	270,000	75%

a) David Moran acted as the COO until 15 May 2008 and thereafter as DCC until 2 November 2008 when he resigned from the Board of Lamprell plc.

The Committee keeps the remuneration arrangements under review and has determined it appropriate that the key principles of the annual bonus plan for financial year 2009 should be as follows:
- the annual bonus opportunity will be capped at a maximum of 175% of base salary for the Executive Directors; and
- payout of 60% of the bonus will be based on financial targets, with the remaining 40% dependent on the achievement of personal objectives.

Long-term incentives

Policy: competitive rewards to recruit, retain and motivate individuals of a top calibre

At the last Annual General Meeting a new PSP was approved and this is now the Company's main long-term incentive vehicle for Executive Directors and senior management. The main features of the PSP are as follows:

- Awards over Lamprell shares can be made, on an annual basis, to Executive Directors and other key individuals.
- Awards will take the form of a promise to deliver free shares, but may be structured in an economically equivalent form subject to an assessment of local tax and regulatory issues.
- 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.
- In respect of any one financial year, share awards will typically be limited to a maximum of 100% of base salary for any participant. However, in exceptional circumstance (e.g. for recruitment or retention purposes) awards up to a maximum of 150% of base salary can be made.
- Awards may be satisfied by the issue of new shares or the transfer of shares purchased in the market and held either in an employee benefit trust or as treasury shares (or through a cash payment). Where shares are issued, the Association of British Insurers' guidelines on dilution will be followed.

The Committee believes the PSP performance conditions should strike a balance between achieving alignment with shareholder returns and reward for delivery of strong underlying performance, the latter point being more in the control of senior management.

During 2008, no awards were made under the PSP, however, it is anticipated that the first awards will be made during 2009. These awards will be subject to achieving EPS growth relative to predefined targets, as the Committee considers EPS to be one of the key measures of the Company's success. The intended EPS targets and their associated vesting levels are as follows (straight-line vesting applies between the hurdles):

EPS growth over three-year period	Percentage of award vesting
Less than 15%	0%
15%	25%
45% or more	100%

The Committee regularly reviews both the overall suitability of the Company's share-based remuneration, the level of awards made under the plans operated, and the performance conditions attached to those awards.

Any value earned under the Company's long-term incentive plans is not pensionable.

As part of the initial public offering in 2006, the Company implemented an Executive Share Option Plan. Under this plan, share options with a face value of up to 200% of base salary could be granted annually to the Executive Directors, which would vest on the third anniversary of the date of grant, subject to the achievement of performance conditions. This share option plan has effectively been replaced by the PSP, but has been retained for exceptional awards, as discussed below.

Pension

Policy: in line with local market practice

Under employment law in the United Arab Emirates, the Executive Directors participate in a terminal gratuity scheme operated by the Company as a pension equivalent. This is operated as a cash payment based on the length of service and final salary of the Executive Director and the value of these cash provisions is c. 8% of base salary.

Under the terms of the local UAE labour law the terminal gratuity accrues benefit to an employee as follows:

- 21 days per annum for the first five years of employment
- 30 days per annum for the remainder of their employment.

The benefit accrues for incomplete years on a pro rata basis, is calculated using the current base salary and has a maximum benefit amounting to two years of the annual base salary.

Other remuneration elements

The Executive Directors also receive other benefits including car allowances, housing allowances, utilities for housing, school fees for children up to the age of 18 years old, annual airline tickets, medical and life insurance, petrol costs and club memberships. The cash value of the benefits received by each Executive Director in 2008 is shown in the table on page 51.

Directors' contracts

The policy set out below provides the framework for contracts for the Executive Directors. It is the Company's policy that Executive Directors should have contracts with a rolling term providing for a maximum of one year's notice. Consequently, no Executive Director has a contractual notice period in excess of twelve months.

Aspect of contract	Policy
Notice period on termination by the Company or the Executive Director	Twelve calendar months
Termination payment	One times annual basic salary, plus benefits but excluding bonus
Vesting of long-term incentive scheme awards	In line with the rules of the relevant equity incentive scheme – generally pro-rated for time and performance for good leavers
Pension	Based on existing arrangements and terms of the UAE Labour Law with respect to terminal gratuity

The general policy on termination is that the Company does not make payments beyond its contractual obligations, i.e. no ex-gratia payments are made.

The Committee will seek to ensure that there have been no unjustified payments for failure, and as such none of the Executive Directors' contracts provides for liquidated damages, longer periods of notice on a change of control of the Company, or additional compensation on an Executive Director's cessation of employment.

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

Director	Date of contract	Effective date
Peter Whitbread	11 September 2006	11 September 2006
Nigel McCue	16 May 2008	16 May 2008
Scott Doak	10 December 2006	1 March 2007

Outside appointments for Executive Directors

Any outside appointments must be approved by the Board. It is the Company's policy that remuneration earned from such appointments may be kept by the individual Executive Director. The external appointments of the Directors are noted below.

During 2008 Peter Whitbread received CAD 23,000, Nigel McCue received CAD 16,275 and USD 147,000; and Scott Doak received £15,375 in respect of these appointments.

Director	Current Directorships
Peter Whitbread	Granjan Holdings Jura Energy Corporation Mavignon Shipping Limited Nemmoco Petroleum Limited
Nigel McCue	Dragon (Holdings) Limited Dragon Oil Limited Dragon Oil (Turkmenistan) Limited Frontier Holdings Limited Frontier Acquisition Company Limited Jura Energy Corporation Mavignon Shipping Limited Nemmoco Petroleum Limited
Scott Doak	Caledonian Investments (Dubai) Limited Caledonian Developments (Dubai) Limited Caledonian Management (Dubai) Limited Caledonian Investments (Gulf) Limited

Non-Executive Directors' fees and contracts

The Company aims to provide Non-Executive Directors with fees that are competitive with other companies of a similar size and complexity. The Company reviewed the Non-Executive fee structure during 2008 and determined to operate a fee structure with basic fees and additional fees for chairing a committee of the Board. The basic fee was set at £37,750 per annum, with an additional fee of £7,000 being payable for chairing a committee. Colin Goodall, as Senior Independent Director, receives no additional fee for chairing the Nominations Committee.

The following table sets out the fees payable for the Non-Executive Directors during the financial year 2008:

Non-Executive Director		2008
Colin Goodall	Senior Independent Director Chairman of the Nominations Committee	**£75,000**
Richard Raynaut	Non-Executive Director Chairman of the Audit Committee Chairman of the Remuneration Committee	**£46,000**
Jonathan Silver	Non-Executive Director	**£36,000**
Brian Fredrick [b]	Non-Executive Director	**–**
Peter Birch [a]	Non-Executive Chairman	**£100,000**

a) Peter Birch resigned from the Company with effect from 19 December 2008.
b) Brian Fredrick was appointed to the Board on 14 September 2008 with a start date of 1 January 2009.

Non-Executive Directors are not eligible to participate in any of the Company's incentive schemes.

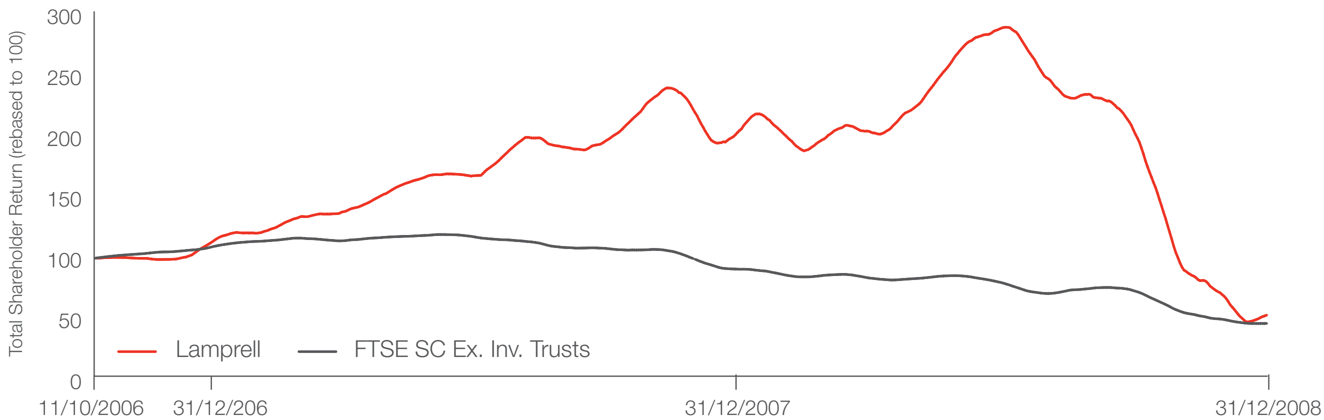
The Non-Executive Directors do not have service contracts, but instead have specific letters of appointment which are available upon request. Non-Executive Directors are appointed for an initial term of three years, terminable by either the Company or the Non-Executive Director at will. In normal circumstances, and subject to performance and re-election at the AGM, the Non-Executive Directors can be asked to serve additional three-year terms. Upon termination or resignation, Non-Executive Directors are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.

The following table shows the date of the letter of appointment for each Non-Executive Director:

Non-Executive Director	Date of letter of appointment
Colin Goodall	14 September 2008
Richard Raynaut	7 July 2006
Jonathan Silver	24 August 2007
Brian Fredrick	14 September 2008

TSR performance graph

The following graph sets out the performance of the Company relative to the FTSE SmallCap Index of which the Company is a constituent, from the date the Company originally listed on AIM (10 October 2006) to 31 December 2008. The graphs has been prepared in accordance with the Companies Act and is not an indication of the likely vesting of awards granted under any of the Company's incentive plans.



Audited Information

Annual remuneration

The table below summarises all Directors' emoluments for the current and prior year for comparison. No payments for loss of office were made during the year and no other awards were made to any director during the year to 31 December 2008.

	Fees and salary USD	Allowance and other benefits USD	Annual Bonus USD	**Total 2008 USD**	Total 2007 USD
Executive Directors					
Peter Whitbread [a]	360,000	139,646	2,720,000	**3,219,646**	1,127,817
Nigel McCue [b]	186,365	107,476	600,003	**893,844**	–
Scott Doak	261,545	153,117	523,089	**937,751**	926,863
David Moran [c]	360,000	284,382	270,000	**914,382**	1,232,253
Total	**1,167,910**	**684,621**	**4,113,092**	**5,965,623**	**3,286,933**
Non-Executive Directors					
Colin Goodall	20,373	–	–	**20,373**	–
Richard Raynaut	82,936	–	–	**82,936**	60,369
Jonathan Silver	67,602	–	–	**67,602**	22,585
Nigel McCue	30,426	–	–	**30,426**	59,790
Peter Birch [c]	174,588	–	–	**174,588**	152,864
Total	**375,925**	**–**	**–**	**375,925**	**295,608**

a) Peter Whitbread's bonus includes an amount of USD 2 million in respect of an agreed payment to remain as the Chief Executive Officer during 2008. The intention had been for Peter Whitbread to step down from this role in April 2008 in favour of David Moran.
b) Nigel McCue was appointed Chief Operating Officer with effect from 16 May 2008 and previously acted as a Non-Executive Director and Chairman of the Audit Committee.
c) David Moran and Peter Birch resigned from the Board on 2 November 2008 and 19 December 2008 respectively.

Pension equivalents

The table below summarises the Executive Directors' pension equivalent contributions for the current year, and the prior year for comparison.

	Total 2008 USD	Total 2007 USD
Executive Directors		
Peter Whitbread	**99,659**	24,654
Nigel McCue	**9,967**	–
Scott Doak	**17,601**	9,696
David Moran	**141,106**	(19,283)
Total	**268,333**	**15,067**

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 2008 and 2007, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 4% to 5% (2007: 4% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 6% (2007: 6.25%).

Directors' interests

The following interests of the Directors of the Company are shown in accordance with the Listing Rules:

	At 27 March 2009	**At 31 December 2008**	At 1 January 2008
Executive Directors			
Peter Whitbread	1,580,000	**1,580,000**	2,800,000
Nigel McCue	38,461	**38,461**	38,461
Scott Doak	8,000	**8,000**	8,000
Non-Executive Directors			
Colin Goodall	6,000	**6,000**	– [a]
Richard Raynaut	–	**–**	–
Jonathan Silver	–	**–**	–
Brian Fredrick	–	**–**	– [a]

a) Shown as at date of appointment.

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

Awards made prior to the initial public offering

Lamprell Holdings Limited Share Option Plan

Prior to the Company's listing on the Alternative Investment Market, a one-off grant of options was made to selected key employees of the Company, including the Executive Directors. These awards, in aggregate, accounted for approximately 5% of the Company's share capital, and will be satisfied with shares currently beneficially held by Steven Lamprell. The awards to the Executive Directors vested immediately on Admission, however, carried restrictions on how the shares could disposed over the first two years following Admission. The table below sets out the interests of the Executive Directors in share options under the Lamprell Holdings Limited Share Option Plan, all of which were granted on 10 October 2006. No further options will be granted under the Lamprell Holdings Limited Share Option Plan.

Executive Director	At 1.1.2008	Exercise period	Exercise price	Sold in year	Lapsed in year	**At 31.12.2008**
Peter Whitbread	2,800,000	10.10.2008–10.10.2010	nil	1,250,000	nil	**1,550,000**
David Moran	1,625,441	10.10.2008–10.10.2010	nil	812,720	nil	**812,721**

On 31 March 2008, Peter Whitbread and David Moran exercised their right to sell 1,250,000 shares and 812,720 shares. The share price on that date was 400 pence per share.

Share award to David Moran

At the time of admission to the Alternative Investment Market, David Moran was granted a deferred share award giving him an entitlement to receive shares at no cost, subject to the satisfaction of performance conditions.

This award vests in three equal tranches on the date of the announcement of the financial results for the years ending 31 December 2007, 2008 and 2009 respectively. The following table sets out the interests of David Moran in relation to this award granted on 16 October 2006:

Executive Director	At 1.1.2008	Share price at grant	Date of vesting	Vested	**At 31.12.2008**
David Moran	276,230	£1.95	Announcement of financial results for 2007	276,230	**–**
	276,230	£1.95	Announcement of financial results for 2008	–	**276,230** [a]
	276,229	£1.95	Announcement of financial results for 2009	–	**276,229** [a]

a) In accordance with the terms of the share award, the Committee permitted the unvested tranches to vest in full following the cessation of David Moran's employment and these vested on 1 January 2009.

The actual number of shares transferred to David Moran amounted to 279,309 shares having been adjusted to reflect any dividends paid during the vesting period.

On 31 March 2008, David Moran sold 1,090,000 shares comprising shares exercised under the Lamprell Holdings Limited Share Option Plan and shares vested under this award. The share price on that date was 400 pence per share.

Share awards to Scott Doak and Nigel McCue

As disclosed in the admission document for the listing on the London Stock Exchange, on 10 January 2008 and 20 May 2008 respectively, Scott Doak and Nigel McCue were granted conditional rights to receive shares at no cost. The earliest date that they will be entitled to receive the shares under the conditional rights are 10 January 2010 and 20 May 2011 respectively. Receipt of the shares is conditional upon them remaining in employment with the Company until that date.

The following table sets out the interests of Scott Doak and Nigel McCue in relation to their awards:

Executive Director	At 1.1.2008	Granted in year	Share price at grant	Date of vesting	Vested	**At 31.12.2008**
Scott Doak	nil	22,725	£4.36	10.01.2010	nil	**22,275**
Nigel McCue	nil	70,000	£5.25	20.05.2011	nil	**70,000**

On vesting an amount will also be paid equal to the aggregate amount of dividends that would have been paid on the shares to which they are entitled between the grant date and vesting date.

Share option awards to Scott Doak and Nigel McCue

On 31 March 2009 Scott Doak and Nigel McCue were granted options under the Executive Share Option Plan. The earliest date that they will be entitled to receive the shares under the conditional rights are 31 March 2012. Receipt of the shares is conditional upon them remaining in employment with the Company until that date.

The following table sets out the interests of Scott Doak and Nigel McCue in relation to their awards:

Executive Director	At 31.12.2008	Granted on 31.03.09	Exercise price at grant	Date of vesting	Vested
Scott Doak	nil	275,000	£0.5725	31.03.2012	nil
Nigel McCue	nil	275,000	£0.5725	31.03.2012	nil

On vesting, the Options become exercisable and, subject to the rules of the Plan, will remain exercisable until 31 March 2019 (being the 10th anniversary of the grant date) and, to the extent not exercised by that date, will lapse.

Share price information

On 31 December 2008, the closing price of a Lamprell plc ordinary share was 117.5p. The highest and lowest price of an ordinary share during 2008 was 575p and 73.25p respectively, based on the London Stock Exchange Daily Official List.

Approval

This report was approved by the Committee, on behalf of the Board, on the date shown below and signed on the Board's behalf by:

Richard Raynaut
Chairman of the Remuneration Committee
27 March 2009

Independent Auditor's Report to the Members of Lamprell plc

Report on the financial statements

We have audited the accompanying consolidated and parent company financial statements of Lamprell plc which comprise the consolidated and parent company balance sheets as of 31 December 2008 and the consolidated income statement, consolidated and parent company statements of changes in equity and consolidated and parent company cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's responsibility

We review whether the Corporate Governance Report reflects the Company's and Group's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's or Group's Corporate Governance procedures or its risk and control procedures. We also review whether the Directors' Remuneration Report includes the six disclosures specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not.

Opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements give a true and fair view of the financial position of the parent company as of 31 December 2008, and of its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Isle of Man Companies Acts 1931-2004;
- except in respect of non accrual of the proposed dividends as disclosed at Note 32, the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931-2004.

PricewaterhouseCoopers
Douglas, Isle of Man
27 March 2009

Consolidated income statement

	Note	Year ended 31 December 2008 USD'000	2007 USD'000
Revenue		**740,831**	467,332
Cost of sales	5	**(611,528)**	(359,532)
Gross profit		**129,303**	107,800
Selling and distribution expenses	6	**(1,874)**	(1,395)
General and administrative expenses:			
– share based payments	7	**(8,059)**	(14,942)
– others	8	**(38,539)**	(25,517)
		(46,598)	(40,459)
Other gains/(losses) – net	11	**1,631**	1,355
Operating profit		**82,462**	67,301
Interest income		**2,993**	4,249
Profit for the year attributable to equity holders of the Company		**85,455**	71,550
Earnings per share attributable to equity holders of the Company	12		
Basic		**42.73c**	35.78c
Diluted		**42.59c**	35.72c

Consolidated balance sheet

	Note	As at 31 December 2008 USD'000	2007 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**92,354**	47,766
Intangible asset	16	**1,400**	1,490
		93,754	49,256
Current assets			
Inventories	18	**20,506**	6,705
Trade and other receivables	19	**289,812**	149,950
Derivative financial instruments	14	**50**	964
Cash and bank balances	21	**97,824**	159,088
		408,192	316,707
Total assets		**501,946**	365,963
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	**18,682**	18,654
Legal reserve	23	**29**	24
Merger reserve	25	**(22,422)**	(22,422)
Translation reserve		**(47)**	–
Retained earnings		**216,012**	162,506
Total equity		**212,254**	158,762
Non-current liabilities			
Provision for employees' end of service benefits	26	**14,329**	9,740
Current liabilities			
Trade and other payables	27	**263,439**	197,461
Borrowings	28	**11,924**	–
		275,363	197,461
Total liabilities		**289,692**	207,201
Total equity and liabilities		**501,946**	365,963

The financial statements on pages 55 to 61 were approved and authorised for issue by the Board of Directors on 27 March 2009 and signed on its behalf by:

Peter Whitbread
Chief Executive Officer and Director

Nigel McCue
Chief Operating Officer and Director

Scott Doak
Chief Financial Officer and Director

The notes on pages 62 to 87 form an integral part of these financial statements.

Company balance sheet

	Note	As at 31 December 2008 USD'000	2007 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	17	**746,779**	743,314
Current assets			
Other receivable		**30**	59
Due from related parties	20	**22,837**	15,798
Cash at bank		**125**	47
		22,992	15,904
Total assets		**769,771**	759,218
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	**18,682**	18,654
Other reserve	24	**708,852**	708,852
Retained earnings		**38,989**	31,161
Total equity		**766,523**	758,667
Non-current liabilities			
Provision for employees' end of service benefits	26	**758**	551
Current liabilities			
Other payables and accruals		**2,490**	–
Total liabilities		**3,248**	551
Total equity and liabilities		**769,771**	759,218

The financial statements on pages 55 to 61 were approved and authorised for issue by the Board of Directors on 27 March 2009 and signed on its behalf by:

Peter Whitbread
Chief Executive Officer and Director

Nigel McCue
Chief Operating Officer and Director

Scott Doak
Chief Financial Officer and Director

The notes on pages 62 to 87 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Notes	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2007	22, 23, 25	18,654	22	(22,422)	–	93,616	89,870
Profit for the year		–	–	–	–	71,550	71,550
Share based payments – value of services provided	7	–	–	–	–	14,942	14,942
Transfer to Legal reserve		–	2	–	–	(2)	–
Dividends	10	–	–	–	–	(17,600)	(17,600)
At 31 December 2007	22, 23, 25	18,654	24	(22,422)	–	162,506	158,762
Shares issued during the year	22	28	–	–	–	(28)	–
Profit for the year		–	–	–	–	85,455	85,455
Share based payments – value of services provided	7	–	–	–	–	8,059	8,059
Treasury shares purchased	22	–	–	–	–	(2,625)	(2,625)
Currency translation difference		–	–	–	(47)	–	(47)
Transfer to Legal reserve	23	–	5	–	–	(5)	–
Dividends	10	–	–	–	–	(37,350)	(37,350)
At 31 December 2008	22, 23, 25	18,682	29	(22,422)	(47)	216,012	212,254

The notes on pages 62 to 87 form an integral part of these financial statements.

Company statement of changes in equity

	Notes	Share capital USD'000	Other reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2007	22, 24	18,654	708,852	11,997	739,503
Profit for the year	29	–	–	21,822	21,822
Share based payments – value of services provided	7	–	–	11,680	11,680
Share based payments – investment in subsidiaries	17	–	–	3,262	3,262
Dividends	10	–	–	(17,600)	(17,600)
At 31 December 2007	22, 24	18,654	708,852	31,161	758,667
Shares issued during the year	22	28	–	(28)	–
Profit for the year	29	–	–	37,444	37,444
Share based payments – value of services provided	7	–	–	4,594	4,594
Share based payments – investment in subsidiaries	17	–	–	3,465	3,465
Treasury shares issued	22	–	–	(297)	(297)
Dividends	10	–	–	(37,350)	(37,350)
At 31 December 2008	22, 24	18,682	708,852	38,989	766,523

The notes on pages 62 to 87 form an integral part of these financial statements.

Consolidated cash flow statement

	Notes	Year ended 31 December 2008 USD'000	2007 USD'000
Operating activities			
Profit for the year		**85,455**	71,550
Adjustments for:			
Share based payments – value of services provided	7	**8,059**	14,942
Unrealised fair value loss/(gain) on derivative financial instruments		**31**	(964)
Depreciation	15	**9,756**	7,485
Amortisation of intangible asset	16	**90**	44
Loss/(profit) on disposal of property, plant and equipment	11	**5**	(4)
Provision/(release) for slow moving and obsolete inventories	18	**195**	(657)
Provision for impairment of trade receivables, net	13	**2,741**	17
Provision for employees' end of service benefits	26	**5,300**	2,215
Interest income		**(2,993)**	(4,249)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**108,639**	90,379
Payment of employees' end of service benefits	26	**(711)**	(514)
Changes in working capital:			
Inventories before movement in provision		**(13,996)**	(1,517)
Trade and other receivables before movement in provision for impairment of trade receivables		**(142,603)**	(36,459)
Trade and other payables excluding unpaid dividend		**66,112**	124,914
Derivative financial instruments		**883**	–
Net cash generated from operating activities		**18,324**	176,803
Investing activities			
Payments for property, plant and equipment	15	**(54,444)**	(14,978)
Acquisition of a subsidiary net of cash acquired	16	**–**	(1,586)
Proceeds from sale of property, plant and equipment		**95**	378
Interest income		**2,993**	4,249
Payments for acquisition of Inspec		**–**	(3,000)
Movement in margin deposits	21	**3,456**	(6,457)
Net cash used in investing activities		**(47,900)**	(21,394)
Financing activities			
Due to a related party net of unpaid dividend and purchase consideration payable for acquisition of Inspec		**–**	(98)
Treasury shares purchased	7, 22	**(2,625)**	–
Dividends paid	10	**(37,484)**	(22,457)
Borrowings – revolving facility	28	**10,693**	–
Net cash used in financing activities		**(29,416)**	(22,555)
Net (decrease)/increase in cash and cash equivalents		**(58,992)**	132,854
Cash and cash equivalents, beginning of the year		**149,264**	16,410
Exchange rate translation		**(47)**	–
Cash and cash equivalents, end of the year	21	**90,225**	149,264

The notes on pages 62 to 87 form an integral part of these financial statements.

Company cash flow statement

	Notes	Year ended 31 December 2008 USD'000	2007 USD'000
Operating activities			
Profit for the year		**37,444**	21,822
Adjustments for:			
Share based payments – value of services provided	7	**4,594**	11,680
Provision for employees' end of service benefits	26	**207**	15
Dividends received from LEL		**(37,350)**	(22,100)
Interest income		**(2)**	–
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**4,893**	11,417
Changes in working capital:			
Other receivables		**29**	(6)
Other payables and accruals		**2,490**	–
Due from related parties – net	20	**(7,039)**	(15,864)
Net cash generated from/(used in) operating activities		**373**	(4,453)
Investing activities			
Dividends received from LEL		**37,350**	22,100
Interest income		**2**	–
Net cash generated from investing activities		**37,352**	22,100
Financing activities			
Treasury shares issued	22	**(297)**	–
Dividends paid	10	**(37,350)**	(17,600)
Net cash used in financing activities		**(37,647)**	(17,600)
Net increase in cash and cash equivalents		**78**	47
Cash and cash equivalents, beginning of the year		**47**	–
Cash and cash equivalents, end of the year		**125**	47

The notes on pages 62 to 87 form an integral part of these financial statements.

1 Legal status and activities

The 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 LEL from LHL, under a share for share exchange agreement dated 25 September 2006 and this transaction was accounted for in the consolidated financial statements using the uniting of interests method (Notes 17 and 25). The Company was admitted to 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 LSE plc's main market for listed securities. The address of the registered office of the Company is 15-19 Athol Street, Douglas, Isle of Man and the Company is managed from the UAE. The address of the principal place of the business is PO Box 5427, Dubai, UAE.

The principal activities of the Group are: the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, including jackup rigs, FPSO and other offshore and onshore structures, oilfield engineering services, including the upgrade and refurbishment of land rigs.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Country of Incorporation
Lamprell Energy Limited	100	100	Isle of Man
Lamprell Dubai LLC	49 *	100	UAE
Lamprell Sharjah WLL	49 *	100	UAE
Maritime Offshore Limited	100	100	Isle of Man
Maritime Offshore Construction Limited	100	100	Isle of Man
International Inspection Services Limited	100	100	Isle of Man
Cleopatra Barges Limited	100	100	British Virgin Islands
Lamprell plc employee benefit trust	100	†	Unincorporated
Jebel Ali Investments Limited**	100	100	British Virgin Islands
Lamprell Energy FZCo (previously known as Ahbab FZCo)**	90 +	100	UAE
Lamprell Asia Limited (incorporated on 14 May 2008)	100 ++	100	Thailand

* The balance of 51% in each case is registered in the name of a UAE National who has assigned all the economic benefits attached to his shareholding to the Group entity. LEL has the power to exercise control over the financial and operating policies of the entities incorporated in the UAE through management agreements and accordingly, these entities are consolidated as wholly owned subsidiaries in these consolidated financial statements. The UAE National shareholders of these entities receive sponsorship fees from the Group (Note 20).

† The beneficiaries of the EBT are the employees of the Group.

** During 2007 LEL acquired 100% of the legal and beneficial ownership of JIL (which has 100% of the beneficial ownership of LE FZCo) from LHL for a total purchase consideration of USD 1,594,000 (Note 16).

+ A FZCo is required to have a minimum of two shareholders and consequently the balance of 10% is held by an employee of LEL in trust for the beneficial interest of the Group.

++ A Thailand registered company is required to have a minimum of three shareholders and consequently of the total 867,000 shares, 2 shares are held by employees of the Lamprell Group in trust for the beneficial interest of the Group and the balance of 866,998 shares are held by LE FZCo.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group and the financial statements of the parent Company have been prepared in accordance with IFRS as adopted by the European Union, IFRIC interpretations and the Isle of Man Companies Acts 1931–2004. In accordance with the provisions of the Isle of Man Companies Act 1982, the Company has not presented its own income statement. 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Interpretation effective in 2008 but early adopted by the Group in prior years
IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation was early adopted by the Group in 2006.

(b) Standards and amendments that are not yet effective and have not been early adopted by the Group
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The standard is still subject to endorsement by the European Union ("EU"). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with *IAS 39, 'Financial Instruments: Recognition and Measurement'* are examples of current assets and liabilities respectively. The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the financial statements.

IAS 36 (Amendment), 'Impairment of Assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009, subject to endorsement by the EU.

IFRS 2 (Amendment), 'Share-Based Payment' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the financial statements.

IFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009). The revised standard is still subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

IFRS 8, 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard *SFAS 131, 'Disclosures About Segments of an Enterprise and Related Information'*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009.

There are a number of minor amendments to IFRS 7, 'Financial Instruments: Disclosures', IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', IAS 10, 'Events After the Reporting Period', IAS 18, 'Revenue' and IAS 34, 'Interim Financial Reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments, subject to endorsement by the EU, are unlikely to have any material impact on the Group's accounts and have therefore not been analysed in detail.

2 Summary of significant accounting policies (continued)

2.2 Revenue recognition

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

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

A claim is recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably.

Losses on contracts are assessed on an individual contract basis and provision is made for the full amount of the anticipated losses, including any losses relating to future work on a contract, in the period in which the loss is first foreseen.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against progress billings at the year end. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under trade and other receivables as amounts recoverable on contracts. Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under trade and other payables as amounts due to customers on contracts.

In determining contract costs incurred up to the year end, any amounts incurred relating to future activity on a contract are excluded and are presented as contract work-in-progress.

2.3 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for acquisitions involving entities under common control, which are accounted for using the uniting of interests method. The cost of an acquisition under the purchase method is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination under the purchase method are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

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

2 Summary of significant accounting policies (continued)

2.4 Investment in subsidiaries

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

2.5 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's activities are primarily carried out from the UAE and its currency the UAE Dirham, which is pegged to the US Dollar, is the functional currency of all the entities in the Group (except LAL whose functional currency is the Thailand Baht and the EBT whose functional currency is the British Pound). The consolidated and parent company financial statements are presented in US Dollars.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity.

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	10–20
Operating equipment	5–10
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 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.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

2.7 Intangible assets

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

2 Summary of significant accounting policies (continued)

2.8 Inventories

Inventories comprise raw materials and consumables which are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average basis and comprises direct purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimate of the replacement cost.

2.9 Trade receivables

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 income statement within 'general and administrative expenses – others'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses – others' in the income statement.

2.10 Trade payables

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

2.11 Provisions

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

2.12 Employee benefits

(a) Provision for staff benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the balance sheet date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date. The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

Actuarial gains and losses arising from changes in assumptions are charged or credited in the income statement in the period in which they arise.

(b) Share based payments

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

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

2 Summary of significant accounting policies (continued)

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 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 less than three months 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 income statement over the period of the borrowings using the effective interest method.

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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Given the nature of the business and operations the Group has assessed that it has one business and one geographical segment. As the Thailand facility is not fully operational it is included in the same geographical segment.

2.18 Taxation

The Company, which is incorporated in the Isle of Man, was not subject to income tax in the Isle of Man up to 5 April 2007 as it was registered as a tax exempt company. With effect from 6 April 2007 the tax exempt company status ceased to exist in Isle of Man legislation and the Company is taxable at 0% in the Isle of Man. The Group is not currently subject to income tax in respect of its operations carried out in the UAE. The Group would be subject to income tax in respect of its operations through LAL in Thailand which was incorporated in May 2008. However, LAL has not yet commenced its commercial operations.

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 held to maturity and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group has not classified any derivatives as hedges in a hedging relationship. 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 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 income statement within 'other gains/(losses) – net' in the period in which they arise.

2 Summary of significant accounting policies (continued)

2.19 Financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables (Note 2.9), other receivables (excluding prepayments) and cash and cash equivalents (Note 2.14) in the Group balance sheet and amounts due from a related party in the Company balance sheet.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.20 Derivative financial instruments

Derivatives embedded in other financial instruments or other host contracts (e.g. sales contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts. Such derivative financial instruments are stated at fair value with movements in fair value recorded in the income statement.

The fair value of the resulting (embedded) forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

2.21 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Any material impairment loss is recognised in the income statement and separately disclosed.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, cash flow and fair value interest rate risk), credit risk and liquidity risk. These risks are evaluated by the 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 does not have any significant foreign currency exposure, as the majority of the revenue and purchases are denominated in US Dollars or the UAE Dirham which is pegged to the US Dollar.

(b) Market risk – cash flow and fair value interest rate risk

The Group holds its surplus funds in short term bank deposits. During the year ended 31 December 2008, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 549,000 (2007: USD 447,000).

The Group does not have any long term borrowings and does not have significant interest rate risk exposure on bank overdrafts and revolving term facilities.

3 Financial risk management (continued)
3.1 Financial risk factors (continued)
(c) Credit risk
The Group's exposure to credit risk is detailed in Notes 14, 19 and 21. 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, and trade receivables. The Group has a formal procedure of monitoring and follow up of customers for outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2008, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 85% (2007: 75%) of trade receivables outstanding at that date. Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers.

The table below shows the rating and balance of the thirteen major counterparties at the balance sheet date.

	2008		2007	
Counterparty	**External rating+**	**USD'000**	External rating+	USD'000
Bank A	**AA**	**29,821**	AA	31,618
Bank B	**AA–**	**61,454**	AA	16,813
Bank C	**A+**	**4,756**	AA–	4,009
Bank D	**A**	**1,592**	A	106,337
		97,623		158,777

+ Based on Standard & Poor's long term rating.

	2008		2007	
	Internal rating++	**USD'000**	Internal rating++	USD'000
Customer 1	**Group B**	**70,666**	Group B	11,269
Customer 2	**Group B**	**8,480**	Group B	8,982
Customer 3	**Group A**	**4,662**	Group B	5,311
Customer 4	**Group A**	**4,303**	Group A	4,813
Customer 5	**Group C**	**3,284**	Group A	3,176
Customer 6	**Group B**	**3,116**	Group B	2,806
Customer 7	**Group C**	**3,090**	Group A	2,617
Customer 8	**Group B**	**2,773**	Group A	2,589
Customer 9	**Group A**	**2,678**	Group A	2,589
		103,052		44,152

The nine major customers in 2008 are not necessarily the same customers in 2007.

++ Refer to Note 14 for the description of internal rating.

Management does not expect any losses from non-performance by these counterparties, except for one customer with a balance of USD 2.8 million at 31 December 2008 which has been fully provided.

(d) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying business and through progress billings, the Group maintains adequate bank balances to fund its operations.

Management monitors the forecast of the Group's liquidity position on the basis of expected cash flow.

The Group is currently financed from Shareholders' equity, Retained earnings and borrowings. All contractual commitments for financial liabilities are due within twelve months from the balance sheet date.

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 benefits for other stakeholders and to maintain an optimal capital structure. Total capital for the Group and the Company is calculated as 'total equity' as shown in the Consolidated balance sheet and in the Company balance sheet respectively.

Presently, the Group has a dividend policy which takes into account the Group's capital requirements, cash flows and earnings.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its contract revenue. Use of the percentage-of-completion method requires the Group to estimate the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in Note 2.2. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each period end. The application of a 10% sensitivity to management estimates of the total costs to completion of all outstanding projects at the year end would result in the revenue and profit increasing by USD 14.0 million (2007: USD 6.5 million) if the total costs to completion are decreased by 10% and the revenue and profit decreasing by USD 12.9 million (2007: USD 5.7 million) if the total costs to completion are increased by 10%.

Employee's 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 in such bonds, the market yields on government bonds should be used. In the UAE there is no deep market either for corporate or government bonds and therefore, the discount rate has been estimated using the US government bond rates as a proxy adjusted for the credit rating of the UAE and other differences noted in the lending rates of the UAE. On this basis the discount rate applied was 6%. If the discount rate used were to differ by 0.5 points from management's estimates, the carrying amount of the employee's end of the service benefits provision at the balance sheet date would be an estimated USD 431,000 lower or USD 574,000 higher.

5 Cost of sales

	2008 USD'000	2007 USD'000
Materials and related costs	**254,969**	146,019
Sub-contract costs	**162,126**	82,860
Staff costs (Note 9)	**100,507**	67,095
Sub-contract labour	**36,326**	27,586
Equipment hire	**16,502**	8,392
Repairs and maintenance	**9,134**	4,968
Depreciation	**6,891**	4,978
Yard rent	**1,307**	2,511
Others	**23,766**	15,123
	611,528	359,532

6 Selling and distribution expenses

	2008 USD'000	2007 USD'000
Advertisement and marketing	**512**	436
Entertainment	**172**	187
Travel	**802**	324
Other expenses	**388**	448
	1,874	1,395

7 General and administrative expenses – share based payments

	2008 USD'000	2007 USD'000
Proportionate amount of share based charge for the year:		
– relating to shares gifted/granted in 2006	**5,301**	13,276
– relating to deferred share award in 2006	**1,331**	1,382
– relating to Free Share Plan	**1,337**	228
– relating to Executive Share Option Plan	**90**	56
	8,059	14,942

On 10 October 2006, LHL agreed with selected Directors and management personnel of the Group to gift a total of 9,311,996 shares of Lamprell plc. The fair value, computed based on the Company's share price on 11 October 2006 (£1.95), amounted to USD 33.9 million. The vesting of these shares is conditional upon the continued employment of the Director/management personnel concerned and these shares also accrue dividends which are also transferred to employees on vesting. In the event of the vesting condition not being satisfied by the employees the respective shares and the accumulated dividend revert to LHL. As part of the arrangements, 3,266,414 shares vested immediately in 2006, 2,212,721 shares vested during 2007 and the balance 3,832,861 shares vested in 2008. During the year, a charge of USD 5.3 million (2007: USD 13.3 million) has been recognised in the consolidated income statement with a corresponding credit to the consolidated Retained earnings. This includes an amount of charge recognised in the income statement of the Company with a corresponding credit to Retained earnings of USD 3.1 million (2007: USD 10.3 million).

On 16 October 2006, the Company also granted a Director a deferred share award that gives him an entitlement to receive a certain number of shares equivalent to USD 3 million at no cost. The award, subject to satisfaction of a performance target and continued employment, will normally vest in three equal tranches on the announcement of the Company's final results for each of the financial years ending 31 December 2007, 2008 and 2009. The performance target relates to the growth in the Company's earnings per share. The number of shares awarded under this scheme, computed based on the Company's share price on 11 October 2006 (£1.95), was 828,689. The performance target for the financial year ended 31 December 2007 was achieved and following the announcement of the Company's final results in March 2008, one third of the shares (276,230 shares) vested and was issued to the Director, along with 3,079 shares relating to the dividend entitlement on those shares (Note 22). In accordance with the terms of the award, the balance of 552,459 shares vested on 1 January 2009 following the resignation of the Director as he was considered a "good leaver" and were issued out of treasury shares together with 24,385 shares relating to the dividend entitlement on those shares in January 2009. Accordingly, the Group and Company have each recognised a charge of USD 1.3 million (2007: USD 1.4 million) in the income statement with the corresponding credit to Retained earnings.

7 General and administrative expenses – share based payments (continued)

During 2007 and 2008, the Company awarded shares to selected Directors, key management personnel and employees under the Free Share Plan that gives them entitlement to receive these shares at no cost. These free shares are conditional on the Directors/key management personnel/employee completing a specified period of service (the vesting period). The award does not have any performance conditions and does not entitle participants to dividend equivalents during the vesting period (except for 92,725 shares awarded to two Directors during 2008 which entitles them to dividend equivalents during the vesting period). The fair value of the share awards made under this plan is based on the share price at the date of the grant less the value of the dividends foregone during the vesting period. The details of the shares granted under this scheme are as follows:

2007

Grant date	Number of shares	Vesting period	Fair value per share	Expected withdrawal rate
16 May 2007	99,365	18 months	£3.16	5%

2008

Grant date	Number of shares	Vesting period	Fair value per share	Expected withdrawal rate
10 January 2008	99,337	24 months	£4.00	5%
7 April 2008	25,301	24 months	£3.96	5%
27 April 2008	123,620	18 months	£4.28	5%
20 May 2008	70,000	36 months	£5.08	5%
Total	**318,258**			

Accordingly a charge of USD 1,337,108 (2007: USD 228,000) has been recognised in the consolidated income statement for the period with a corresponding credit to the consolidated Retained earnings. This includes an amount of charge recognised in the income statement of the Company with a corresponding credit to Retained earnings of USD 0.2 million (2007: Nil).

The Group has no legal or constructive obligation to settle the free share award 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 2007	6,874,271
Shares gifted under Free Share Plan	99,365
Shares vested during 2007	(2,212,721)
Shares forfeited during 2007	(6,873)
Shares expected to vest in future periods at 31 December 2007	4,754,042
Shares gifted under Free Share Plan	318,258
Shares vested and released out of shares gifted by LHL	(3,825,989)
Shares vested and issued out of treasury shares	(85,294)
Shares vested and new shares issued	(276,230)
Shares lapsed during the year due to non satisfaction of vesting conditions	(14,070)
	870,717

The above includes Nil shares at 31 December 2008 (2007: 1,613,269 shares) gifted by LHL on 10 October 2006 and held by the EBT in trust for certain management personnel.

During 2008, EBT acquired 754,551 shares (2007: Nil) of the Company. The total amount paid to acquire the shares was USD 2.6 million and has been deducted from the Consolidated Retained earnings (Note 22). Of the above, 85,294 shares (2007: Nil) amounting to USD 0.3 million (2007: Nil) were issued to employees on vesting of the free shares and 669,257 shares (2007: Nil) are held as treasury shares at 31 December 2008. The Company has the right to reissue these shares at a later date. These shares will be issued on the vesting of the deferred share award/free shares granted to certain employees of the Group (Note 22).

7 General and administrative expenses – share based payments (continued)

The shares are expected to vest as follows:

Year	Number of shares 2008	2007
2008	**–**	4,201,583
2009	**694,320**	276,230
2010	**106,397**	276,229
2011	**70,000**	–
	870,717	4,754,042

On 16 May 2007, the Company also granted share options to certain employees under the Executive Share Option Plan. This option plan does not entitle the employees to dividends. The exercise price of the granted options is £3.22. These options are conditional on the employee completing three years' service (the vesting period) and hence the options are exercisable starting three years from the grant date, and have a contracted option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

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

	Average exercise price in £ per share	Options
At 1 January 2007	–	–
Granted in 2007	3.22	105,369
	3.22	105,369

Share options outstanding at the end of the year have an expiry date of 16 May 2017 and none of the options outstanding were exercisable at 31 December 2008.

The weighted average fair value of options granted in 2007 determined using a binomial valuation model was £1.61 per option. The significant inputs into the model were a share price of £3.20 at the grant date, exercise price shown above, volatility of 40%, dividend yield of 0.81%, an expected option term of ten years, an annual risk-free interest rate of 4.95% and withdrawal rate of 5% per annum. As the Company was only listed in October 2006, the share price volatility was based on FTSE AIM peers in the same sector, Oil Equipment and Services. A charge of USD 89,942 (2007: USD 56,000) has been recognised in the consolidated income statement for the year with a corresponding credit to the consolidated Retained earnings. This includes an amount of charge recognised in the income statement of the Company with a corresponding credit to Retained earnings of USD 17,000 (2007: USD 11,000).

On 22 January 2009, 600,000 free shares amounting to USD 725,618 were granted to certain key management personnel. These free shares have a vesting period of 24 months.

8 General and administrative expenses – others

	2008 USD'000	2007 USD'000
Staff costs (Note 9)	**21,312**	15,450
Utilities and communication	**2,348**	1,548
Depreciation	**2,865**	2,507
Other expenses	**12,014**	6,012
	38,539	25,517

Other expenses for the year 2008 include USD 3.4 million incurred mainly towards various legal and professional charges in connection with the admission of Lamprell plc to the official list of the LSE and provision for doubtful debts of USD 2.8 million (2007: USD 0.02 million) (Notes 13 and 19).

9 Staff costs

	2008 USD'000	2007 USD'000
Wages and salaries	**73,631**	53,283
Employees' end of service benefits (Note 26)	**5,300**	2,215
Share based payments – value of services provided (Note 7)	**8,059**	14,942
Other benefits	**42,888**	27,047
	129,878	97,487
Staff costs are included in:		
Cost of sales (Note 5)	**100,507**	67,095
General and administrative expenses – share based payments (Note 7)	**8,059**	14,942
General and administrative expenses – others (Note 8)	**21,312**	15,450
	129,878	97,487
Number of employees at 31 December	**5,447**	4,331

Directors' remuneration comprises:

	Salary 2008 USD'000	Fees 2008 USD'000	Allowances and benefits 2008 USD'000	Bonus 2008 USD'000	Share based payments – value of services provided 2008 USD'000	Post employment benefits 2008 USD'000	Total 2008 USD'000	Total 2007 USD'000
Executive Directors								
Peter Whitbread	**360**	**–**	**140**	**2,720***	**1,936**	**100**	**5,256**	7,660
Nigel McCue **	**186**	**–**	**107**	**600**	**110**	**10**	**1,013**	–
David Moran ***	**360**	**–**	**284**	**270**	**2,455**	**141**	**3,510**	6,373
Scott Doak +	**262**	**–**	**153**	**523**	**93**	**17**	**1,048**	948
Non-Executive Directors								
Nigel McCue **	**–**	**30**	**–**	**–**	**–**	**–**	**30**	60
Richard Raynaut	**–**	**83**	**–**	**–**	**–**	**–**	**83**	60
Peter Birch ++	**–**	**175**	**–**	**–**	**–**	**–**	**175**	153
Jonathan Silver ^	**–**	**68**	**–**	**–**	**–**	**–**	**68**	23
Colin Goodall ^^	**–**	**20**	**–**	**–**	**–**	**–**	**20**	–
	1,168	**376**	**684**	**4,113**	**4,594**	**268**	**11,203**	15,277

The emoluments of the Chief Executive Officer, which were also the emoluments of the highest paid Director, were USD 5.3 million (2007: USD 7.7 million) and these principally comprised salary, benefits, bonus and share based payments.

* Includes USD 2 million in respect of an agreement to remain as the Group's Chief Executive Officer.
** Appointed as Chief Operating Officer and resigned as Non-Executive Director on 16 May 2008.
*** Appointed as a Director on 4 July 2006 and served as Chief Operating Officer until 15 May 2008 and resigned with effect from 1 January 2009.
\+ Joined as Chief Financial Officer on 1 March 2007 and appointed as a Director on 11 June 2007.
++ Appointed as a Director on 7 July 2006 and resigned with effect from 19 December 2008.
^ Appointed as a Director on 24 August 2007.
^^ Appointed as a Director on 14 September 2008.

10 Dividends

During the year (on 25 March 2008 and 26 September 2008), the Board of Directors of the Company approved dividends of USD 37.3 million comprising USD 24.5 million (US cents 12.25 per share) relating to 2007 and an interim dividend of USD 12.8 million (US cents 6.40 per share) for 2008. At 31 December 2008, the unpaid dividend amounted to USD 9,000 (Note 27).

During 2007 (on 2 April 2007 and 25 September 2007), the Board of Directors of the Company approved dividends of USD 17.6 million comprising USD 7.6 million (US cents 3.8 per share) relating to 2006 and an interim dividend of USD 10 million (US cents 5 per share) for 2007. At 31 December 2007, the unpaid dividend amounted to USD 143,000 (Note 27).

11 Other gains/(losses) – net

	2008 USD'000	2007 USD'000
Insurance reimbursement for property, plant and equipment and inventory damaged	**833**	3,275
Write off of property, plant and equipment damaged	**–**	(315)
Write off of inventory damaged	**–**	(2,960)
Fair value gain on derivative financial instruments (net)	**192**	1,351
(Loss)/profit on disposal of property, plant and equipment	**(5)**	4
Others	**611**	–
	1,631	1,355

12 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to 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 (Notes 7 and 22).

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

	2008 USD'000	2007 USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the year	**85,455**	71,550
Weighted average number of shares for basic earnings per share	**200,010,565**	200,000,000
Adjustments for:		
Assumed vesting of deferred share awards	**576,844**	249,275
Assumed exercise of free share awards	**75,778**	52,766
Weighted average number of shares for diluted earnings per share	**200,663,187**	200,302,041
Earnings per share:		
Basic	**42.73c**	35.78c
Diluted	**42.59c**	35.72c

13 Operating profit

Operating profit is stated after charging:

	2008 USD'000	2007 USD'000
Depreciation	**9,756**	7,485
Auditor's remuneration – audit services	**419**	337
Auditor's remuneration – non-audit services re admission to the LSE	**677**	–
Auditor's remuneration – taxation and other services	**37**	–
Operating lease rentals – land and buildings	**9,988**	8,758
Provision for impairment of trade receivables	**2,778**	88
Release of provision for impairment of trade receivables (Note 19)	**(37)**	(71)
	2,741	17

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables USD'000	Assets at fair value through profit and loss USD'000	Total USD'000
31 December 2008			
Derivative financial instruments	–	50	50
Trade receivables	120,517	–	120,517
Other receivables excluding prepayments	4,381	–	4,381
Cash and bank balances	97,824	–	97,824
Total	222,722	50	222,772

	Loans and receivables USD'000	Assets at fair value through profit and loss USD'000	Total USD'000
31 December 2007			
Derivative financial instruments	–	964	964
Trade receivables	58,565	–	58,565
Other receivables excluding prepayments	5,698	–	5,698
Cash and bank balances	159,088	–	159,088
Total	223,351	964	224,315

Derivative financial instruments represent embedded derivatives arising in respect of one sale contract (2007: two contracts) (Note 2.20).

Group

	Liabilities at amortised cost	
	2008 USD'000	2007 USD'000
Trade payables	**83,778**	24,329
Other payables and accruals	**105,552**	52,902
Borrowings	**11,924**	–
Total	**201,254**	77,231

Company

	Loans and receivables	
	2008 USD'000	2007 USD'000
Cash at bank	**125**	47
Due from related parties	**22,837**	15,798
Total	**22,962**	15,845

	Liabilities at amortised cost	
	2008 USD'000	2007 USD'000
Other payables and accruals	**2,490**	–

14 Financial instruments by category (continued)

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:

	2008 USD'000	2007 USD'000
Trade receivables		
Group A	**6,648**	9,592
Group B	**15,706**	14,755
Group C	**4,116**	1,806
	26,470	26,153
Derivative financial assets		
Group A	**50**	964
	50	964

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.

	2008 USD'000	2007 USD'000
Cash at bank and short-term bank deposits		
Standard & Poor ratings		
AA	**29,821**	48,576
AA–	**61,470**	4,009
A+	**4,756**	–
A	**1,592**	106,344
A–	**7**	–
	97,646	158,929
Cash in hand	**178**	159
Cash at bank and in hand	**97,824**	159,088

Company

	2008 USD'000	2007 USD'000
Cash at bank		
Standard & Poor ratings		
AA–	**125**	47

15 Property, plant and equipment

	Buildings 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 2007	16,045	35,871	5,586	1,932	579	60,013
Additions	537	8,866	1,702	834	3,039	14,978
Acquisition of a Subsidiary (Note 16)	52	–	–	–	–	52
Transfers	27	521	11	–	(559)	–
Disposals	(506)	(230)	(116)	(68)	–	(920)
At 31 December 2007	16,155	45,028	7,183	2,698	3,059	74,123
Additions	2,669	21,689	2,326	1,494	26,266	54,444
Transfers	514	1,014	66	–	(1,594)	–
Disposals	–	(20)	(739)	(352)	–	(1,111)
At 31 December 2008	19,338	67,711	8,836	3,840	27,731	127,456
Depreciation						
At 1 January 2007	4,241	10,454	3,719	1,004	–	19,418
Charge for the year	1,179	5,035	957	314	–	7,485
Disposals	(274)	(120)	(105)	(47)	–	(546)
At 31 December 2007	5,146	15,369	4,571	1,271	–	26,357
Charge for the year	1,239	6,798	1,193	526	–	9,756
Disposals	–	(13)	(659)	(339)	–	(1,011)
At 31 December 2008	6,385	22,154	5,105	1,458	–	35,102
Net book amount						
31 December 2008	12,953	45,557	3,731	2,382	27,731	92,354
31 December 2007	11,009	29,659	2,612	1,427	3,059	47,766

Buildings have been constructed on land leased, on a renewable basis, from the relevant Government authorities in the UAE. The remaining lives of the leases range between two to eight years. The Group has renewed the land leases, upon its expiry, in the past and its present intention is to continue to use the land and renew the leases for the foreseeable future.

Depreciation charge of USD 6,891,000 (2007: USD 4,978,000) has been charged to cost of sales and USD 2,865,000 (2007: USD 2,507,000) to general and administrative expenses.

16 Business combinations

On 25 June 2007, the Group acquired 100% of the share capital of JIL for a purchase consideration of USD 1,594,000 from LHL (a related party). JIL is a holding company and beneficially owns 100% of LE FZCo which in turn has a favourable lease of land in Jebel Ali Free Zone up to November 2014. This lease is renewable for a further period of 10 years.

	USD'000
Purchase consideration	1,594
Fair value of net identifiable assets acquired (see below)	1,594
Goodwill/Negative goodwill	–

The details of net assets acquired are as follows:

	Acquiree's carrying value USD'000	Fair value USD'000
Value of identifiable assets and liabilities acquired:		
Property, plant and equipment	52	52
Intangible asset *	–	1,534
Deposits and prepaid expenses	21	21
Cash and bank balance (margin deposit)	8	8
Trade and other payables	(21)	(21)
Net identifiable assets acquired	60	1,594

* Intangible asset represents a favourable operating leasehold right acquired, the value of which has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease term (17 years). The movement in intangible asset is as follows:

	2008 USD'000	2007 USD'000
At 1 January	**1,490**	–
Acquired during the year	**–**	1,534
Amortisation charge during the year	**(90)**	(44)
At 31 December	**1,400**	1,490

If the acquisition had occurred on 1 January 2007, consolidated revenue and consolidated profit for the year ended 31 December 2007 would have been USD 467.3 million and USD 71.5 million respectively. The post acquisition revenue of LE FZCo arises only from sub-leasing its land to a Group Company.

	USD'000
Outflow of cash to acquire business, net of cash acquired:	
– cash consideration	1,594
– cash and bank balance in subsidiary acquired	(8)
Cash outflow on acquisition	1,586

17 Investment in subsidiaries

	2008 USD'000	2007 USD'000
Balance at 1 January	**743,314**	740,052
Effect of share based payments to subsidiaries employees under IFRIC 11	**3,465**	3,262
	746,779	743,314

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 issued shares of LEL from LHL in consideration for the issue to LHL of 200,000,000 shares of the Company.

On 11 October 2006, the Company obtained a listing on the AIM. With effect from 6 November 2008 the Company moved from AIM to the official list of the LSE.

As a part of the listing on the AIM, LHL sold a number of shares of the Company to investors at £1.95. The investment in LEL has been recognised at cost being the fair value of 200,000,000 shares of the Company at £1.95. The difference between the cost of the investment (USD 727,506,000) in LEL and the nominal value of Share capital of the Company (USD 18,654,000) has been recorded as Other reserve (Note 24). The acquisition of LEL has been accounted for using the uniting of interests method in the consolidated financial statements.

During 2008, the Company granted free shares to employees of LEL and Inspec under its Free Share Plan (Note 7). The fair value of these free shares at grant date was USD 2.7 million. These shares have a vesting period of eighteen to thirty six months. Accordingly, USD 0.8 million has been recorded as an increase in investment in subsidiaries with a corresponding credit to Retained earnings.

During 2007, the Company granted free shares and stock options to employees of LEL, LD and Inspec under its Free Share Plan and Executive Share Option Plan (Note 7). The fair value of these free shares and options at grant date was USD 968,000. These shares and options have a vesting period of eighteen to thirty six months. Accordingly, USD 0.4 million (2007: 0.3 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to Retained earnings.

During 2006, the Company granted rights to its equity instruments to certain employees of LEL. The fair value of these shares at grant date was USD 17.8 million. The fair value was computed based on the Company's share price on 11 October 2007 (£1.95). As part of the arrangements shares with a fair value of USD 11.9 million vested immediately and the balance was held under lock-in arrangements and vested over a period of two years. Accordingly, USD 2.2 million (2007: USD 3 million) has been recorded as an increase in the investment in LEL with a corresponding credit to Retained earnings.

18 Inventories

	2008 USD'000	2007 USD'000
Raw materials and consumables	**11,494**	7,052
Goods in transit	**9,554**	–
Less: Provision for slow moving and obsolete inventories	**(542)**	(347)
	20,506	6,705

The cost of raw materials and consumable inventories recognised as an expense and included in contract costs amounted to USD 22.4 million (2007: USD 11.7 million). In the opinion of the Directors, the replacement cost of the inventories does not differ significantly from its carrying value.

19 Trade and other receivables

	2008 USD'000	2007 USD'000
Trade receivables	**120,517**	58,565
Other receivables and prepayments	**16,385**	12,571
Advances to suppliers	**22,239**	–
	159,141	71,136
Less: Provision for impairment of trade receivables	**(2,788)**	(87)
	156,353	71,049
Amounts due from customers on contracts	**103,846**	24,868
Contract work in progress (Note 2.2)	**29,613**	54,033
	289,812	149,950

Amounts due from customers on contracts comprise:

	2008 USD'000	2007 USD'000
Costs incurred to date	**426,803**	216,007
Attributable profits	**112,237**	73,683
	539,040	289,690
Less: Progress billings	**(435,194)**	(264,822)
	103,846	24,868

An analysis of trade receivables is as follows:

	2008 USD'000	2007 USD'000
Fully performing	**26,470**	26,153
Past due but not impaired	**91,259**	32,325
Impaired	**2,788**	87
	120,517	58,565

Trade receivables that are less than three months past due are generally not considered impaired. As of 31 December 2008, trade receivables of USD 91.3 million (2007: USD 32.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 USD'000	2007 USD'000
Up to 3 months	**84,318**	27,993
3 to 6 months	**6,117**	3,432
Over 6 months	**824**	900
	91,259	32,325

19 Trade and other receivables (continued)

At 31 December 2008, trade receivables of USD 2.8 million (2007: USD 0.09 million) were impaired and provided for. The ageing of these receivables is as follows:

	2008 USD'000	2007 USD'000
Up to 3 months	**2,772**	–
Over 6 months	**16**	87
	2,788	87

Group

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2008 USD'000	2007 USD'000
US Dollar	**113,810**	53,731
UAE Dirham	**6,707**	3,711
Euro	**–**	1,123
	120,517	58,565

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

	2008 USD'000	2007 USD'000
At 1 January	**87**	97
Provision for receivables impairment	**2,778**	88
Receivables written off during the year as uncollectible	**(40)**	(27)
Unused amounts reversed (Note 13)	**(37)**	(71)
At 31 December	**2,788**	87

The creation and release of provision for impaired receivables have been included in 'general and administrative expenses – others' in the income statement (Note 8). 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 receivable mentioned above. With respect to receivable from one customer, amounting to USD 71 million, the Group has possessory lien on the new build unit under construction and the materials procured for the construction of the unit.

The carrying value of trade receivables approximates their fair value.

20 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 and Directors and key management personnel of the Group. Related parties for the purpose of parent company financial statements also include subsidiaries owned directly or indirectly. Other than disclosed elsewhere in the financial statements, the Group entered into the following significant transactions during the year with related parties at prices and on terms agreed between the related parties:

	2008 USD'000	2007 USD'000
Key management compensation	**16,482**	21,714
Sponsorship fees paid to legal shareholders of Lamprell Dubai LLC and Lamprell Sharjah WLL (Note 1)	**139**	131

Key management compensation comprises:

	2008 USD'000	2007 USD'000
Salaries and other short term employee benefits	**10,868**	7,495
Share based payments – value of service provided	**5,064**	14,250
Post-employment benefits	**550**	(31)
	16,482	21,714

Due from related parties

Company	2008 USD'000	2007 USD'000
Lamprell Energy Limited (receivable in respect of management fees charged by the Company)	**20,504**	15,798
EBT*	**2,333**	–
	22,837	15,798

* Includes USD 2,328,296 due in respect of payment made for treasury shares acquired by EBT on behalf of the Group.

LEL provided a financial guarantee on behalf of Nemmoco Slovenia Corporation ("NSC"), a company previously under the control of LHL, in respect of certain royalty payment obligations of NSC. LHL indemnified LEL for any payment it may have to make under its obligation to NSC and LHL was, in turn, indemnified to the extent of 50% of the liability, if any, by a Director of LEL. The guarantee was expected to fall away at such time as NSC ceased to be owned, directly or indirectly, by LEL or its owners. NSC ceased to be owned by LEL in 2003 and LHL ceased to have any interest in NSC as from 7 March 2007.

In light of the above, and based on information available at 31 December 2008 and 2007 the possibility of an outflow of resources embodying economic benefits in relation to this guarantee is considered to be remote.

During the year, the Company has provided performance guarantees on behalf of its subsidiary. These guarantees issued in the normal course of business are outstanding at the year end and no outflow of resources embodying economic benefits in relation to these guarantees is expected by the Company.

Dividends paid by the Company include an amount of USD 13.1 million (2007: 6.4 million) in respect of shares held by key management personnel (including those held by the EBT in respect of shares gifted) of which USD 12.3 million (2007: 5.8 million) was paid to LHL, a company controlled by Steven Lamprell who is a member of key management.

21 Cash and bank balances
Group

	2008 USD'000	2007 USD'000
Cash at bank and on hand	**21,112**	11,828
Short term and margin deposits	**76,712**	147,260
Cash and bank balances	**97,824**	159,088
Less: Margin deposits	**(6,368)**	(9,824)
Less: Bank overdrafts (Note 28)	**(1,231)**	–
Cash and cash equivalents (for cash flow purpose)	**90,225**	149,264

At 31 December 2008 and 2007, the cash at bank and short term deposits were held with six banks. The effective interest rate on short term deposits was 2.79% (2007: 4.68%) per annum. These deposits have an average maturity of seven days to one month. The margin deposits with the bank are held under lien against guarantees issued (Note 31).

22 Share capital
Issued and fully paid ordinary shares

Company

	Equity share capital	
	Number	USD'000
At 1 January 2007 and 2008	200,000,000	18,654
Issued on 26 March 2008 in connection with a deferred share award granted on 16 October 2006 (Note 7)	279,309	28
At 31 December 2008	200,279,309	18,682

The above includes Nil shares at 31 December 2008 (2007: 1,613,269 shares) gifted by LHL on 10 October 2006 and held by the EBT in trust for certain management personnel (Note 7).

The total authorised number of ordinary shares is 400 million (2007: 400 million shares) with par value of 5 pence per share (2007: 5 pence per share).

On 26 March 2008, the Company issued 279,309 shares at a nominal value of £0.05 per share by debiting the Retained earnings. These shares which include 3,079 shares relating to dividend entitlement were issued to a Director of the Company, following the satisfactory fulfilment of the vesting condition, in accordance with the deferred share award granted on 16 October 2006 (Note 7).

During 2008, EBT acquired 754,551 shares (2007: Nil) of the Company. The total amount paid to acquire the shares was USD 2.6 million and has been deducted from the Consolidated Retained earnings (Note 7). Of the above, 85,294 shares (2007: Nil) amounting to USD 0.3 million (2007: Nil) were issued to employees on vesting of the free shares and 669,257 shares (2007: Nil) are held as treasury shares at 31 December 2008. The Company has the right to reissue these shares at a later date. These shares will be issued on the vesting of the deferred share award/free shares granted to certain employees of the Group (Note 7).

23 Legal reserve
The Legal reserve of USD 29,436 (2007: USD 24,077) relates to subsidiaries incorporated as limited liability companies in the UAE. In accordance with the respective subsidiary's Articles of Association and the UAE Federal Law No. (8) of 1984, as amended, 10% of the profit for the year of such companies is transferred to a Legal reserve. Such transfers are required to be made until the reserve is equal to, at least, 50% of the share capital of such companies.

24 Other reserve
Other reserve of USD 708,852,000 represents the difference between the cost of the investment in LEL (USD 727,506,000) and the nominal value of Share capital issued by the Company to acquire LEL (USD 18,654,000) (Notes 17 and 22). The Other reserve is not available for distribution.

25 Merger reserve

	2008 USD'000	2007 USD'000
Nominal value of shares of the Company	**18,654**	18,654
Share capital of LEL	**(82)**	(82)
Merger reserve on acquisition of LEL	**18,572**	18,572
Purchase consideration relating to acquisition of Inspec	**4,000**	4,000
Share capital of Inspec	**(150)**	(150)
Merger reserve on acquisition of Inspec	**3,850**	3,850
Total	**22,422**	22,422

On 11 September 2006, LEL acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition has been accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4 million) and Share capital of Inspec (USD 150,000) has been recorded in the Merger reserve.

On 25 September 2006, the Company entered into a share for share exchange agreement with LEL and LHL under which it acquired 100% of the 49,003 shares of LEL from LHL in consideration for the issue to LHL of 200,000,000 shares of the Company. This acquisition has been accounted for using the uniting of interests method and the difference between the nominal value of shares issued by the Company (USD 18,654,000) and the nominal value of LEL shares acquired (USD 82,000) has been recorded in the Merger reserve.

26 Provision for employees' end of service benefits

Group

	2008 USD'000	2007 USD'000
At 1 January	**9,740**	8,039
Charge for the year (Note 9)	**5,300**	2,215
Payments during the year	**(711)**	(514)
At 31 December	**14,329**	9,740

Company

	2008 USD'000	2007 USD'000
At 1 January	**551**	536
Charge for the year	**207**	15
At 31 December	**758**	551

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 2008 and 2007, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 4% to 5% (2007: 4% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 6% (2007: 6.25%).

27 Trade and other payables

	2008 USD'000	2007 USD'000
Trade payables	**83,778**	24,329
Other payables and accruals	**105,552**	52,902
Amounts due to customers on contracts	**72,479**	95,087
Advances received for contract work	**1,621**	25,000
Dividend payable ++ (Note 10)	**9**	143
	263,439	197,461
Amounts due to customers on contracts comprise:		
Progress billings	**375,806**	302,710
Less : Cost incurred to date	**(247,401)**	(165,495)
Less : Attributable profits	**(55,926)**	(42,128)
	72,479	95,087

++ The dividend payable represents an amount held by the EBT in respect of treasury shares (2007: in respect of shares gifted to employees held under lock-in arrangements). This dividend will be paid by the EBT to the employees upon completion of the vesting period.

28 Borrowings

	2008 USD'000	2007 USD'000
Bank overdrafts	**1,231**	–
Revolving facility	**10,693**	–
	11,924	–

The bank facility relating to overdrafts and revolving facility carry interest at LIBOR/EIBOR + 2.0% to 2.5%.

The carrying amounts of borrowings approximate to their fair value and are denominated in the following currencies:

	2008 USD'000	2007 USD'000
UAE Dirham	**11,779**	–
US Dollar	**145**	–
	11,924	–

The Group has the following undrawn borrowing facilities:

	2008 USD'000	2007 USD'000
Floating rate:		
Expiring within one year	**250**	22,250
Expiring beyond one year	**15,076**	–
	15,326	22,250

The facilities expiring within one year are annual facilities subject to review at various dates during 2009. The other facilities have been arranged to meet the working capital requirements of the Group.

29 Profit of the parent company

The profit of USD 37,443,956 (2007: USD 21,822,143) in respect of the Company has been included in these consolidated financial statements.

30 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 7 to 25 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	2008 USD'000	2007 USD'000
Not later than one year	**6,063**	3,753
Later than one year but not later than five years	**14,001**	8,951
Later than five years	**36,321**	52,308
	56,385	65,012

(b) Other commitments

	2008 USD'000	2007 USD'000
Letters of credit for purchase of materials and operating equipment	**11,326**	12,029
Capital commitments for purchase of operating equipment	**3,215**	6,976
Capital commitments for construction of a facility	**25,413**	13,962

31 Bank guarantees

	2008 USD'000	2007 USD'000
Performance/bid bonds	**135,903**	107,672
Advance payment, labour visa and payment guarantees	**14,147**	6,838
	150,050	114,510

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

32 Events after balance sheet date

The Board of Directors of the Company have proposed a dividend of 3.15 cents per share amounting to USD 6.31 million at a meeting held on 27 March 2009. In accordance with the accounting policy under IFRS set out at Note 2.16 this dividend has not been accrued at 31 December 2008 (2008: 12.25 cents per share amounting to USD 24.5 million declared on 25 March 2008 was not accrued at 31 December 2007). However, this is not in accordance with the Isle of Man Companies Acts 1931–2004 which require such a proposed dividend to be accrued at the balance sheet date.

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Admission" – the admission of the entire issued ordinary share capital of the Company to AIM becoming effective in accordance with paragraph 6 of the AIM Rules

"AGM" – Annual General Meeting

"Ahbab" – Ahbab FZCO

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

"API" – American Petroleum Institute

"BassDrill" – BassDrill Limited

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

"CAD" – Canadian Dollars

"CBL" – Cleopatra Barges Limited

"CEO" – Chief Executive Officer

"CFO" – Chief Financial Officer

"CSR" – Corporate Social Responsibility

"Company" – Lamprell plc

"COO" – Chief Operating Officer

"DBMA" – Don Bosco Maritime Academy

"DCC" – Director of Corporate Communications

"EBITDA" – Earnings before Interest, Taxes, Depreciation and Amortisation

"EBT" – Lamprell plc Employee Benefit Trust

"EPC" – Engineering, Procurement and Construction

"EPS" – Earnings Per Share

"E&I" – Electrical & Instrumentation

"FPSO" – Floating, Production, Storage and Offloading

"FTSE" – Financial Times Stock Exchange index

"FZCo" – Free Zone Company

"Group" – The Company and its subsidiaries

"HSE" – Health, Safety and Environment

"IAS" – International Accounting Standards

"IFRIC" – International Financial Reporting Interpretations Committee interpretation

"IFRS" – International Financial Reporting Standards

"Inspec" – International Inspection Services Limited

"IPO" – Initial Public Offering

"ISO" – International Organisation for Standards

"JIL" – Jebel Ali Investments Limited

"Labour Law" – 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

"LS" – Lamprell Sharjah WLL

"LTDS" – LeTourneau Technologies Drilling Systems Inc.

"LTI" – Lost Time Incident

"MOCL" – Maritime Offshore Construction Limited

"MOL" – Maritime Offshore Limited

"NDC" – National Drilling Company

"PSP" – Performance Share Plan

"RIAP" – Rig Integrity Assurance Programme

"SBM" – Single Buoy Moorings

"UAE" – the Federation of the United Arab Emirates

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

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