Lamprell plc Annual report and accounts 2009

Lamprell

Lamprell plc
Annual report and accounts 2009

Contents

Business overview
01 Highlights
02 Lamprell at a Glance
04 Chairman's Statement
06 Chief Executive Officer's Statement

Business review
10 Continuous Growth
12 Diversifying our Core Offering
14 Customer Satisfaction
16 Our Strategy
18 Operating Review
22 Risk Factors
24 Financial Review
28 Corporate Social Responsibility
32 Directors' Biographies

Corporate governance
34 Directors' Report
38 Corporate Governance
46 Directors' Remuneration Report

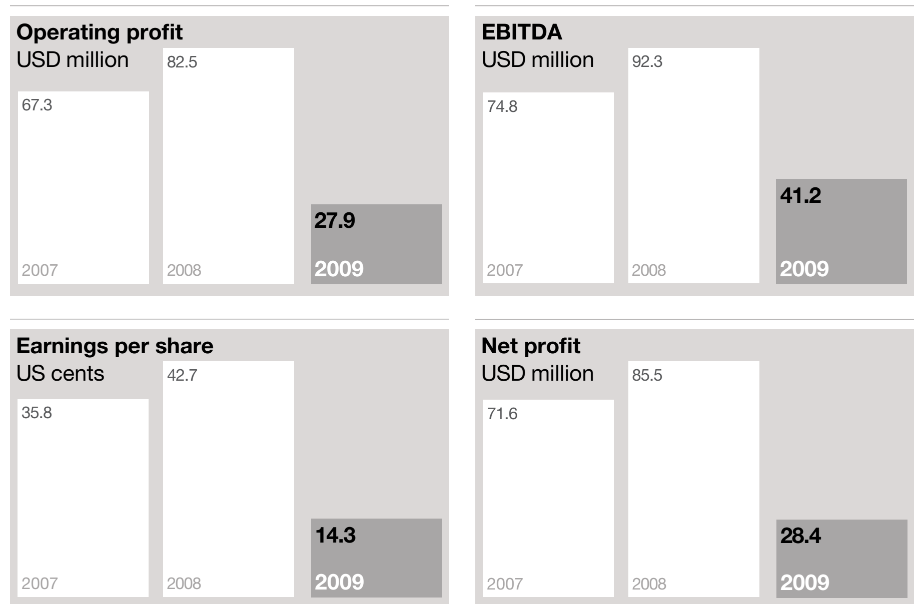
Financial statements
56 Independent Auditor's Report to the Members of Lamprell plc
57 Consolidated Statement of Comprehensive Income
58 Consolidated Balance Sheet
59 Company Balance Sheet
60 Consolidated Statement of Changes in Equity
61 Company Statement of Changes in Equity
62 Consolidated Cash Flow Statement
63 Company Cash Flow Statement
64 Notes to the Financial Statements
93 Definitions
IBC Corporate Advisers

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.

Highlights



- USD 320.4 million of contract awards from Fred Olsen Windcarrier AS for the construction of two wind turbine installation vessels
- Delivered first Seajacks Self Elevating, Self Propelled Liftboats “Seajacks Kraken” and “Seajacks Leviathan”
- Delivered first “New Build” Jackup Drilling Rig constructed in Hamriyah Yard to Scorpion
- First revenue generation at Lamprell’s new facility in Thailand
- Key Board changes with the appointment of a new CEO to maintain experience and expertise

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 a facility in Thailand. The development of a new much larger facility in the Hamriyah Free Zone, in the UAE is underway.

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.

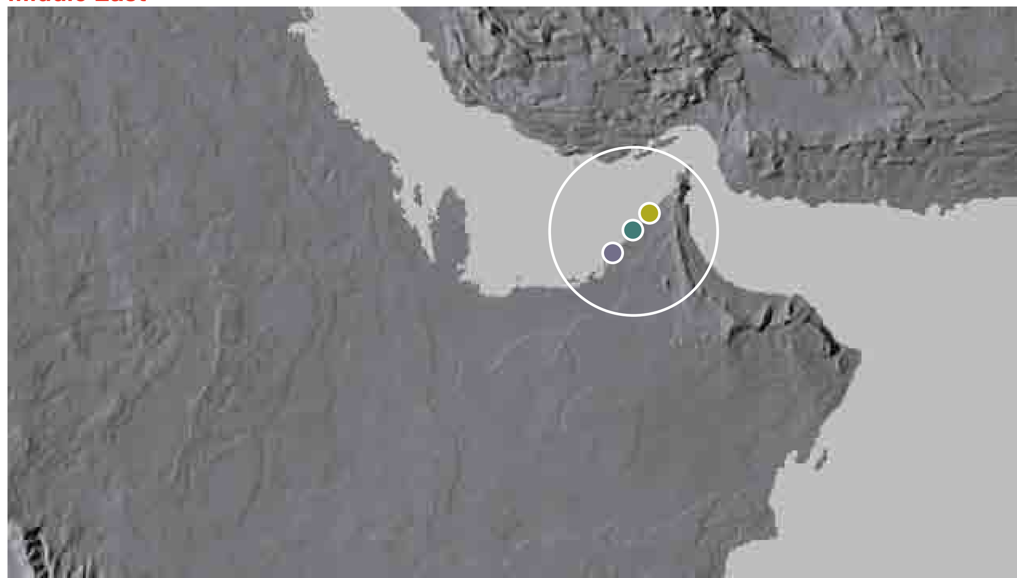
Oilfield Engineering

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.

Middle East



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.

The core workforce at this facility as with both the Sharjah and the Jabel 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.

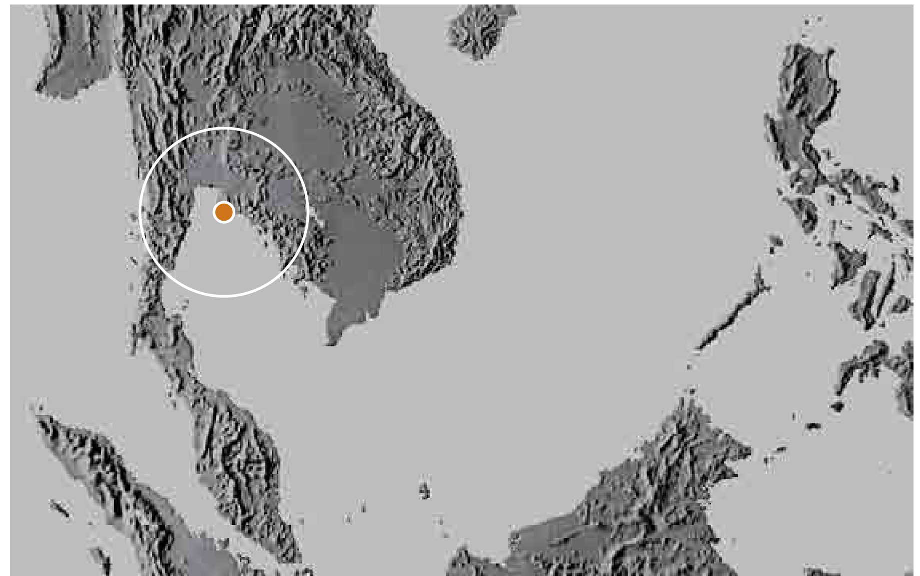
Thailand

Five year lease for a 46,950m² facility with 158m of exclusive deep water quayside in Sattahip, Thailand, in May 2008.

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 has been granted necessary operating licences and has commenced commercial operations.

Asia



Chairman's Statement

2009 was a challenging year for the Company with unprecedented trading conditions around the globe.

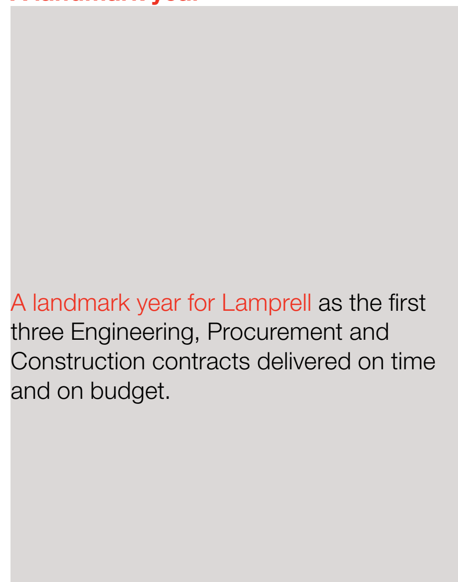
Jonathan Silver, Chairman

Despite these conditions and increased competition, Lamprell was able to achieve solid financial results at the same time as continuing to position itself, through capacity expansion, operating efficiencies and a wider service offering, for the many opportunities that the changing economic and industrial environment will bring. As the start of 2010 has already demonstrated, Lamprell is well placed to harness these opportunities.

Lamprell generated revenue in 2009 of USD 426 million, adjusted net profit of USD 28 million and fully diluted and adjusted earnings per share of 14.20 cents. Given the challenging market conditions and the dramatic reduction of credit in Lamprell's operating markets, these metrics represent a very solid performance for the year.

Steven D. Lamprell, President

A landmark year



A landmark year for Lamprell as the first three Engineering, Procurement and Construction contracts delivered on time and on budget.

Lamprell announces USD 320.4 million of contract awards. Contract awards from Fred Olsen Windcarrier AS which in aggregate total USD 320.4 million. Each Engineering, Procurement & Construction contract award from Windcarrier is for the design, construction and delivery of a Gusto MSC NG-9000 self elevating and self propelled offshore wind turbine installation vessel.

In response to the challenging trading conditions that the Company experienced at the beginning of the year, the Board has taken action to manage the Company's finances prudently and to utilise the Company's flexible business model to control the cost base tightly. This has ensured the ongoing financial health of the business. Management have focused much time and effort on developing the Company's bid pipeline and replenishing its order book. We are seeing the fruits of those labours with more than USD 3.7 billion of bids outstanding at the year end and USD 420 million of contracts awarded since then.

The foundation for these awards remains Lamprell's reputation for high quality project execution, which enables it to win repeat business as well as attracting major, new customers, as seen with the recent contract awards. 2009 saw the completion of several significant projects including the delivery, in April 2009, of the Company's first new-build jackup rig, the Offshore Freedom and the successful completion, for Seajacks, of two liftboats for wind turbine installation. The latter project, in particular, marks the Company's entry into an exciting new market with encouraging growth potential.

In May 2009 our COO Nigel McCue took over as CEO from Peter Whitbread, who has remained on the Board in the role as Director of International Development. Peter retires by rotation at the time of the AGM in June and has decided to retire from the Company at that time and not offer himself for reappointment. I would like to take this opportunity to thank Peter for the tremendous contribution that he has made to the Company over the years.

I am pleased to announce that, having considered the current market conditions, profit earned and cash generated during the year ended 31 December 2009, the Board is recommending a dividend of 3.80 cents per share. If approved, this will be paid to shareholders on 16 June 2010 provided they were on the register on 14 May 2010.

I believe that the Board is well-equipped to meet the challenges that this volatile and rapidly changing market presents and I am confident that Lamprell's reputation for quality, technical capability, project execution and delivery, coupled with the experience of Lamprell's management and staff, will provide a strong platform for further successes in 2010.

Jonathan Silver
Chairman
Lamprell plc

Lamprell delivers "Seajacks Kraken" the first self elevating, self propelled Liftboat to Seajacks. This is the first of two harsh environment, new build projects undertaken at our Jebel Ali facility. The Kraken was successfully delivered on schedule in March 2009.

Lamprell delivers newbuild jack up rig "Offshore Freedom" to owners Scorpion. The delivery marks the first of two LeTourneau designed Super 116E rigs that Lamprell are contracted to deliver to Scorpion Offshore. The rig has a water depth operating capability of 350 feet and can drill to a depth of 30,000 feet, with luxury quarters for 110 crew.

Lamprell delivers "Seajacks Leviathan" the second self elevating, self propelled Liftboat to Seajacks. Intended for use in harsh environment conditions. Both of the Seajacks vessels were detailed designed and constructed by Lamprell's to meet the strenuous Northern European Offshore Construction Codes and practices.

Chief Executive Officer's Statement

"Lamprell's combined strengths of prudent cost management and operational excellence has enabled us to deliver a solid revenue performance set against a backdrop of challenging operating conditions which are universally acknowledged to have been the most difficult in a generation."

Nigel McCue, Chief Executive Officer

USD 426m
Revenues

USD 28m
Net profit

As expected, 2009 proved to be a turbulent year for global markets. The financial crisis led to lower oil and gas prices, a severe, and continuing, disruption of the worldwide credit market and overall economic uncertainty which has led to lower capital investment by our clients in all sectors of our business. It is pleasing, therefore, under these circumstances, to be able to report a very solid annual performance for the Company, with revenues of USD 426 million resulting in a net profit of USD 54 million, restated to USD 28 million after one-off charges in respect of one, previously announced, project.

We have always sought to run our business conservatively without any long-term debt. Never before has the importance of a strong balance sheet and a rigorous approach to cost control in all facets of our business been so important to the Company. Lamprell's combined strengths of prudent cost management and operational excellence has enabled us to deliver a solid revenue performance set against a backdrop of challenging operating conditions which are universally acknowledged to have been the most difficult in a generation.

Throughout the Company's history, the quality of our project execution has underpinned our longstanding client relationships and resulted in a significant amount of repeat business, and we remain committed to achieving the highest standards of excellence for our customers. It is the source of much pride that even against the extremely volatile backdrop of the last 18 months we have been able to maintain our benchmark of engineering quality, delivering projects on time and on budget.

"Throughout the Company's history, the quality of our project execution has underpinned our longstanding client relationships and resulted in a significant amount of repeat business, and we remain committed to achieving the highest standards of excellence for our customers."

In this regard, 2009 saw the completion of projects that I believe reinforce our reputation for delivery as well as opening up opportunities with the potential for significant growth for the Company in the coming years.

In our EPC business March and June respectively saw the delivery of two harsh environment, self-propelled, self-elevating liftboats, the Kraken and the Leviathan, to Seajacks for use in the North Sea wind farm market. The successful completion of these significant contracts ideally positions us to take advantage of forthcoming opportunities in the much publicised expansion of the European, and worldwide, offshore wind farm market. The recent prestigious contract award for the construction of two highly sophisticated wind farm installation liftboats for Fred Olsen Windcarrier AS in February 2010 further underpins our confidence in this sector.

In April 2009 the new build LeTourneau Super 116E jackup drilling rig, Offshore Freedom, was delivered to Scorpion, on time and on budget. The construction of the second unit, Offshore Mischief, is on schedule and on budget for delivery in the second quarter 2010.

We were also pleased to have resolved the outstanding payment issue relating to the tender assist drilling barge, BassDrill Alpha, being built for BassDrill. Lamprell delivered its first new build tender assist drilling barge, BassDrill Alpha, in January 2010. The company received cash payment of USD 55 million and 28 million shares in BassDrill, which represented 20% of the equity of BassDrill, equivalent at the subscription price of USD 0.1786 to USD 5 million and subject to an option agreement.

Future Developments

As previously reported, capital expenditure on the expansion of our new 250,000m^2 facility in the Hamriyah Free Zone was phased in light of the prevailing economic conditions. Notwithstanding this, we have already felt the benefit of the additional capacity which the new yard provides. Despite the slowdown in the development of the facility earlier last year, the quayside at the new facility has been in partial use since April 2009 when the first jackup rig and since then the facility has seen a further 13 rigs at the quayside. In addition the Offshore Freedom new build jackup was completed and delivered at the quayside of our new facility. We now look forward to a number of rig upgrade and refurbishment projects being executed at this facility in 2010.

The Company continues to pursue new opportunities that the expanded site allows, such as those relating to the construction and refurbishment of semi-submersible drilling rigs, and drillship refurbishment, supporting the overall strategic and commercial reasoning behind the Company's decision to build greater capacity.

Given the overall strengthening in the markets we have recently committed to a further capital expenditure programme of USD 25 million to complete the development of the facility by early 2011. This funding will provide for the completion of an 800 man office block, additional workshops, fabrication pads and utility distribution infrastructure.

Market Overview

The new build market for liftboats for offshore wind turbine installation provides Lamprell with an opportunity to establish itself as an early leader in a growing market. The success of the UK Government's recent offshore wind farm licensing round in January 2010 reinforced the international interest in the offshore sector; the current constraint on liftboat capacity means we are well placed to capitalise on the construction opportunities this presents. Accordingly this area represents a significant proportion of our bidding pipeline.

Our recently announced contract award to design and construct two offshore well head platforms for an offshore gas field development in India represents a successful step to secure more work in this sector.

As outlined previously, the new build market for jack-up rigs continues to be constrained by existing capacity, new build rigs entering the market for the first time together with the ongoing impact of budget cuts arising from the oil price collapse eighteen months ago.

We previously reported that we anticipated seeing the regional rig refurbishment market dip in the light of the economic conditions and whilst we saw the level of rig activity exceed our expectations, the level of expenditure decreased, as expected, as a result of the market conditions. Both our Sharjah and new Hamriyah facilities were busy throughout the year undertaking upgrade and refurbishment projects. In total 33 jackup rigs projects were undertaken, including two jackups at our Sattahip facility in Thailand. There are currently nine jackup rigs at our UAE facilities and we look forward to a busy year in this area of our business. We continue to expand our services to clients who require work to be undertaken outside of our own yards. A case in point being Transocean who awarded Lamprell the contract for the upgrade and

Chief Executive Officer's Statement (continued)

"We continue to expand our services to clients who require work to be undertaken outside of our own yards."

refurbishment of the Key Manhattan jackup drilling unit. This project was undertaken in Croatia by Lamprell at the Nauta Lamjana shipyard. The initial contract value was USD 13.4 million and the work scope includes extensive steel renewals and associated painting works, structural repairs to the cantilever and derrick, and the replacement of hull piping systems. The work commenced during September 2009 and was completed in March 2010.

In the FPSO market, Saipem, one of Lamprell's key customers, awarded a USD 18.1 million contract for the construction of six process modules, pipe-rack sections and interconnecting pipe spools for the Aquila Phase 2 FPSO Project. The modules will be constructed at our Jebel Ali facility and are scheduled to be completed in November 2010. We are presently seeing a slow recovery in this sector of our business which had seen a significant decline due to low commodity prices and the effects of the global financial crisis.

Activities relating to land rigs have continued and we were pleased to deliver four new build API 2000 HP fast moving land rigs during 2009. In addition to the new build projects we also successfully worked on a number of land rig refurbishment and rotary equipment repair projects. There have been a number of land rigs which have been temporarily laid up during 2009, reflecting a lower oil price and the impact of the worldwide financial uncertainty, and the period of this slow down in land rig activity extended further than we originally anticipated. However, because of the regional dynamics of the Middle Eastern market, we anticipate a recovery in land drilling activities in the Middle East in 2010 and this provides management with confidence that both the refurbishment and new build land rig markets will recover in the region and will be attractive for Lamprell for some years to come.

3.80 cents
Dividend (per ordinary share)

The Board

As previously advised, in March 2009, Jonathan Silver was appointed Non-Executive Chairman of the Board. I took over as CEO from Peter Whitbread in May of 2009 and would like to thank Peter, who continued on the Board as the Director of International Development, for making the transition as smooth and efficient as possible. Peter has decided to retire at the time of the AGM and I would like to take this opportunity to express my further thanks for the enormous contribution he has made to the growth and success of the Company over the past 18 years.

Dividend

The Board of Directors is recommending a final dividend payment of 3.80 cents per ordinary share, with a Sterling equivalent of 2.55 pence per ordinary share. This will be payable, when approved, on 16 June 2010 to eligible shareholders on the register at 14 May 2010.

Outlook

Despite the challenging market backdrop, 2010 has started positively, as evidenced by the major contract awards announced in the first quarter of the year. We have a substantial order book extending into 2012 and this combined with our tender pipeline, development strategy and the ongoing expansion of our facilities supports our confidence for future growth and success.

Whilst we are seeing positive signs and evidence of improvements in our markets they currently continue to remain

“We remain confident that our long-term prospects continue to be promising based upon our strong platform for growth.”

competitive. With our shareholders in mind, it is therefore a priority for management to remain focussed on pro-actively managing the Company’s cost base and ensuring first class project execution. We remain confident that our long-term prospects continue to be promising based upon our strong platform for growth.

I would like to take this opportunity to express the thanks and appreciation of the Board of Directors, and my personal thanks, to all of our management and employees for their support and efforts throughout a challenging 2009. In addition, I would finally like to thank our founder and President of the Company, Steven Lamprell, for his continuing support, which is very much appreciated.

Nigel McCue
Chief Executive Officer

Continuous growth as the construction at the new facility in Hamriyah progresses and our Thailand operation gains momentum.

Construction of the new facility at Hamriyah continues and is planned for completion in quarter 1, 2011. 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.

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 first revenue generating project was undertaken in the first quarter of 2009, which has been followed by further refurbishment work during the year.

Diversifying our core offering continues to be a key focus. A number of engineering, procurement and construction contracts have been successfully completed during the year.

Diversification

The construction of the BassDrill Alpha tender assist drilling unit for BassDrill Limited was successfully delivered in January 2010. Large scale engineering, procurement and construction of drilling and rig related equipment continues to be a key component of our future growth strategy.

The successful delivery in March 2009 of the Seajacks Kraken was followed by the delivery of the Offshore Freedom in April 2009 and the Seajacks Leviathan in June 2009, reinforcing our belief in business based on commitment to quality, price and delivery schedule. The exploration into new business streams, in areas such as wind farms, floating desalinisation plants and power barges, to which many of Lamprell's skills and technical capabilities are transferable, continues as the potential, particularly in fields such as alternative energy gains momentum. The contract award for two new award self elevating and self propelled offshore wind turbine installation vessels from Fred Olsen Windcarrier AS supports this strategy.

Customer satisfaction with regard to quality, delivery and cost remains as the core of our operating philosophy.

Every project undertaken is supported by superior customer service and this along with our philosophy of project execution on time and on budget to high industry standards has lead to high levels of repeat business.

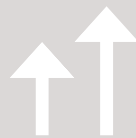
We constantly strive to improve upon our exacting standards Many of our customers have been working with us over many years which is testament to our quality control and service culture.

We carry out project reviews upon completion of projects such that improvements to customer service can be implemented for future projects.

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.



Maintaining a leading position in the EPC market

Maintaining a focus on repeat business and continued expansion of services

Investment in a new facility in Hamriyah Free Zone

Continuing to expand its client base

Objectives:	Performance:
– 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	During 2009 we successfully completed and delivered three EPC projects. These deliveries demonstrate our commitment to delivery on time and on budget and support our ongoing objective of securing additional EPC projects. In February 2010 we were awarded contracts by Fred Olsen Windcarrier AS to build two Gusto MSC NG-9000 design self elevating and self propelled offshore wind turbine installation vessels.

Objectives:	Performance:
– 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	Lamprell values its relationship with all its clients, many of which have worked with Lamprell on a repeat basis for a number of years. This repeat business is founded on a client focused approach to business and to ensuring that all work is executed under the highest safety standards and to high quality standards. In 2009 this strategy resulted in contract awards from a number of repeat customers in various segments, including jackup drilling rig upgrade and refurbishment and the construction of process modules.

Objectives:	Performance:
– 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	The development of the fist phase of our Hamriyah facility progressed greatly in 2009. The dredging and quaywall works were completed and the on-site development of our first office building and production workshops is on schedule. In addition several open fabrication pads were completed. In early 2010 we approved the budget for phase two of the development.

Objectives:	Performance:
– Maintain customer focus – Broad service offering – International marketing in multiple sectors – Transfer of skills to alternative energy markets – Strategic marketing across sectors	Our international marketing effort continued throughout 2009 and resulted in Lamprell securing new clients in new sectors. The most prominent of awards f owing from these efforts were secured early in 2010 from Fred Olsen Windcarrier AS and a leading oil and gas operator in India who awarded Lamprell, under a consortium agreement, a contract to design and construct two offshore wellhead platforms for an offshore gas development in India.

Operating Review

"In addition to our attention on project execution there has also been a significant focus throughout 2009 on the reduction of operating costs and this has resulted in the streamlining of some aspects of our operation to improve efficiency."

Chris Hand, Chief Operating Officer

USD 61.8m

Gross profit

From an operational perspective Lamprell had a successful year in 2009, with all operating facilities working on a wide range of different projects.

During the year Lamprell has continued to focus on maintaining its high standards of project execution with particular attention on safety, maintaining high quality standards and 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 customers to our expanding client base. In addition to our attention on project execution there has also been a significant focus throughout 2009 on the reduction of operating costs and this has resulted in the streamlining of some aspects of our operation to improve efficiency. This process will continue throughout 2010.

During the year Lamprell has continued to focus on the execution of EPC new build projects, including the construction of jackup drilling rigs, liftboats and a tender assist drilling unit, whilst continuing our traditional rig refurbishment and fabrication projects for the offshore oil and gas sector. During 2009 we successfully delivered our first EPC projects and continued to progress other projects for delivery in 2010.

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

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

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

Engineering, Procurement and Construction

Throughout 2009 Lamprell continued the construction of and delivered a range of major EPC new build projects. These projects were executed at both our Jebel Ali and Hamriyah Free Zone facilities.

Seajacks liftboats

In 2009 we completed the construction of two harsh environment special purpose self-propelled four legged jackup liftboats for Seajacks. These turnkey contracts were awarded in January 2007 and covered all aspects of project execution from design to delivery. The first unit, the Seajacks Kraken, was delivered in March 2009 and the second unit, the Seajacks Leviathan, was delivered to Seajacks in June 2009. Both projects were completed on time and on budget.

Scorpion S116E jackup drilling rigs

Throughout 2009 construction continued at Lamprell's Hamriyah facility on the Offshore Freedom and Offshore Mischief LeTourneau design S116E jackup drilling rigs for Scorpion.

The Offshore Freedom was delivered in April 2009 and is now working for the Al-Khafji Joint Operation in the Saudi Arabia and Kuwait ex neutral zone.

The Offshore Mischief hull was launched using Lamprell's semi-submersible barge, Hamriyah Pride, in November 2009 and the rig is scheduled for final delivery to Scorpion in April 2010.

BassDrill tender assist drilling unit

The construction of the BassDrill Alpha tender assist drilling unit for BassDrill continued at our Jebel Ali facility throughout 2009. In October 2009 we launched the tender assist vessel using Lamprell's semi-submersible barge, Hamriyah Pride. The modular mast equipment package was installed and commissioned in December 2009 and the unit was successfully delivered to BassDrill in January 2010.

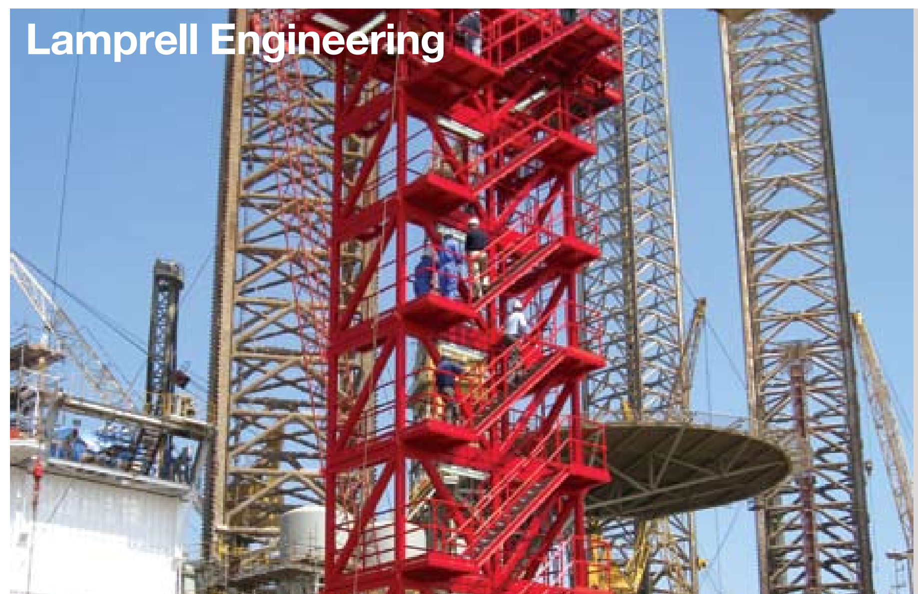
Upgrade and refurbishment of offshore jackup rigs

During 2009 Lamprell executed refurbishment and upgrade works on a total of 33 jackup rigs. The rigs, owned by a wide range of international drilling contractors including National Drilling Company, Ensco Offshore International Company, Nabors Drilling International Limited, Noble International Limited, RDC Arabia Drilling Inc. and Atwood Oceanics Pacific LTD, were berthed at our Sharjah, Hamriyah and Thailand 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 repower works;
- mud process system upgrade and/or refurbishment;
- helideck replacement, upgrade and/or refurbishment; and,

Lamprell Engineering



Lamprell provides a wide range of engineering services to its clients. These services are produced using 3D drafting and analytical software and include concept engineering, basic design, detailed and construction engineering and the production of as-built drawings. In addition the engineering group provide project commissioning assistance and liaise with various third party authorities who certify that Lamprell's engineering meets the relevant standard.

Operating Review (continued)

"We ended 2009 with 4,515 permanent staff in the Company."

- condition-driven refurbishment, including structural steel and piping replacement and painting.

The jackup rig upgrade and refurbishment projects carried out in 2009 included:

Noble Roy Rhodes

The rig, which was working for Dubai Petroleum, arrived at our Sharjah facility in March 2009 for an extensive upgrade and refurbishment program. The work scopes on this project included a cantilever extension, the extension of the rig legs from 344 feet to 410 feet and the extension of the rigs living quarters to accommodate 120 personnel. In addition some of the rigs drilling equipment was replaced and condition driven work including hull steel replacement and piping renewals were carried out.

Ensco 53

The Ensco 53 arrived at Lamprell's Sharjah facility in October 2008 after completing a continuous four year drilling program in India. Following the completion of a detailed condition survey an extensive scope of work was executed. This included the replacement of approximately five hundred tonnes of hull steel, an accommodation upgrade and extensive hull painting. The works were completed in April 2009 and the rig returned to India to undertake a contract with British Gas.

Transocean Key Manhattan

In addition to the rigs refurbished at our UAE facilities, Lamprell was awarded a contract by Transocean to refurbish the Key Manhattan at the Nauta Lamjana d.d. shipyard in Croatia. The rig arrived at the shipyard in September 2009 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 rig repainting. The work was successfully completed in March 2010.

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 2009 for clients including SBM, Saipem and Master Marine ASA. 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 timely delivery.

The Jebel Ali facility undertakes a range of different new build construction projects which in 2009 included:

FPSO process modules

Saipem Livorno

In May 2008 Lamprell was awarded a contract by Saipem to construct two units for the Livorno Floating Storage Regasification Unit. The project fabrication phase started in March 2009 and through the year Lamprell has been working on the main regasification module which weighs over 2,100 tonnes and the smaller nitrogen module which weighs 350 tonnes. The modules are scheduled to be completed and delivered in April 2010.

"In accordance with our strategy to grow the business organically, we maintained our capital investment program throughout 2009."

Master Marine Spud Cans

In February 2009 the Norwegian company Master Marine ASA awarded Lamprell a contract to build four add-on footings ("Spud Cans") for their service jackup Service Jack 1. The combined fabrication weight of the four spud cans is 2,600 tonnes and the completed structures were delivered in March 2010.

Oilfield Engineering Services

Lamprell's Oilfield Engineering operation, located within our main Jebel Ali facility, executed contracts throughout 2009 for a variety of clients including LTDS, Nabors Drilling, KCA Deutag and Ensign. Projects executed during 2009 included the completion of four fast moving land rigs for LTDS, the upgrade and refurbishment of land rigs, as well as 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.

Human resources

Attracting, developing and retaining talented staff is 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 success. The Human Resources ("HR") 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, development, and retention.

As a result of the general slowdown in economic activity during 2009 we shifted our focus carefully to capacity utilisation. We managed excess capacity by releasing local labour supply and contractors previously hired during high demand periods and thereby keeping our redundancy rate to a minimum. This demonstrates the importance placed by the Company on retaining its core workforce. We are now in the process of recruitment following recent project awards.

Lamprell continues to provide purpose-built accommodation and transportation for the labour force and this enhances our ability to attract and retain our workforce, and dramatically improves the quality and work/life balance expectations of the employees.

We aim to provide a safe and supportive work environment to our employees, who are from diverse cultural backgrounds, and to do so 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" into 2010 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.

General recruitment

Recruitment has commenced due to recent awarded projects. We ended 2009 with 4,515 permanent staff in the Company which equates to a 17.1% decrease in headcount as a result of cost control measures undertaken in 2009. 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 Lamprell has experienced in recent years and also recent contract awards, 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 grow the business organically, we maintained our capital investment program throughout 2009. The aim of this investment is to increase our capacity, raise our existing levels of productivity and improve the working environment for both yard and administrative personnel. The main area of investment in 2009 has been the continued development of our 250,000m^2 facility in the Hamriyah free zone. The marine work including dredging and quay wall construction was completed in 2009 as were the construction of a number of concrete fabrication areas. In addition the initial 240 man office block and CNC/fabrication workshops are also nearing completion. It is anticipated that the facility will be substantially complete by the end of 2010. In addition, we continued to develop our facility in Sattahip, Thailand during 2009. This development included completing the outfitting of the 3,000 m^2 workshop and investment in additional fabrication equipment.

Chris Hand
Chief Operating 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

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;

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

If the Company is unable to find any customers for whom to construct a new build jackup rig it has purchased in kit form, it may suffer a loss on the significant expenditure it has already incurred and that which it is contractually obliged to make;

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 may not be able to manage its growth effectively;

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; and,

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.
Risks relating to the ordinary shares in the Company	The Company's reporting currency is different to the currency in which dividends will be paid; Lamprell Holdings Ltd, the principal shareholder, whose interests may conflict with the interests of other shareholders and investors, holds a significant shareholding in the Company; The Group may, in the longer term, seek to raise further funds through the issue of additional shares or other securities. Any funds raised in this way may have a dilutive effect on existing shareholdings, particularly in circumstances in which a non pre-emptive issue is made, or where shareholders do not take up their rights to subscribe for shares as part of a pre-emptive issue; and, Pre-emptive rights may not be available to US holders.
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 73 to 74.

Financial Review

"The gross margin reduction largely reflects the price discount on the EPC project, however, excluding this discount, the gross margin was 18.9% reflecting a strong performance and has largely arisen from better margins achieved on the completion of the three main EPC projects completed in the first half of the year."

Scott Doak, Chief Financial Officer

14.2 cents
Diluted earnings per share

Group revenue decreased by 42.6% to USD 425.5 million (2008: USD 740.8 million) reflecting a lower level of activity from the prior year. This decrease was largely driven by a significant reduction in revenue generated from EPC projects as three major projects were delivered in 2009, including one new build jackup and two new build liftboats. The reduction also resulted from an adjustment to revenue arising from a price discount given on the completion of a self erecting tender assist drilling unit for BassDrill amounting to USD 23 million. Revenue from other key activities reflected a solid performance but generally was lower than 2008 as the current year reflected a lower level of jackup rig upgrade and refurbishment revenue, where a higher level of rig activity was achieved in the facilities but with generally a lower level of average expenditure. The offshore new build activity, based in Jebel Ali, also reflected a lower level of revenue for the year with major 2008 projects largely being completed in the first half of the year and no significant new projects commencing until the second quarter of 2009. Revenue from Oilfield Engineering services, related to the refurbishment and construction of land rigs and land camps, reflected revenues from the construction of four new build fast moving land rigs under a contract with LTDS. Revenue includes the results of Inspec with revenue growth resulting from a significant increase in the demand for the inspection and non-destructive testing services the subsidiary provides.

Gross profit decreased by 52.2% to USD 61.8 million (2008: USD 129.3 million) resulting in a gross margin of 14.5% (2008: 17.5%). The decrease in

gross profit is largely due to the lower level of revenue achieved during the year across key business areas and also the adjustment to revenue arising from the price discount on the tender assist drilling unit. The gross margin reduction largely reflects the price discount on the EPC project, however, excluding this discount, the gross margin was 18.9% reflecting a strong performance and has largely arisen from better margins achieved on the completion of the three main EPC projects completed in the first half of the year. The year reflected a lower level of higher margin rig refurbishment activity than the prior year and a lower level of major offshore construction new build activities undertaken in the Jebel Ali facility.

EBITDA decreased to USD 41.2 million (2008: USD 92.3 million) a reduction of 55.4% over the prior year. EBITDA margin for the year was 9.7% (2008: 12.5%) reflecting the decrease in operating margin. Prior to charging exceptional costs for the prior year, EBITDA amounted to USD 102.3 million with an EBITDA margin of 13.8%.

Operating profit in 2009 was USD 27.9 million (2008: USD 82.5 million) reflecting a decrease of 66.2%. This decrease reflects a lower level of activity in the current year and also the price discount on the EPC project. The prior year reflects exceptional charges for share-based payments of USD 6.6 million related to shares granted at the time of the admission of Lamprell plc to AIM and also reflects various legal and professional charges amounting to USD 3.4 million incurred in connection with the admission of Lamprell plc to the Main Market of the London Stock Exchange plc.

Results for the year from operations

	2009 USD '000	2008 USD '000
Revenue	**425,518**	740,831
Gross profit	**61,849**	129,303
EBITDA	**41,179**	92,308
Operating profit	**27,903**	82,462
Net profit	**28,423**	85,455

The operating profit margin decreased from 11.1% in 2008 to 6.6% in 2009 largely reflecting a lower gross margin as a result of the price discount adjustment, and also the lower level of absorption of selling, general and administration charges reflecting the reduction in revenue despite the cost control programs implemented during the year. In addition, other charges reflect the provision of USD 2.5 million against the BassDrill equity received as part of the settlement of the BassDrill tender assist drilling unit. The operating profit for the prior year before exceptional charges amounted to USD 92.5 million reflecting an operating margin before exceptional charges of 12.5%.

As a result of the lower revenue in the year and the price discount adjustment offset by lower selling, general and administration expenses, net profit decreased by 66.7% to USD 28.4 million (2008: USD 85.5 million). The net margin decreased to 6.7% (2008: 11.5%) primarily due to the decrease in the Group's operating margin and a decrease in net interest income to USD 0.5 million (2008: USD 3.0 million) largely reflecting lower average deposit rates, lower cash balances held by the Group during the year and interest expense of USD 0.9 million largely reflecting interest on short-term overdraft facilities used by the Group during the year. The net profit for the prior year before exceptional charges amounted to USD 95.5 million reflecting a net margin before exceptional charges of 12.9%.

Interest income

Interest income of USD 1.4 million (2008: USD 3.0 million) relates mainly to bank interest earned on surplus funds deposited on a short-term basis with the Group's bankers. The decrease reflects a lower level of average deposit rates and lower cash balances during the year when compared to 2008.

Taxation

The Company, which is incorporated in the Isle of Man, has no income tax liability for the year ended 31 December 2009 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.

Financial Review
(continued)

USD 18.5m
Capital expenditure

Earnings per share

Basic earnings per share for 2009 decreased to 14.28 cents (2008: 47.73 cents). Fully diluted earnings per share for 2009 decreased to 14.20 cents (2008: 42.59 cents) reflecting the reduced profit of the Group for the year.

Operating cash flow and liquidity

The Group's net cash flow from operating activities for the year reflected a net outflow of USD 23.9 million (2008: USD 18.3 million net inflow). The net cash flow from operations was lower than the prior year and mainly reflects reduced profit for the period and movements in working capital, largely comprising an increase in inventory, resulting from the receipt of stock for a new build jackup, and a decrease in trade and other receivables, mainly related to amounts due from customers on contracts from predominantly EPC projects as three major projects were completed during the year with completion payments received. Trade and other payables also reflect a decrease largely arising from lower amounts due to customers on contracts at 31 December 2009 amounting to USD 20.2 million (2008 USD 72.5 million) which includes cash advances due to customers of USD 15.6 million (2008: USD 32.7 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 20.1 million (2008: USD 47.9 million) as a result of the continued investment in property, plant and equipment amounting to USD 18.5 million (2008: USD 54.4 million), largely comprising the purchase of operating equipment and investment in the new Hamriyah facility and also increased deposits of USD 3.8 million.

This investment activity was offset by interest income of USD 1.4 million received from surplus funds and also the release of margin deposits of USD 0.7 million.

Net cash generated from financing activities reflected a net inflow of USD 3.0 million (2008: USD 29.4 million outflow). This represents dividend payments of USD 6.3 million (2008: USD 37.5 million) and the purchase of treasury shares to meet the settlement of share awards to certain directors and staff of USD 1.7 million (2008: USD 2.6 million). This was offset by an increase in short-term borrowings of USD 11.9 million (2008: USD 10.7 million).

Capital expenditure

Capital expenditure on property, plant and equipment during the year amounted to USD 18.5 million (2008: USD 54.4 million). The main area of expenditure was the investment in operating equipment amounting to USD 2.9 million to support the growth in activities experienced during the year and to replace hired equipment where this was deemed cost effective. Further expenditure on buildings and related infrastructure at Group facilities amounted to USD 14.4 million, including capital work-in-progress, with additional committed expenditure amounting to USD 18.3 million reflecting the development of the infrastructure of the Group at all facilities but primarily expenditure at the new Hamriyah facility.

Shareholders' equity

Shareholders' equity increased from USD 212.3 million at 31 December 2008 to USD 234.8 million at 31 December 2009. The movement mainly reflects the retained profit for the year of USD 28.4 million net of dividends declared of USD 6.3 million. The movement also reflects a credit for the accounting for share-based

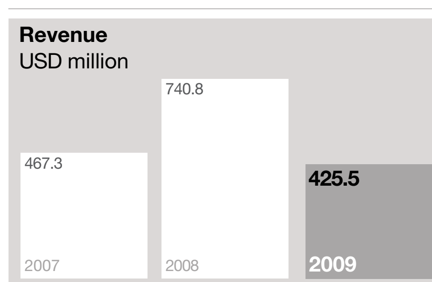
payments of USD 1.9 million made to certain Directors and employees of the Group and charged to General and Administrative expenses.

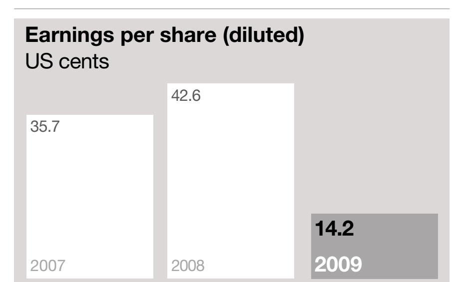
Shareholders' equity includes a Merger reserve amounting to USD 22.4 million that was created in the year ended 31 December 2006 as a result of Lamprell plc, on 25 September 2006, entering into a share for share exchange agreement with LEL and LHL under which it acquired 100% of the 49,003 shares of LEL from LHL in consideration for the issue and transfer to LHL of 200 million 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.

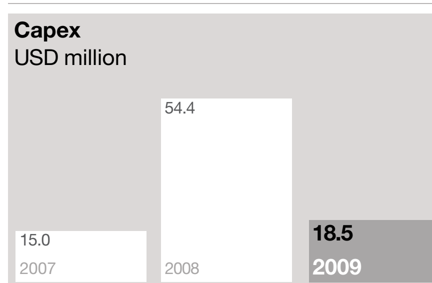
Dividends

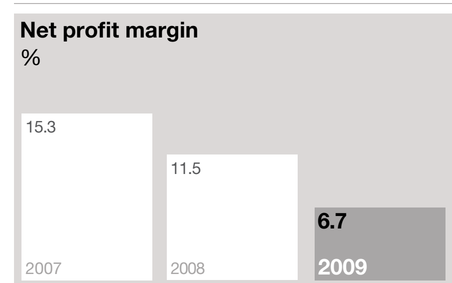
For the year ended 31 December 2009, the Board of Directors of the Group having duly considered the current market conditions, profit earned, cash generated during the year and taking note of the capital commitments for the year 2010, recommend a final dividend of 3.80 cents per share. If approved this will be paid to shareholders on 16 June 2010 provided they were on the register on 14 May 2010.

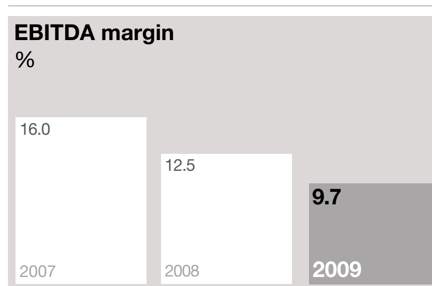
Scott Doak
Chief Financial Officer











Corporate Social Responsibility

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 stockholders.

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 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 2009, 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.

Don Bosco Snehalaya is a project focused on the street children and youth, living in the city of Vadodara. With Lamprell's support, 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, counseling, 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.

Lamprell's training and development program called "LEARN2WORK", developed jointly with the DBMA in

"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."

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" program 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" program. The concept of the program 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 program 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 programs, which are related to the provision of labour, were suspended due to the economic conditions at that time. However, this is currently under review and the programs may be reintroduced in some form during 2010.

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. 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 programs.

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

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 2009 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 incentive linked in-house Safety Observation Audit Program so that any areas of oversight can be rectified and brought up to the highest possible standard as quickly as possible.

A contributory factor again this year was the encouraged use of the now centralised 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 maintained a strong 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	3	0.71
Jebel Ali	1	0.29
Hamriyah	3	1.07
LOEF	0	0.00
Thailand	1	3.62

In line with our standardised and centralised program, the Lamprell Group of companies achieved an overall performance LTI frequency Rate of 0.71.

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 2009 Lamprell maintained the accreditation with the management system certificate ISO 14001: 2004 and the updated Occupational, Health and Safety Assessment Series, OHSAS 18001: 2007.

Corporate Social Responsibility
(continued)

"Across all our activities we seek to minimise the mark we leave on the sites at which we work."

In accordance with this update Lamprell created and internally promoted the Jebel Ali HSE Manager to the newly appointed position of Group HSES Manager.

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 and reporting of our environmental performance, setting objectives and targets for improvement and at all times provide appropriate training and awareness programs for our staff. Feasibility plans are currently in progress to join the Carbon Disclosure Project.

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 maintained a high level of internal and external security controls of its assets on behalf of all stakeholders. These controls were in the form of security procedures, a corporate wide security access system and continued 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.

0.70 per million man-hours

LTI frequency rate

Safety at Lamprell

Lamprell has maintained a strong track record in the area of safety and has established a record which is exceptional for the oil and gas construction industry. Ongoing and progressive improvements in these safety figures has been witnessed over the past five years with the LTI frequency rate in 2009 at 0.70 per million man-hours compared with industry average of 3.03.

Directors’ Biographies

1 Jonathan Silver (57)
Chairman

Jonathan Silver joined 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 Tri-Emirates Property Corporation.

2 Nigel Robert McCue (58)
Chief Executive Officer

Nigel McCue was appointed to the role of Chief Executive Officer in May 2009. He joined the Board of Lamprell on 7 July 2006 as a Non-Executive Director prior to being appointed to the Executive position

of Chief Operating Officer in May 2008. Nigel has over 30 years of experience in the petroleum industry. He was a Director and the Chief Executive Officer of Jura Energy Corporation, a company listed on the Toronto Stock Exchange, and is now its Chairman and a member of the Compensation Committee. 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. He is also a Director of Nemmoco Petroleum Limited, a private exploration and production company, Frontier Acquisition Company Limited, Frontier Holdings Limited, Pyramid Energy International Inc. and Mavignon Shipping Limited.

3 Scott Doak (48)
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.

4 Peter Whitbread (65)
Director of International Development
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 was the Chief Executive Officer of the Group until May 2009 and was also the Chairman of the Group until 5 February 2008. He was appointed as the Director of International Development in May 2009. During his career he has held a number of other senior management positions and directorships with marine construction companies in the Middle East region.

5 Colin Goodall (65)
Senior Independent Non-Executive Director
Colin Goodall was appointed to the Board on 14 September 2008. He Chairs the Nomination Committee of the Company and is a member of the Audit and Remuneration Committees. 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 (54)
Non-Executive Director
Richard Raynaut was appointed to the Board on 7 July 2006. He Chairs the Audit Committee of the Company and is a member of the Nomination and Remuneration Committees. 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 (58)
Non-Executive Director
Brian Fredrick was appointed to the Board on 1 January 2009. He Chairs the Remuneration Committee of the Company and is a member of the Audit and Nomination Committees. Brian 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 10 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 Auditor's Report, for the year ended 31 December 2009. 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 2009 are as set out on pages 57 to 63.The Group net profit for the year amounted to USD 28.4 million (2008: USD 85.5 million).

The Directors recommend a final dividend of 3.80 cents per ordinary share with a Sterling equivalent of 2.55 pence per ordinary share which, if approved, will be paid on 16 June 2010 to eligible shareholders on the register at 14 May 2010. The Company did not pay an interim dividend during the year.

There was a transfer of USD 22.4 million (2008: USD 53.5 million) to retained earnings for the year ended 31 December 2009 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 60.

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 Operating review on pages 18 to 21, and the Financial review on pages 24 to 27.

Corporate governance and corporate social responsibility

The Corporate governance report on pages 38 to 45 and the Corporate social responsibility report on pages 28 to 31 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 2009 can be found in the Directors' remuneration report on pages 46 to 55.

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
Richard Raynaut
Brian Fredrick (Appointed on 14 September 2008 with a start date of 1 January 2009)

Peter Whitbread retires by rotation at the time of the AGM in June and has decided to retire from the Company at that time and not offer himself for reappointment. The Board would like to take this opportunity to thank Peter Whitbread for the tremendous contribution that he has made to the Company over the years.

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' remuneration report on page 54.

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 24 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 50 of the Directors' remuneration report and in note 8 to the financial statements. During the year the following awards of ordinary shares of 5 pence were granted:

	2009		2008	
	2009	2008	2009	2008
Lamprell plc Free Share Award Plan	763,052	318,258	917,148	870,717
Lamprell plc Retention Share Plan	600,000		600,000	
Lamprell plc Executive Share Option Plan	550,000		635,784	105,369

The awards under the Lamprell plc Free Share Plan and the Lamprell plc Retention Share Plan are granted at nil price.

Pursuant to the Company's share schemes, the EBT as at the year-end, held a total of 1,336,259 (2008: 669,257) ordinary shares of 5 pence, representing 0.67% (2008:0.33%) of the issued share capital. The voting rights attaching to these shares cannot be exercised directly by the employees, but can be exercised by the Trustees. However, in

Directors' Report
(continued)

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 2009 AGM to make market purchases of up to 20 million ordinary shares of 5 pence. This authority will expire at the 2010 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 million, 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 2009 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 26 March 2010, 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	17,932,984	8.95	Direct/Indirect
Royce & Associates LLC	10,054,900	5.02	Direct
Ignis Investment Services Ltd	8,592,941	4.29	Indirect

Articles of Association
The Company's Articles of Association may only be amended by a resolution of the shareholders. A resolution to adopt new Articles of Association is being proposed at the 2010 AGM and full details can be found in the accompanying Notice of AGM.

AGM
The Company's fourth AGM as a listed public company will be held at the Suite 102, City Tower 2, Sheikh Zayed Road, Dubai, United Arab Emirates on Monday, the 7th of June 2010 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 22 to 23.

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 (2008: nil) or charitable donations (2008: 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 2009 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 2009 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 34 to the Financial Statements.

By order of the Board

Ravindra Dabir
Company Secretary
26 March 2010

Ravindra Dabir, Company Secretary

Corporate Governance Report

The Company is incorporated in the Isle of Man, where there is no formal Code covering Corporate Governance. However, as the shares of the Company are listed on the Official List of the LSE and as the Board is strongly committed to the highest standards of corporate governance, the Board applies the provisions of the Combined Code on Corporate Governance published in 2008 ("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 2009 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 pages 32 and 33, which record the names of the Chairman, the Senior Independent Director and the Chief Executive Officer. 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 10 times during the year and of these meetings five 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, 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 and the Executive Directors maintain frequent verbal and written contact with the Non-Executive Directors to discuss various issues affecting the Company and its business. 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	10	4	5	4
Jonathan Silver[1] Chairman of the Company	9	n/a	n/a	n/a
Colin Goodall Senior Independent Non-Executive Director	9	4	5	4
Richard Raynaut Non Executive Director	10	4	5	4
Brian Fredrick[2] Non Executive Director	10	4	5	4
Nigel McCue[3] Chief Executive Officer	9	n/a	n/a	n/a
Peter Whitbread[4] Director of International Development	10	n/a	n/a	n/a
Scott Doak Chief Financial Officer	9	n/a	n/a	n/a

1 Jonathan Silver was appointed as the Chairman of the Company on 27 March 2009.
2 Brian Fredrick was appointed as a Director on 1 January 2009.
3 Nigel McCue was appointed to the position of the Chief Executive Officer on 27 March 2009 with effect from 1 May 2009.
4 Peter Whitbread resigned as the Chief Executive Officer on 27 March 2009 and was appointed to the position of the Director of International Development with effect from 1 May 2009.

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 on appointment should meet the independence criteria set out in Section 1 A.3.1 of the Code.

Nigel McCue is the Chief Executive Officer and Jonathan Silver is the Non-Executive Chairman. Jonathan Silver is employed by a firm that represents the Company as one of its legal advisers. Jonathan Silver was therefore not deemed independent on appointment as the Chairman of the Company. However, the Board and the Nomination Committee, considering his performance, experience and his detailed knowledge of the Company and the Middle East, 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.

Corporate Governance Report
(continued)

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. 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 Chief Executive Officer or Chief Financial Officer 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 pages 42 to 43. 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 fifteen 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. The Company encourages Directors to refresh their knowledge and skills and to keep up to date with the latest developments in corporate governance, financial reporting, the industry and market conditions. The Company reimburses any expenses incurred in this regard.

Major shareholders have had discussions with the Chairman and the Senior Independent Non-Executive Director Colin Goodall. All the Non-Executive Directors 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 Chairman, the Board, its members and the 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 effectiveness of the roles of the Chairman and Non-Executive Directors, Board procedures and administration, and the operation of the Board's Nominations, Audit and Remuneration Committees. The results were considered satisfactory by the Board.

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, Peter Whitbread and Richard Raynaut being the longest serving Directors, and making up the number nearest to one third of the Board, will retire at the forthcoming AGM. Peter Whitbread has decided to retire from the Company at that time and not offer himself for reappointment. Richard Raynaut, being eligible, offers himself for reappointment. The biographical details of Richard Raynaut, the Director proposed for re-election, can be found on page 33. The Chairman confirms that following formal performance evaluation, the performance of Richard Raynaut continues to be effective and that he demonstrates commitment to his role. The Board supports the re-election of the retiring Director, Richard Raynaut.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 46 to 55. The composition and working of the Remuneration Committee are explained under "Principal Board Committees" on page 43.

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. Except for the Terms of Reference of the Remuneration Committee which was amended to clarify the role of the Committee and to address requirements arising from changes to the management structure, the other Committee terms of references did not require any changes further to the annual review. 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. Richard Raynaut, the Chairman of the Audit Committee, has relevant and recent financial experience having retired from his position as Chief Financial Officer in 2004. Other members of the Audit Committee also have relevant financial experience.

Meetings of the Audit Committee are held not less than three times a year. The Chief

Corporate Governance Report

(continued)

Financial Officer 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 has designated the Chief Financial Officer as the Compliance Officer; employees also have access to the Audit Committee if the Compliance Officer has not dealt with their concerns satisfactorily.

The Company has adopted a code of conduct covering all employees including senior executives; the compliance with this code of conduct is monitored by the Human Resource department. The code of conduct includes amongst others, the prohibition of bribery and political donations.

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. 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.

On 14 September 2008 Brian Fredrick was appointed as a Non-Executive Director with a start date of 1 January 2009, based on the recommendation of the Nomination Committee. The selection process involved interviews with a number of candidates that 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, the Nomination Committee reviewed and accepted the job specification for the Chairman adopted by the Board in January 2009, 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) four times during the year and the attendance at its meetings is reported on page 39.

Remuneration Committee

The members of the Remuneration Committee are Brian Fredrick, who acts as Chairman, Colin Goodall and Richard Raynaut. Brian Fredrick took over the Chairmanship of the Committee from Richard Raynaut in June 2009. 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 Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, 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) five 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 pages 34 to 37.

Internal audit

The Audit Committee evaluated the performance of the internal audit function from the quality of reports received from Ernst & Young, the Group's internal auditors; feedback from management; and, an assessment of work planned and undertaken. During the year the Company has undertaken Internal Control Self Assessment in the absence of internal audit. In March 2010, as per the Company's long-term plan, an independent internal audit function has been set up within the organisation. Ravindra Dabir, the Company Secretary, has been appointed as the Vice President-Internal Audit and tasked with the objective of setting up and managing a fully fledged internal audit department.

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.

Corporate Governance Report
(continued)

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 pages 41 to 42.

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 a licence application in Thailand. 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 apply for the licence did not affect the objectivity, or the independence, of the external auditors.

Dialogue with institutional shareholders

The Chairman, the Senior Independent Non-Executive Director, the Chief Executive Officer and the Chief Financial Officer 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 2009 annual general meeting and all Directors intend to be present at the 2010 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 2009.

This past year has been a turbulent one for global markets and there have been significant challenges for us to meet during this difficult period. The fall in the oil price from the very high levels seen in 2008 combined with a lower demand for oil and the reduction of credit lines available to the industry has had a negative impact on both turnover and profit margins. The Company's executives have focused on the containment of costs and the management of our order book to ensure that resources remain available for continued growth and investment. It is pleasing that having come through this difficult period we have entered 2010 by signing a number of new contracts and we look forward to a better year in 2010.

The current economic outlook has continued to emphasise 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 monitoring and reviewing the Company's remuneration policy, the Remuneration Committee has taken into account general market conditions and input from major institutional shareholders, as well as to the challenges and opportunities facing the Company going forward.

The Remuneration Committee's intention is to provide packages for the Executive Directors that are appropriately balanced between base salary and bonuses; in last year's Remuneration Report, we committed to a further review of the balance between base pay and bonus. The principles continue to be that base salary should be competitive in the market; and that bonus should be linked to the achievement of predetermined and measurable targets for the Company overall and for personal performance.

The results of benchmarking exercises in 2009 indicated that the total remuneration of the Executive Directors was lower than that of the market as defined by a comparator group of 13 companies in oilfield services and oil and gas production. As stated in last year's report, the mix between base salary and bonus was significantly different.

The Remuneration Committee reviewed its remuneration policy in 2009 and agreed key principles which are set out on page 47. These remuneration principles provided the foundation for the arrangements in place this year, and will be the basis on which we will agree remuneration going forward.

The Remuneration Committee after taking account of the underlying performance of the Company, the direction given by the Executive Directors in driving key change initiatives across the Company and recognising the need to ensure that the remuneration of the Executives is better aligned with the strategy of the Company and competitive norms, has revised the base salaries of the CEO and CFO with effect from 1 January 2010. The results of these revisions are shown in the section on Base Salary below. It is the Committee's intention to benchmark these salaries again during 2010 either to validate that the new levels remain competitive or to determine what revisions may be required.

With regard to the variable components of pay:

- the multiplier for the Annual Bonus opportunity has been reduced from 1.75 to 1.00 in order to better align the pay mix of the Executive remuneration packages with current market practice;
- the quantum of the Annual Bonuses paid to Executive Directors for the year 2009 is shown on page 49;
- the Remuneration Committee, having considered advice from Mercer, (who have acted as independent compensation consultants), to apply Relative TSR as the performance measure for the PSP, has decided to maintain Earnings per Share growth as previously approved by shareholders; and,
- the quantum of the PSP awards to Executive Directors is shown on page 55.

Brian Fredrick
Remuneration Committee Chairman
26 March 2010

Introduction

This report and the recommendations of the Remuneration Committee have been approved by the Board and will be submitted to shareholders for approval at the 2010 AGM. This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and the Company applied the provisions of the Combined Code relating to remuneration throughout the year ended 31 December 2009.

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 ("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 ended 31 December 2009, the members of the Committee were Mr Fredrick (Chairman), Mr Raynaut and Mr Goodall. Mr Fredrick assumed the position of Chairman on 11 June 2009 from Mr Raynaut. 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 five times during 2009 with all members of the Committee at the date of each meeting in attendance.

Advisers to the Committee

Mercer was asked to undertake an Executive Benchmarking exercise in 2009 and provided proposals on how to adjust Executive Remuneration packages. Mercer also reviewed Lamprell's current PSP for Executives and made recommendations, which were not accepted by the Committee, for the application of TSR as a relative measure for this plan and for other changes to the terms of the plan.

Separately, Mercer also conducted an End of Service Gratuity Valuation under the provisions of the IFRS.

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 packages should be balanced between base salary and bonuses;
- base salary should be competitive;
- bonus should be linked to the achievement of predetermined and measurable targets for the Company and personal performance;
- Health and safety standards are of paramount importance and any accident which causes serious injury or a fatality that occurs in a facility operated by the Company or any subsidiary will be taken into consideration for the payments of any performance bonus; and,
- PSP shares shall align the interests of senior staff to shareholders.

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

During the year, the Company commissioned a review of the pay and benefits of all employees below Senior Management level in all its operations. The findings of that review and the resulting adjustments to compensation were taken into account by the Committee in its consideration of the remuneration of the Executive Directors, the Company Secretary and Vice Presidents for the year.

Mercer benchmarked Executive Directors' Total Remuneration and all its components against a group of comparator companies of a similar size and engaged in relevant activities:

- Hargreaves Services plc
- Wellstream Holdings plc
- Hunting plc
- Fortune Oil plc
- Gulfsands Petroleum plc
- Emerald Energy plc
- Afren plc
- Salamander Energy plc
- Melrose Resources plc
- Energy XXI (Bermuda) Limited
- JKX Oil & Gas plc
- Premier Oil plc
- Venture Production plc

As a secondary reference point, the Mercer study also had reference to the remuneration framework of the following UK-listed oil equipment and services sector companies:

- Petrofac Limited
- Rowan Companies Inc.
- Noble Corporation
- Transocean

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.

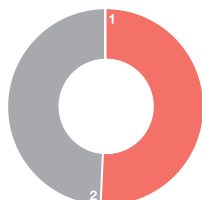
The table below summarises these elements and their key features:

Component	Quantum	Positioning against market	Purpose	Delivery	Other key features
Base salary	Varies by role and individual	Upper quartile	Provides the fixed element of the package	Monthly cash payment	Reviewed annually
Annual performance bonus plan	Individual maxima, with Executive Directors' capped at 100% of base salary	Market Median	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 in conditional share grants	Competitive	To motivate senior management and align interests with shareholders	Full-value shares following a three-year vesting period	Effectively replaced Executive Share Option Plan awards for Executive Directors

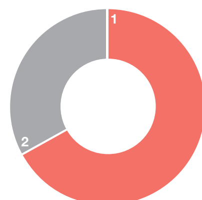
Each element is described in further detail in separate sections below and the Committee consider that all elements of the pay structure are of importance in supporting the Company's remuneration policy. The charts below illustrate the relative proportions of pay at risk (variable) and not at risk (fixed) at different levels of performance based on a projected value methodology.

Lamprell plc
Annual Report & Accounts 2009

On-target performance



Exceptional performance



1 Variable
2 Fixed

Exceptional performance will increase the variable part of the compensation package to more than 66% compared with around 50% for on target performance.

Elements of Remuneration

Base salary

Policy: upper quartile base salary to provide market competitive package following Mercer review

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. However, after a review of the overall package, especially in the light of a highly volatile market in 2009, the Committee decided to adjust the CEO and CFO basic salaries to be competitive at the upper quartile of the market, largely to recognise the following:

- The results of the benchmarking exercises undertaken by Deloitte L.L.P. (the Committee's previous advisors) in 2007 and 2008 had 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 through bonus significantly higher than the comparator group.
- The results of the benchmarking exercise undertaken by Mercer in 2009 came to similar conclusions to the exercises undertaken by Deloitte.
- The Committee considers that too high a level of pay which is "at risk" could lead to the loss of key Executive Directors in difficult economic circumstances when continuity is most important.
- Changes to the roles and responsibilities of Nigel McCue, who assumed the role of CEO from 1 May 2009, and Scott Doak, the CFO who 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 April 2009, and those that will apply from 1 January 2010:

Name	Position	Base salary from 1.4.2009	Base salary from 1.1.2010	% increase
Nigel McCue	Chief Executive Officer, former Chief Operating Officer	$415,500	$785,662	89%
Scott Doak	Chief Financial Officer	$354,393	$472,153	33%
Peter Whitbread	Former Chief Executive Officer	$378,000	$378,000	0%

Annual bonus

Policy: bonus to provide competitive total cash opportunity

The Executive Directors and senior management can 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.

In view of the Company's financial performance during 2009 the Committee has determined that no bonuses will be paid.

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 2010 should be as follows:

- the annual bonus opportunity will be capped at a maximum of 100% 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

Long-term incentives are provided to eligible employees under the provisions of three different share based plans;

- **The Lamprell plc Executive Share Option Plan**
  This plan provides for Options over Lamprell shares to be granted at market value to eligible employees. The Options will normally vest after three years and be exercisable up to the 10th anniversary of the date of grant.

- **The Lamprell plc Retention Share Plan**
  This plan provides for the conditional allocation of shares to eligible employees selected by the Board. Awards will normally vest and the shares be released, together with any accumulated dividends, if determined by the Board, two years after the date of grant.

- **The Lamprell plc 2008 Performance Share Plan**
  The main features of the PSP are that Awards over Lamprell shares can be made, on an annual basis, to Executive Directors and other key individuals. The 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.

The PSP is intended to be the Company's primary long-term incentive vehicle for Executive Directors and senior management. Executive Directors will not normally be granted Options under the Executive Share Option Plan or receive Awards under the Retention Share Plan. However, for retention purposes, Nigel McCue and Scott Doak were each granted Options in March 2009.

The Committee believes that the performance conditions for vesting of PSP awards 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.

First awards under the PSP will be made with respect to the year ended 31 December 2009 and their vesting 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.

Pension

Policy: in line with local market practice

Under employment law in the UAE, 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.

Lamprell plc Annual Report & Accounts 2009

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 2009 is shown in the table on page 53.

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 12 months.

Aspect of contract	Policy
Notice period on termination by the Company or the Executive Director	12 calendar months
Termination payment	Up to one times annual basic salary, plus benefits but excluding bonus. The Company may elect to pay sums in lieu of notice in three separate tranches: 50% within seven working days of the Termination Date; 25% three months after the Termination Date; and 25% six months after the Termination Date.
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 2009 Peter Whitbread received CAD$23,000; Nigel McCue received CAD$33,338 and £80,120; and Scott Doak received £10,400 in respect of these appointments.

Director	Current Directorships
Peter Whitbread	Granjan Holdings Jura Energy Corporation Mavignon Shipping Limited Nemmoco Petroleum Limited Lamprell West Africa Limited Lamprell Energy Oil and Gas Limited PJ Developments Limited Smartways Investments Limited
Nigel McCue	Dragon Oil plc Dragon (Holdings) Limited Dragon Oil (Turkmenistan) Limited Jura Energy Corporation Frontier Holdings Limited Frontier Acquisition Company Limited Mavignon Shipping Limited Nemmoco Petroleum Limited
Scott Doak	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 table below sets out the annual fees payable in respect of different roles and responsibilities:

Fee Category	£
Non-Executive Chairman	100,000
Senior Independent Director	75,000
Basic Member Fee	37,750
Committee Chair Fee (Excluding Nominations Committee)	7,000

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

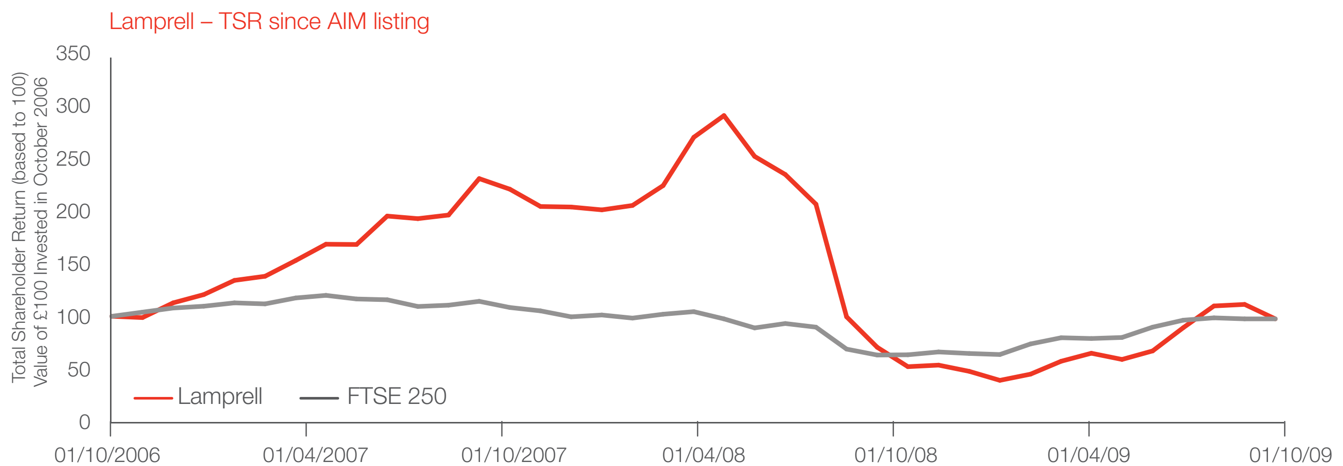
The Non-Executive Directors do not have service contracts, but instead have specific letters of appointment which are available upon request. Non-Executive Directors are appointed for an initial term of three years, terminable by either the Company or the Non-Executive Director at will. In normal circumstances, 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
Jonathan Silver	24 August 2007
Colin Goodall	14 September 2008
Richard Raynaut	7 July 2006
Brian Fredrick	14 September 2008

TSR performance graph

The following graph sets out the performance of the TSR of the Company relative to the Total Return of the FTSE Index of which the Company is a constituent, from the date the Company originally listed on the AIM (10 October 2006) to 31 December 2009. The graphs have been prepared in accordance with the Companies Act and are 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 Directors' remuneration for the current and prior year for comparison. No payments for loss of office were made during the year to 31 December 2009.

	Fees and salary	Allowance and other benefits	Annual Bonus	**Total 2009**	Total 2008
Executive Directors					
Peter Whitbread [a]	$373,501	$116,824	$666,667	**$1,156,992**	$3,219,646
Nigel McCue [b]	$386,625	$112,279	–	**$498,904**	$893,844
Scott Doak	$331,181	$145,025	–	**$476,206**	$937,751
David Moran [c]	–	$33,964	–	**$33,964**	$914,382
Total	$1,091,307	$408,092	$666,667	**$2,166,066**	$5,965,623
Non-Executive Directors					
Jonathan Silver	$139,208	–	–	**$139,208**	$67,602
Colin Goodall	$134,533	–	–	**$134,533**	$20,373
Richard Raynaut	$76,041	–	–	**$76,041**	$82,936
Brian Fredrick [d]	$66,368	–	–	**$66,368**	–
Nigel McCue	–	–	–	**–**	$30,426
Peter Birch [c]	$11,550	–	–	**$11,550**	$174,588
Total	$427,700	–	–	**$427,700**	$375,925

a) Peter Whitbread's bonus reflects the pro-rata equivalent of USD 2 million per annum in respect of an agreed payment to remain as the CEO during 2009 and until a new CEO was appointed. The intention had been for Peter Whitbread to step down from this role in April 2008, however, this did not occur until 1 May 2009.
b) Nigel McCue was appointed CEO with effect from 1 May 2009 and previously acted as a CEO from 16 May 2008.
c) David Moran and Peter Birch resigned from the Company on 2 November 2008 and 19 December 2008 respectively.
d) Brian Fredrick was appointed to the Board on 14 September 2008 with a start date of 1 January 2009.

Pension equivalents

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

	Total 2009	Total 2008
Executive Directors		
Peter Whitbread	**$53,629**	$99,659
Nigel McCue	**$14,688**	$9,967
Scott Doak	**$34,930**	$17,601
Total	**$103,247**	$127,227

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 2009 and 2008, 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% (2008: 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 5.75% (2008: 6%).

Directors' interests

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

	At 26 March 2010	**At 31 December 2009**	At 1 January 2009
Executive Directors			
Peter Whitbread	1,730,000	**1,730,000**	1,580,000
Nigel McCue	188,461	**188,461**	38,461
Scott Doak	130,725	**108,000**	8,000
Non-Executive Directors			
Jonathan Silver	–	**–**	–
Colin Goodall	6,000	**6,000**	6,000
Richard Raynaut	–	**–**	–
Brian Fredrick	–	**–**	–

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 AIM, 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 were satisfied with shares beneficially held by Steven Lamprell. The awards to the Executive Directors vested immediately on Admission, however, carried restrictions on how the shares could be disposed over the first two years following Admission. The table below sets out the interests of an Executive Director in the share options under the Lamprell Holdings Limited Share Option Plan, all of which were granted on 10 October 2006.

Executive Director	At 1 January 2009	Exercise period	Exercise price	Exercised in year	Lapsed in year	**At 31 December 2009**
Peter Whitbread	1,550,000	10.10.2008 – 10.10.2010	nil	nil	nil	**1,550,000**

Share awards

On 20 May 2008 and 10 January 2008 respectively, Nigel McCue and Scott Doak were granted conditional rights to receive shares at no cost. The earliest dates that the shares vest under the conditional rights are 20 May 2011 and 10 January 2010 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 Nigel McCue and Scott Doak in relation to their awards:

Executive Director	At 1 January 2009	Granted in year	Share price at grant	Date of vesting	Vested	**At 31 December 2009**
Nigel McCue	70,000	nil	£5.25	20.05.2011	nil	**70,000**
Scott Doak	22,275	nil	£4.36	10.01.2010	nil	**22,275**

The share award to Scott Doak vested on 10 January 2010. On vesting an amount of £2,688 was paid which is 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

On 31 March 2009 Nigel McCue and Scott Doak were granted options under the ESOP. 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. In addition, Scott Doak was also granted an option under the ESOP on 16 May 2007.

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

Executive Director	1 January 2009	Granted in year	Exercise price at grant	Date of vesting	Vested	At 31 December 2009
Nigel McCue	nil	275,000	£0.57	31.03.2012	nil	**275,000**
Scott Doak	nil	275,000	£0.57	31.03.2012	nil	**275,000**
Scott Doak	19,585	nil	£3.22	16.05.2010	nil	**19,585**

On vesting, the Options become exercisable and, subject to the rules of the ESOP, will remain exercisable until 31 March 2019 (being the 10th anniversary of the grant date) for shares granted on 31 March 2009 and exercisable until 16 May 2017 (being the 10th anniversary of the grant date) for shares granted on 16 May 2007. To the extent not exercised by those dates, the grants will lapse.

Performance share plan awards

For the year ended 31 December 2009, Nigel McCue and Scott Doak were granted share awards under the PSP. The earliest date that they will be entitled to receive the shares under the conditional rights is 15 April 2013. Receipt of the shares is conditional upon them satisfying the performance conditions related to the PSP.

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

Executive Director	31 December 2009	Awarded for 2009	Exercise price at grant	Date of vesting	Vested
Nigel McCue	nil	190,211	nil	15.04.2013	nil
Scott Doak	nil	97,163	nil	15.04.2013	nil

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. If the Company achieves outstanding earnings per share performance over the performance period then the full award will vest. If threshold levels of performance are achieved then 25% of the award will vest.

Share price information

On 31 December 2009, the closing price of a Lamprell plc ordinary share was 184.7 pence. The highest and lowest price of an ordinary share during 2009 was 226.2 pence and 57.25 pence respectively, based on the LSE 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:

Brian Fredrick
Chairman of the Remuneration Committee
26 March 2010

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 2009 and the consolidated statement of comprehensive income, 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.

We review whether the Corporate Governance Report reflects the Company's and Group's compliance with the nine provisions of the Combined Code (2008) 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 2009, 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 2009, 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; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931-2004.

PricewaterhouseCoopers
Douglas, Isle of Man
26 March 2010

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2009 USD'000	2008 USD'000
Revenue	5	**425,518**	740,831
Cost of sales	6	**(363,669)**	(611,528)
Gross profit		**61,849**	129,303
Selling and distribution expenses	7	**(1,322)**	(1,874)
General and administrative expenses:			
– share-based payments	8	**(1,941)**	(8,059)
– others	9	**(28,325)**	(38,539)
		(30,266)	(46,598)
Other (losses)/gains – net	12	**(2,358)**	1,631
Operating profit		**27,903**	82,462
Interest expense		**(925)**	–
Interest income		**1,445**	2,993
Profit for the year attributable to the equity holders of the Company		**28,423**	85,455
Other comprehensive income			
Currency translation differences		**145**	(47)
Total comprehensive income for the year attributable to the equity holders of the Company		**28,568**	85,408
Earnings per share attributable to the equity holders of the Company	13		
Basic		**14.28c**	42.73c
Diluted		**14.20c**	42.59c

The notes on pages 64 to 92 form an integral part of these financial statements.

Consolidated balance sheet

	Note	As at 31 December 2009 USD'000	2008 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**97,690**	92,354
Intangible asset	17	**1,310**	1,400
		99,000	93,754
Current assets			
Inventories	19	**43,060**	20,506
Trade and other receivables	20	**193,776**	289,812
Financial asset at fair value through profit or loss	21	**2,500**	–
Derivative financial instruments	15	**–**	50
Cash and bank balances	23	**67,842**	97,824
		307,178	408,192
Total assets		**406,178**	501,946
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	**18,682**	18,682
Legal reserve	25	**31**	29
Merger reserve	27	**(22,422)**	(22,422)
Translation reserve		**98**	(47)
Retained earnings		**238,401**	216,012
Total equity		**234,790**	212,254
Non-current liabilities			
Provision for employees' end of service benefits	28	**15,150**	14,329
Current liabilities			
Trade and other payables	29	**124,610**	263,439
Borrowings	30	**31,628**	11,924
		156,238	275,363
Total liabilities		**171,388**	289,692
Total equity and liabilities		**406,178**	501,946

The financial statements on pages 57 to 63 were approved and authorised for issue by the Board of Directors on 26 March 2010 and signed on its behalf by:

Nigel McCue
Chief Executive Officer and Director

Scott Doak
Chief Financial Officer and Director

The notes on pages 64 to 92 form an integral part of these financial statements.

Company balance sheet

	Note	As at 31 December 2009 USD'000	2008 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	18	**748,401**	746,779
Current assets			
Other receivables		**5**	30
Due from related parties	22	**19,193**	22,837
Cash at bank	23	**107**	125
		19,305	22,992
Total assets		**767,706**	769,771
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	**18,682**	18,682
Other reserve	26	**708,852**	708,852
Retained earnings		**39,018**	38,989
Total equity		**766,552**	766,523
Non-current liabilities			
Provision for employees' end of service benefits	28	**592**	758
Current liabilities			
Other payables and accruals		**562**	2,490
Total liabilities		**1,154**	3,248
Total equity and liabilities		**767,706**	769,771

The financial statements on pages 57 to 63 were approved and authorised for issue by the Board of Directors on 26 March 2010 and signed on its behalf by:

Nigel McCue
Chief Executive Officer and Director

Scott Doak
Chief Financial Officer and Director

The notes on pages 64 to 92 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Note	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 2008		18,654	24	(22,422)	–	162,506	158,762
Profit for the year		–	–	–	–	85,455	85,455
Other comprehensive income:							
Currency translation difference		–	–	–	(47)	–	(47)
Total comprehensive income for the year		–	–	–	(47)	85,455	85,408
Transactions with owners:							
Share-based payments:							
– shares issued	24	28	–	–	–	(28)	–
– value of services provided	8	–	–	–	–	8,059	8,059
Treasury shares purchased	24	–	–	–	–	(2,625)	(2,625)
Transfer to legal reserve	25	–	5	–	–	(5)	–
Dividends	11	–	–	–	–	(37,350)	(37,350)
Total transactions with owners		28	5	–	–	(31,949)	(31,916)
At 31 December 2008		18,682	29	(22,422)	(47)	216,012	212,254
Profit for the year		–	–	–	–	28,423	28,423
Other comprehensive income:							
Currency translation difference		–	–	–	145	–	145
Total comprehensive income for the year		–	–	–	145	28,423	28,568
Transactions with owners:							
Share-based payments:							
– value of services provided	8	–	–	–	–	1,941	1,941
Treasury shares purchased	24	–	–	–	–	(1,689)	(1,689)
Transfer to legal reserve	25	–	2	–	–	(2)	–
Dividends	11	–	–	–	–	(6,284)	(6,284)
Total transactions with owners		–	2	–	–	(6,034)	(6,032)
At 31 December 2009		18,682	31	(22,422)	98	238,401	234,790

The notes on pages 64 to 92 form an integral part of these financial statements.

Company statement of changes in equity

	Note	Share capital USD'000	Other reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2008		18,654	708,852	31,161	758,667
Total comprehensive income for the year	31	–	–	37,444	37,444
Transactions with owners:					
Share-based payments:					
– shares issued	24	28	–	(28)	–
– value of services provided	8	–	–	4,594	4,594
– investment in subsidiaries	8	–	–	3,465	3,465
Treasury shares issued	24	–	–	(297)	(297)
Dividends	11	–	–	(37,350)	(37,350)
Total transactions with owners		28	–	(29,616)	(29,588)
At 31 December 2008		18,682	708,852	38,989	766,523
Total comprehensive income for the year	31	–	–	6,579	6,579
Transactions with owners:					
Share-based payments:					
– value of services provided	8	–	–	319	319
– investment in subsidiaries	8	–	–	1,622	1,622
Treasury shares issued	24	–	–	(2,207)	(2,207)
Dividends	11	–	–	(6,284)	(6,284)
Total transactions with owners		–	–	(6,550)	(6,550)
At 31 December 2009		18,682	708,852	39,018	766,552

The notes on pages 64 to 92 form an integral part of these financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2009 USD'000	2008 USD'000
Operating activities			
Profit for the year		**28,423**	85,455
Adjustments for:			
Share-based payments – value of services provided	8	**1,941**	8,059
Depreciation	16	**13,186**	9,756
Amortisation of intangible asset	17	**90**	90
(Profit)/loss on disposal of property, plant and equipment	12	**(33)**	5
Fair value loss on financial asset at fair value through profit or loss	21	**2,500**	–
Unrealised fair value loss on derivative financial instruments		**–**	31
Provision for slow moving and obsolete inventories	19	**207**	195
Provision for impairment of trade receivables, net	14	**100**	2,741
Provision for employees' end of service benefits	28	**3,173**	5,300
Interest expense		**925**	–
Interest income		**(1,445)**	(2,993)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**49,067**	108,639
Payment of employees' end of service benefits	28	**(2,352)**	(711)
Changes in working capital:			
Inventories before movement in provision	19	**(22,761)**	(13,996)
Trade and other receivables before movement in provision for impairment of trade receivables	20	**95,936**	(142,603)
Trade and other payables excluding unpaid dividend	29	**(138,854)**	66,112
Derivative financial instruments		**50**	883
Financial asset at fair value through profit or loss before fair value adjustment	21	**(5,000)**	–
Net cash (used in)/generated from operating activities		**(23,914)**	18,324
Investing activities			
Payments for property, plant and equipment	16	**(18,483)**	(54,444)
Proceeds from sale of property, plant and equipment		**92**	95
Interest income		**1,445**	2,993
Deposit with original maturity of more than three months	23	**(3,847)**	–
Movement in margin deposits	23	**695**	3,456
Net cash used in investing activities		**(20,098)**	(47,900)
Financing activities			
Treasury shares purchased	24	**(1,689)**	(2,625)
Dividends paid	11	**(6,259)**	(37,484)
Borrowings – revolving facility	30	**11,854**	10,693
Interest expense		**(925)**	–
Net cash generated from/(used in) financing activities		**2,981**	(29,416)
Net decrease in cash and cash equivalents		**(41,031)**	(58,992)
Cash and cash equivalents, beginning of the year		**90,225**	149,264
Exchange rate translation		**47**	(47)
Cash and cash equivalents, end of the year	23	**49,241**	90,225

The notes on pages 64 to 92 form an integral part of these financial statements.

Company cash flow statement

	Note	Year ended 31 December 2009 USD'000	2008 USD'000
Operating activities			
Profit for the year		**6,579**	37,444
Adjustments for:			
Share-based payments – value of services provided	8	**319**	4,594
Provision for employees' end of service benefits	28	**103**	207
Dividends received from LEL		**(6,284)**	(37,350)
Interest income		**–**	(2)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**717**	4,893
Payment of employees' end of service benefits	28	**(269)**	–
Changes in working capital:			
Other receivables		**25**	29
Other payables and accruals		**(1,928)**	2,490
Due from related parties	22	**3,644**	(7,039)
Net cash generated from operating activities		**2,189**	373
Investing activities			
Dividends received from LEL		**6,284**	37,350
Interest income		–	2
Net cash generated from investing activities		**6,284**	37,352
Financing activities			
Treasury shares issued	24	**(2,207)**	(297)
Dividends paid	11	**(6,284)**	(37,350)
Net cash used in financing activities		**(8,491)**	(37,647)
Net (decrease)/increase in cash and cash equivalents		**(18)**	78
Cash and cash equivalents, beginning of the year		**125**	47
Cash and cash equivalents, end of the year	23	**107**	125

The notes on pages 64 to 92 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2009

1 Legal status and activities

Lamprell plc 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 (Note 27). The Company was admitted to the 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 33455, Dubai, UAE.

The principal activities of the Company and its subsidiaries 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; and oilfield engineering services, including the upgrade and refurbishment of land rigs.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	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	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 22).

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

\+ A UAE 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, two 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 ("EU"), IFRIC 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 policies below.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

IAS 1 (revised), 'Presentation of Financial Statements'. The revised standard prohibits 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" are required to be shown in a performance statement. 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). The Group has elected to present one performance statement: a consolidated statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

IAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009). In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23 (Revised), 'Borrowing Costs' in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

IAS 39 and IFRS 7 (Amendments) – 'Reclassification of Financial Assets' (effective from 1 January 2009). The amendment allows for the reclassification of certain financial assets previously classified as "held-for-trading" or "available-for-sale" to another financial asset category under limited circumstances. Various disclosures are required where a reclassification has been made. The application of the new amendment does not have any material impact on the Group financial statements.

IFRS 2 (Amendment), 'Share-Based Payment'. 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 has applied the amendment and it had no material impact on the Group financial statements.

IFRS 7 'Financial Instruments – Disclosures' (Amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8, 'Operating Segments'. IFRS 8 replaces *IAS 14, 'Segment Reporting'*. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors who make strategic decisions. Note 5 provides further details and disclosures relating to segment reporting.

Improvements to IFRSs. The 'Improvements to IFRSs' represents a number of non-urgent changes in standards, basis of conclusions and guidance. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. These changes have not had a material impact for the Group.

(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 2010 or later periods, but the Group has not early adopted them:

Amendment to IAS 24 – 'Related Party Disclosures' (effective from 1 January 2011). This amendment is subject to EU endorsement. The amendment simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The Group will adopt the amendment from 1 January 2011, subject to EU endorsement.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards and amendments that are not yet effective and have not been early adopted by the Group (continued)
IFRS 3 (revised), 'Business Combinations' (effective from 1 July 2009). 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 remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree 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 9, 'Financial Instruments' (effective from 1 January 2013). The new standard is still subject to EU endorsement. The new standard addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 removes the cost exemption for unquoted equities. The Group will apply IFRS 9 from 1 January 2013, subject to EU endorsement.

Improvements to IFRSs, (effective for financial periods beginning on various dates). The International Accounting Standards Board has issued the "Improvements to IFRSs 2009" standard which amends 10 standards, basis of conclusions and guidance, and two interpretations based on the exposure drafts issued in October 2007 and August 2008. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. The Improvements are subject to EU endorsement. The Group has reviewed the "Improvements to IFRSs", subject to EU endorsement, and anticipates that these will not have a material impact for the Group.

(c) Standards, amendments and interpretations to existing standards that are effective but currently not relevant to the Group
The following standards, amendments and interpretations 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 not relevant to the Group:

IAS 32 (Amendment), 'Financial Instruments: Presentation', and IAS 1 (Amendment), 'Presentation of Financial Statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The new amendment is currently not applicable to the Group.

IFRIC 9 and IAS 39 (Amendments) – 'Embedded Derivatives' (effective from 1 January 2009). The amendments extend the circumstances in which reassessment of whether an embedded derivative is required to be separated from a host contract and accounted for as a derivative and whether a reclassification out of the "fair value through profit and loss" category is permitted. The new amendments are currently not applicable to the Group.

IFRS 1 (Amendment) 'First Time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements' (effective from 1 January 2009). The amended IFRS 1 allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not applicable to the Group as it has already adopted IFRS.

IFRIC 13, 'Customer Loyalty Programmes' (effective from 1 January 2009). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

IFRIC 15, 'Agreements for Construction of Real Estate' (effective from 1 January 2009). The interpretation clarifies whether *IAS 18, 'Revenue',* or *IAS 11, 'Construction Contracts'* should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Group's operation as the Group is not in the business of construction of real estate.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are effective but currently not relevant to the Group (continued)

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from 1 January 2009). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of *IAS 21, 'The effects of changes in foreign exchange rates'*, do apply to the hedged item. The interpretation is currently not applicable to the Group.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group

IAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill on acquisitions from non-controlling interests or gains and losses on disposals to non-controlling interests. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. The revision is currently not applicable to the Group, as there are no non-controlling interests.

Amendment to IAS 32 – 'Classification of Rights Issues' (effective from 1 February 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is currently not applicable to the Group.

IAS 39 (Amendment) – Eligible hedged items, 'Financial Instruments: Recognition and Measurement' (effective from 1 July 2009). This amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portions of cash flows is eligible for designation as a hedged item or items should be applied. The amendment is currently not applicable to the Group.

IFRS 1 (Revised), 'First-Time Adoption of International Financial Reporting Standards' (effective from 1 July 2009). The current IFRS 1 has been amended many times to accommodate first time adoption requirements of new and amended IFRSs, resulting in a more complex and less clear standard. This revised version retains the substance of the original standard but with a changed structure. The revised IFRS 1 is not applicable to the Group as it has already adopted IFRS.

Amendments to IFRS 1 – 'Additional Exemptions for First-Time Adopters' (effective from 1 January 2010). The amendment is subject to EU endorsement. The amendment introduces additional exemptions for entities that are transitioning to IFRS. The amendment is not applicable to the Group as it has already adopted IFRS.

IFRS 2 (Amendment) – 'Group Cash-Settled Share-Based Payment Transactions' (effective from 1 January 2010). The amendment is still subject to EU endorsement. The amendment clarifies the scope and the accounting for Group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendment also incorporates the guidance contained in IFRIC 8 and IFRIC 11. As a result the IFRIC 8 and IFRIC 11 have been withdrawn. The amendment is currently not applicable to the Group as the Group does not have any cash-settled share-based payment transactions.

Amendment to IFRIC 14, 'Prepayments of a Minimum Funding Requirement' (effective for financial periods beginning on or after 1 January 2012). The amendment is still subject to EU endorsement. The amendment removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The interpretation is currently not applicable to the Group.

IFRIC 17, 'Distributions of Non-Cash Assets to Owners' (effective from 1 July 2009). This interpretation applies to transactions in which an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The IFRIC also clarifies when an entity should recognise a dividend payable, i.e. when the dividend is appropriately authorised and no longer at the discretion of the entity. The interpretation is currently not applicable to the Group.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group (continued)

IFRIC 18, 'Transfers of Assets from Customers' (effective from 1 July 2009). This interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment (or an amount of cash which must be used to construct or acquire an item of property, plant and equipment) that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or do both. The interpretation is currently not applicable to the Group.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1 July 2010). IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The Interpretation is still subject to EU endorsement. The interpretation is currently not applicable to the Group.

2.2 Revenue recognition

(a) Contract revenue

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

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.

(b) Inspection services

Revenue from inspection services is recognised when the services have been rendered; the customer has accepted the service and the collectability of the related receivable are reasonably assured.

(c) Interest income

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

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.

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

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 consolidated statement of comprehensive income.

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

2.4 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 consolidated statement of comprehensive income.

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity.

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

2 Summary of significant accounting policies (continued)

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	3–10
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 consolidated statement of comprehensive income 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).

2.8 Inventories

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

2.9 Trade receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

2.10 Trade payables

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

2 Summary of significant accounting policies (continued)

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 consolidated statement of comprehensive income 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.

2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense.

2.16 Dividend distribution

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

2.17 Segment reporting

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

2 Summary of significant accounting policies (continued)

2.18 Taxation

The Company, which is incorporated in the Isle of Man is taxable at 0% in the Isle of Man.

The Group is subject to income tax in respect of its operations through LAL in Thailand which was incorporated in May 2008. However, LAL has been granted the 'Investment promotion certificate' (effective 25 November 2008) which exempts LAL from Corporate Income Tax on net profit derived from the promoted activity for a period of eight years.

The Group is not currently subject to income tax in respect of its operations carried out in the UAE.

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 consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables (Note 2.9), other receivables (excluding prepayments) and cash and cash equivalents (Note 2.14) in the Group balance sheet and amounts due from related parties (Note 22) and cash at bank (Note 23) in the Company balance sheet.

Loans and receivables are initially measured at fair value plus transaction costs and subsequently carried at amortised cost less provision for impairment. The amortised cost is computed using the effective interest method.

Loans and receivables are derecognised when the rights to receive cash flows from the counterparty have expired or have been transferred and the Group has transferred substantially all risks and rewards of the ownership.

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 consolidated statement of comprehensive income.

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 Summary of significant accounting policies (continued)

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 consolidated statement of comprehensive income 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 interest rate risk), credit risk and liquidity risk. These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The Group's liquidity and market risks are managed as part of the Group's treasury activities. Treasury operations are conducted within a framework of established policies and procedures.

(a) Market risk – foreign exchange risk

The Group does not have any significant foreign currency exposure, as the majority of the revenue and purchases are denominated in US Dollars or UAE Dirhams which is pegged to the US Dollar.

(b) Market risk – cash f ow interest rate risk

The Group holds its surplus funds in short-term bank deposits. During the year ended 31 December 2009, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 293,000 (2008: USD 549,000).

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.

(c) Credit risk

The Group's exposure to credit risk is detailed in Notes 15, 20 and 23. 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 2009, the Group had a significant concentration of credit risk with nine of its largest customer balances accounting for 82% (2008: 85%) 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.

3 Financial risk management (continued)
3.1 Financial risk factors (continued)
(c) Credit risk (continued)

The table below shows the rating and balance of the 13 major counterparties at the balance sheet date.

	2009		2008	
Counterparty	External rating+	USD'000	External rating+	USD'000
Bank A	**AA+**	**5,281**	AA	29,821
Bank B	**A+**	**5,153**	AA–	61,454
Bank C	**A+**	**734**	A+	4,756
Bank D	**A**	**56,283**	A	1,592
		67,451		97,623

+ Based on Standard & Poor's/Fitch long-term ratings.

	2009		2008	
	Internal rating++	USD'000	Internal rating++	USD'000
Customer 1	**Group A**	**60,000**	Group B	70,666
Customer 2	**Group A**	**11,535**	Group B	8,480
Customer 3	**Group C**	**6,247**	Group A	4,662
Customer 4	**Group B**	**5,189**	Group A	4,303
Customer 5	**Group C**	**3,459**	Group C	3,284
Customer 6	**Group B**	**3,330**	Group B	3,116
Customer 7	**Group A**	**3,283**	Group C	3,090
Customer 8	**Group B**	**3,078**	Group B	2,773
Customer 9	**Group C**	**2,773**	Group A	2,678
		98,894		103,052

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

The above counterparties in 2009 are not necessarily the same counterparties in 2008.

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 2009 and 31 December 2008 which has been fully provided for.

(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 and borrowings. All contractual commitments for financial liabilities are due within 12 months from the balance sheet date.

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.

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

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 4.7 million (2008: USD 14 million) if the total costs to completion are decreased by 10% and the revenue and profit decreasing by USD 4.4 million (2008: USD 12.9 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 AA-rated corporate bond market as a proxy. On this basis, the discount rate applied was 5.75% (2008: 6%). If the discount rate used was to differ by 0.5 points from management's estimates, the carrying amount of the employee's end of the service benefits provision at the balance sheet date would be an estimated USD 0.5 million (2008: USD 0.4 million) lower or USD 0.5 million (2008: USD 0.6 million) higher.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors who make strategic decisions. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business mainly on the basis of the facilities from where the services are rendered. Management considers the performance of the business from Sharjah ("SHJ"), Hamriyah ("HAM"), Jebel Ali ("JBA") and Thailand ("THL") in addition to the performance of Oil Field Engineering ("OFE") and Inspec.

SHJ, HAM, JBA and OFE meet all the aggregation criteria required by IFRS 8 and are reported as a single segment (Segment A). Services provided from Inspec and THL do not meet the quantitative thresholds required by IFRS 8, and the results of these operations are included in the "all other segments" column.

The reportable operating segments derive their revenue from the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, including FPSO and other offshore and onshore structures, oilfield engineering services, including the upgrade and refurbishment of land rigs.

Inspec derives its revenue from various services such as non-destructive pipeline testing, ultrasonic testing and heat treatment. THL derives its revenue from the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector and other offshore structures.

5 Segment information (continued)

	Segment A USD'000	All other segments USD'000	Total USD'000
Year ended 31 December 2009			
Total segment revenue	406,425	20,232	426,657
Inter-segment revenue	–	(1,139)	(1,139)
Revenue from external customers	406,425	19,093	425,518
Gross operating profit	75,973	5,927	81,900
Year ended 31 December 2008			
Total segment revenue	728,734	14,477	743,211
Inter-segment revenue	(933)	(1,447)	(2,380)
Revenue from external customers	727,801	13,030	740,831
Gross operating profit	159,700	4,239	163,939

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

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

	2009 USD'000	2008 USD'000
Gross operating profit for the reportable segments as reported to the Executive Directors	**75,973**	159,700
Gross operating profit for other segments as reported to the Executive Directors	**5,927**	4,239
Unallocated:		
Under-absorbed employee and equipment costs	**(9,913)**	(16,379)
Repairs and maintenance	**(4,494)**	(8,668)
Yard rent	**(3,343)**	(1,268)
Others	**(2,301)**	(8,321)
Gross profit	**61,849**	129,303
Selling and distribution expenses	**(1,322)**	(1,874)
General and administrative expenses	**(30,266)**	(46,598)
Other (losses)/gains – net	**(2,358)**	1,631
Interest expense	**(925)**	–
Interest income	**1,445**	2,993
Profit for the year	**28,423**	85,455

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

Breakdown of the revenue from all the services is as follows:

	2009 USD'000	2008 USD'000
New build activities	**226,461**	385,589
Upgrade and refurbishment activities	**146,235**	250,995
Offshore construction	**37,921**	91,217
Other services	**14,901**	13,030
	425,518	740,831

The entity is domiciled in the UAE. The total revenue from external customers in respect of services performed in the UAE is USD 404 million (2008: USD 741 million), and the total revenue from external customers from other countries is USD 22 million (2008: USD Nil).

5 Segment information (continued)

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

	2009 USD'000	2008 USD'000
External customer A	**118,128**	184,058
External customer B	**63,207**	168,681
External customer C	**47,196**	–
	228,531	352,739

The revenue from these customers is attributable to Segment A. The above customers in 2009 are not necessarily the same customers in 2008.

6 Cost of sales

	2009 USD'000	2008 USD'000
Materials and related costs	**125,257**	254,969
Staff costs (Note 10)	**92,719**	100,507
Sub-contract costs	**91,460**	162,126
Sub-contract labour	**13,375**	36,326
Depreciation (Note 16)	**9,238**	6,891
Equipment hire	**6,882**	16,502
Repairs and maintenance	**5,085**	9,134
Yard rent	**3,425**	1,307
Others	**16,228**	23,766
	363,669	611,528

7 Selling and distribution expenses

	2009 USD'000	2008 USD'000
Advertisement and marketing	**592**	512
Entertainment	**171**	172
Travel	**376**	802
Others	**183**	388
	1,322	1,874

8 General and administrative expenses – share-based payments

	2009 USD'000	2008 USD'000
Proportionate amount of share based charge for the year:		
– relating to shares gifted/granted in 2006	**–**	5,301
– relating to deferred share award in 2006	**–**	1,331
– relating to free share plan	**1,791**	1,337
– relating to executive share option plan	**150**	90
	1,941	8,059

Shares gifted/granted in 2006

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 was conditional upon the continued employment of the Director/management personnel concerned and these shares 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 2008, a charge of USD 5.3 million was recognised in the consolidated statement of comprehensive income with a corresponding credit to the consolidated Retained earnings. This included a charge recognised in the statement of comprehensive income of the Company with a corresponding credit to Retained earnings of USD 3.1 million.

8 General and administrative expenses – share-based payments (continued)

Deferred share award in 2006

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 the 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 ended 31 December 2007, 2008 and 2009. The performance target related 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 24). 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. Accordingly, in 2008, the Group and Company each recognised a charge of USD 1.3 million in the statement of comprehensive income with the corresponding credit to Retained earnings.

Free share plan

The Company awarded shares to selected Directors, key management personnel and employees under the free share plan that provides an entitlement to receive these shares at no cost. These free shares are conditional on the Directors/key management personnel/employee completing a specified period of service (the vesting period). The award does not have any performance conditions and does not entitle participants to dividend equivalents during the vesting period (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:

Grant date	Number of shares	Vesting period	Fair value per share	Expected withdrawal rate
2007				
16 May 2007	99,365	18 months	£3.16	5%
2008				
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%
	318,258			
2009				
22 January 2009	600,000	24 months	£0.89	5%
15 April 2009	763,052	18 months	£0.94	5%
	1,363,052			

In addition, 18,241 shares which vested immediately were issued to an employee during the year following his resignation as he was considered a "good leaver".

Accordingly, a charge of USD 1,791,000 (2008: USD 1,337,000) is recognised in the consolidated statement of comprehensive income for the year with a corresponding credit to the consolidated Retained earnings. This includes a charge recognised in the statement of comprehensive income of the Company with a corresponding credit to Retained earnings of USD 0.2 million (2008: USD 0.2 million).

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

8 General and administrative expenses – share-based payments (continued)

Free share plan (continued)

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 2008	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)
Shares expected to vest in future periods at 31 December 2008	870,717
Shares gifted under free share plan	1,381,293
Shares relating to dividend entitlement on deferred share award	24,385
Shares vested and issued out of treasury shares	(724,251)
Shares lapsed during the year due to non satisfaction of vesting conditions	(34,996)
Shares expected to vest in future periods at 31 December 2009	1,517,148

The shares are expected to vest as follows:

	Number of shares	
Year	**2009**	2008
2009	**–**	694,320
2010	**847,148**	106,397
2011	**670,000**	70,000
	1,517,148	870,717

Executive share option plan

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

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

	Average exercise price in £ per share	Options	Vesting date	Expiry date
At 1 January 2008 and 2009	3.22	105,369	16 May 2010	16 May 2017
Granted in 2009	0.57	550,000	31 March 2012	31 March 2019
Forfeited in 2009	3.22	(19,585)		
At 31 December 2009	0.93	635,784		

The weighted average fair value of options granted during the year determined using a binomial valuation model was £0.28 per option. The significant inputs into the model were an average share price for a period of one year immediately preceding the grant date of £2.91, an exercise price of £ 0.57, volatility of 50%, dividend yield of 3.31%, an expected option term of 10 years, an annual risk-free interest rate of 3.28% and a withdrawal rate of 5% per annum. The risk free rate is derived from the yield on UK Government Bonds as detailed by the Bank of England, using a 10 year maturity in line with the life of the option. The volatility assumption is based on an analysis of the historic daily share price volatility of the Company since its listing date, capped at 50%. A charge of USD 150,000 (2008: USD 90,000) is recognised in the consolidated statement of comprehensive income for the year with a corresponding credit to the consolidated Retained earnings. This includes a charge recognised in the statement of comprehensive income of the Company with a corresponding credit to Retained earnings of USD 73,000 (2008: USD 17,000).

9 General and administrative expenses – others

	2009 USD'000	2008 USD'000
Staff costs (Note 10)	**15,977**	21,312
Utilities and communication	**2,409**	2,348
Depreciation (Note 16)	**3,948**	2,865
Others	**5,991**	12,014
	28,325	38,539

Other expenses for the prior year included an amount of 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 a provision for doubtful debts of USD 2.8 million (Notes 14 and 20).

10 Staff costs

	2009 USD'000	2008 USD'000
Wages and salaries	**59,647**	73,631
Employees' end of service benefits (Note 28)	**3,173**	5,300
Share based payments – value of services provided (Note 8)	**1,941**	8,059
Other benefits	**45,876**	42,888
	110,637	129,878
Staff costs are included in:		
Cost of sales (Note 6)	**92,719**	100,507
General and administrative expenses – share based payments (Note 8)	**1,941**	8,059
General and administrative expenses – others (Note 9)	**15,977**	21,312
	110,637	129,878
Number of employees at 31 December	**4,515**	5,447

Directors' remuneration comprises:

	Salary 2009 USD'000	Fees 2009 USD'000	Allowances & benefits 2009 USD'000	Bonus 2009 USD'000	Share based payments – value of services provided 2009 USD'000	Post employment benefits 2009 USD'000	Total 2009 USD'000	Total 2008 USD'000
Executive Directors								
Nigel McCue*	**387**	**–**	**112**	**–**	**204**	**14**	**717**	1,013
Peter Whitbread**	**373**	**–**	**117**	**667**	**–**	**54**	**1,211**	5,256
Scott Doak	**331**	**–**	**145**	**–**	**115**	**35**	**626**	1,048
David Moran***	**–**	**–**	**34**	**–**	**–**	**–**	**34**	3,510
Non-Executive Directors								
Jonathan Silver^	**–**	**139**	**–**	**–**	**–**	**–**	**139**	68
Colin Goodall^^	**–**	**135**	**–**	**–**	**–**	**–**	**135**	20
Richard Raynaut	**–**	**76**	**–**	**–**	**–**	**–**	**76**	83
Brian Fredrick^^^	**–**	**66**	**–**	**–**	**–**	**–**	**66**	–
Peter Birch+	**–**	**12**	**–**	**–**	**–**	**–**	**12**	175
Nigel McCue*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	30
	1,091	**428**	**408**	**667**	**319**	**103**	**3,016**	11,203

* Appointed as Chief Executive Officer on 1 May 2009 and served as Chief Operating Officer with effect from 16 May 2008 following resignation as a Non–Executive Director.
** Appointed as Director of International Development on 1 May 2009 and served as Chief Executive Officer until 1 May 2009.
*** 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.
^ Appointed as Chairman of the Company on 27 March 2009 and has served as a Non-Executive Director since 24 August 2007.
^^ Appointed as a Non-Executive Director on 14 September 2008.
^^^ Appointed as a Non-Executive Director on 1 January 2009.
+ Appointed as a Non-Executive Director on 7 July 2006 and resigned with effect from 19 December 2008.

10 Staff costs (continued)

The emoluments of the highest paid Director were USD 1.2 million (2008: USD 5.3 million) and these principally comprised salary, benefits and bonus (and share based payments in 2008). The bonus of USD 0.7 million was paid in respect of an agreement to remain as the Group's Chief Executive Officer.

11 Dividends

During the year (on 27 March 2009), the Board of Directors of the Company approved dividends of USD 6.3 million (US cents 3.15 per share) relating to 2008. At 31 December 2009, the unpaid dividend amounted to USD 34,000 (Note 29).

During 2008, (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, unpaid dividends amounted to USD 9,000 (Note 29).

12 Other (losses)/gains – net

	2009 USD'000	2008 USD'000
Fair value loss on financial asset at fair value through profit or loss (Note 21)	**(2,500)**	–
Fair value gain on derivative financial instruments (net)	**–**	192
Profit/(loss) on disposal of property, plant and equipment	**33**	(5)
Insurance reimbursement for damages to property, plant and equipment and inventory	**–**	833
Others	**109**	611
	(2,358)	1,631

13 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (Notes 8 and 24).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the free share awards, options under executive share option plan and deferred share award, 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.

	2009 USD'000	2008 USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the year	**28,423**	85,455
Weighted average number of shares for basic earnings per share	**199,105,090**	200,010,565
Adjustments for:		
Assumed exercise of free share awards	**843,477**	75,778
Assumed exercise of options under the executive share option plan	**199,030**	–
Assumed vesting of deferred share awards	**–**	576,844
Weighted average number of shares for diluted earnings per share	**200,147,597**	200,663,187
Earnings per share:		
Basic	**14.28c**	42.73c
Diluted	**14.20c**	42.59c

14 Operating profit

Operating profit is stated after charging:

	2009 USD'000	2008 USD'000
Depreciation	**13,186**	9,756
Auditor's remuneration – audit services	**419**	419
Auditor's remuneration – non-audit services readmission to the LSE	**–**	677
Auditor's remuneration – taxation and other services	**21**	37
Operating lease rentals – land and buildings	**18,849**	9,988
Provision for impairment of trade receivables	**101**	2,778
Release of provision for impairment of trade receivables (Note 20)	**(1)**	(37)
	100	2,741

15 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 or loss USD'000	Total USD'000
31 December 2009			
Financial assets at fair value through profit or loss	**–**	**2,500**	**2,500**
Trade receivables	**118,204**	**–**	**118,204**
Other receivables excluding prepayments	**4,193**	**–**	**4,193**
Cash and bank balances	**67,842**	**–**	**67,842**
Total	**190,239**	**2,500**	**192,739**

	Loans and receivables USD'000	Assets at fair value through profit or loss USD'000	Total USD'000
31 December 2008			
Derivative financial instruments	–	50	50
Trade receivables	117,729	–	117,729
Other receivables excluding prepayments	4,381	–	4,381
Cash and bank balances	97,824	–	97,824
Total	219,934	50	219,984

Derivative financial instruments in 2008 represents an embedded derivative arising in respect of a sale contract (Note 2.20).

	Liabilities at amortised cost	
	2009 USD'000	2008 USD'000
Trade payables	**53,035**	83,778
Other payables and accruals	**51,358**	105,552
Borrowings	**31,628**	11,924
Total	**136,021**	201,254

15 Financial instruments by category (continued)

Company

	Loans and receivables	
	2009 USD'000	2008 USD'000
Cash at bank	**107**	125
Due from related parties	**19,193**	22,837
Total	**19,300**	22,962

	Liabilities at amortised cost	
	2009 USD'000	2008 USD'000
Other payables and accruals	**562**	2,490

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:

	2009 USD'000	2008 USD'000
Trade receivables		
Group A	**79,547**	6,648
Group B	**10,557**	15,706
Group C	**4,621**	4,116
	94,725	26,470
Derivative financial assets		
Group A	**–**	50

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.

	2009 USD'000	2008 USD'000
Cash at bank and short-term bank deposits		
Standard & Poor/Fitch ratings		
AA+	**5,281**	–
AA	**–**	29,821
AA-	**41**	61,470
A+	**5,887**	4,756
A	**56,283**	1,592
A–	**–**	7
BBB	**208**	–
	67,700	97,646
Cash in hand	**142**	178
Cash at bank and on hand	**67,842**	97,824

15 Financial instruments by category (continued)

Company

	2009 USD'000	2008 USD'000
Due from related parties	**19,193**	22,837

Due from related parties is neither past due nor impaired.

	2009 USD'000	2008 USD'000
Cash at bank		
Standard & Poor ratings		
AA–	**–**	125
A	**107**	–
	107	125

16 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 2008	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
Additions	501	2,872	929	233	13,948	18,483
Exchange difference	6	27	25	–	41	99
Transfers	1,334	1,796	56	–	(3,186)	–
Disposals	–	(677)	(126)	(145)	–	(948)
At 31 December 2009	21,179	71,729	9,720	3,928	38,534	145,090
Depreciation						
At 1 January 2008	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
Charge for the year	1,499	9,244	1,758	685	–	13,186
Exchange difference	–	1	–	–	–	1
Disposals	–	(633)	(126)	(130)	–	(889)
At 31 December 2009	7,884	30,766	6,737	2,013	–	47,400
Net book amount						
At 31 December 2009	13,295	40,963	2,983	1,915	38,534	97,690
At 31 December 2008	12,953	45,557	3,731	2,382	27,731	92,354

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

A depreciation expense of USD 9,238,000 (2008: USD 6,891,000) has been charged to cost of sales and USD 3,948,000 (2008: USD 2,865,000) to general and administrative expenses – others (Notes 6 and 9).

17 Intangible asset

The intangible asset represents a favourable operating leasehold right acquired upon the acquisition of JIL and LE FZCo in 2007. The value of the intangible asset has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease term (17 years).

	USD'000
Cost	
At 1 January 2008, 31 December 2008 and 31 December 2009	1,534
Amortisation	
At 1 January 2008	44
Charge for the year	90
At 31 December 2008	134
Charge for the year	90
At 31 December 2009	224
Net book amount	
At 31 December 2009	1,310
At 31 December 2008	1,400

18 Investment in subsidiaries

	2009 USD'000	2008 USD'000
Balance at 1 January	**746,779**	743,314
Effect of share-based payments to employees of subsidiaries under IFRIC 11	**1,622**	3,465
	748,401	746,779

The Company granted free shares/share options to employees of its subsidiaries under various plans (Note 8). These shares and options have a vesting period of 18 to 36 months. Accordingly, the proportionate share-based charge for the year of USD 1.6 million (2008: USD 3.5 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to Retained earnings.

19 Inventories

	2009 USD'000	2008 USD'000
Raw materials and consumables	**43,809**	11,494
Goods in transit	**–**	9,554
Less: Provision for slow moving and obsolete inventories	**(749)**	(542)
	43,060	20,506

The cost of inventories recognised as an expense and included in contract costs amounted to USD 14.8 million (2008: USD 22.4 million). In the opinion of the Directors, the replacement cost of the inventories does not differ significantly from its carrying value.

20 Trade and other receivables

	2009 USD'000	2008 USD'000
Trade receivables	**120,999**	120,517
Other receivables and prepayments	**10,715**	16,385
Advances to suppliers	**4,492**	22,239
	136,206	159,141
Less: Provision for impairment of trade receivables	**(2,795)**	(2,788)
	133,411	156,353
Amounts due from customers on contracts	**16,389**	103,846
Contract work in progress (Note 2.2)	**43,976**	29,613
	193,776	289,812

20 Trade and other receivables (continued)

Amounts due from customers on contracts comprise:

	2009 USD'000	2008 USD'000
Costs incurred to date	**209,337**	426,803
Attributable profits	**53,601**	112,237
	262,938	539,040
Less: Progress billings	**(246,549)**	(435,194)
	16,389	103,846

An analysis of trade receivables is as follows:

	2009 USD'000	2008 USD'000
Fully performing	**94,725**	26,470
Past due but not impaired	**23,479**	91,259
Impaired	**2,795**	2,788
	120,999	120,517

Trade receivables that are less than three months past due are generally not considered impaired. As of 31 December 2009, trade receivables of USD 23.5 million (2008: USD 91.3 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:

	2009 USD'000	2008 USD'000
Up to 3 months	**17,335**	84,318
3 to 6 months	**4,953**	6,117
Over 6 months	**1,191**	824
	23,479	91,259

At 31 December 2009, trade receivables of USD 2.8 million (2008: USD 2.8 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in an unexpectedly difficult economic situation. The ageing of these receivables is as follows:

	2009 USD'000	2008 USD'000
Up to 3 months	**–**	2,772
Over 6 months	**2,795**	16
	2,795	2,788

Group

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

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

	2009 USD'000	2008 USD'000
At 1 January	**2,788**	87
Provision for receivables impairment (Note 14)	**101**	2,778
Receivables written off during the year as uncollectible	**(93)**	(40)
Unused amounts reversed (Note 14)	**(1)**	(37)
At 31 December	**2,795**	2,788

20 Trade and other receivables (continued)

The creation and release of the provision for impaired receivables have been included in general and administrative expenses – others in the consolidated statement of comprehensive income (Note 9). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. With respect to a receivable from one customer amounting to USD 60 million (2008: USD 71 million), the Group retains ownership of the new build unit under construction and the related procured materials.

The carrying value of trade receivables approximates to their fair value.

21 Financial asset at fair value through profit or loss

	2009 USD'000	2008 USD'000
Unlisted equity security	2,500	–

On 27 November 2009, LEL subscribed for 28 million shares in BassDrill amounting to USD 5 million at the subscription price of USD 0.1786 per share. LEL entered into an option agreement with certain shareholders of BassDrill granting LEL the option to sell the BassDrill shares after 12 months at an option price of USD 0.0893 plus three month LIBOR + 3% per annum. Further LEL also granted certain shareholders of BassDrill the option to purchase the BassDrill shares held by LEL in the period starting from the date of issuance and ending after 24 months at an option price of USD 0.1786 plus three month LIBOR + 3% per annum.

During the year a fair value loss of USD 2.5 million was recorded in "other (losses)/gains – net" (Note 12) in the consolidated statement of comprehensive income based on management's estimate of the carrying value.

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the consolidated cash flow statement.

22 Related party balances and transactions

Related parties comprise LHL (which owns 33% of the issued share capital of the Company), certain legal shareholders of the Group companies, Directors and key management personnel of the Group. Related parties for the purpose of the 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:

	2009 USD'000	2008 USD'000
Key management compensation	5,946	16,482
Sponsorship fees paid to legal shareholders of LD and LS (Note 1)	141	139

Key management compensation comprises:

	2009 USD'000	2008 USD'000
Salaries and other short-term employee benefits	4,621	10,868
Share-based payments – value of services provided	1,007	5,064
Post-employment benefits	318	550
	5,946	16,482

22 Related party balances and transactions (continued)

Due from related parties

	2009 USD'000	2008 USD'000
Company		
LEL (receivable in respect of management fees charged by the Company)	**17,202**	20,504
EBT*	**1,991**	2,333
	19,193	22,837

* Includes USD 1,810,926 (2008: USD 2,328,296) due in respect of payments made for treasury shares acquired by EBT on behalf of the Group.

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

Dividends paid by the Company include an amount of USD 2.2 million (2008: 13.1 million) in respect of shares held by key management personnel (including those held by the EBT in respect of shares gifted) of which USD 2.1 million (2008: 12.3 million) was paid to LHL, a company controlled by Steven Lamprell who is a member of key management.

23 Cash and bank balances

Group

	2009 USD'000	2008 USD'000
Cash at bank and on hand	**18,336**	21,112
Short-term and margin deposits	**49,506**	76,712
Cash and bank balances	**67,842**	97,824
Less: Margin deposits	**(5,673)**	(6,368)
Less: Deposit with original maturity of more than three months	**(3,847)**	–
Less: Bank overdrafts (Note 30)	**(9,081)**	(1,231)
Cash and cash equivalents (for cash flow purpose)	**49,241**	90,225

At 31 December 2009 and 2008, the cash at bank and short-term deposits were held with seven banks. The effective interest rate on short-term deposits was 2.46% (2008: 2.79%) per annum. These deposits have an average maturity of seven days to three months with the exception of one deposit of USD 3.8 million which has been placed for four months. The margin deposits with the bank are held under lien against guarantees issued (Note 33).

Company

Cash and cash equivalents comprise cash held with one bank.

24 Share capital

Issued and fully paid ordinary shares

Company

	Equity share capital	
	Number	USD'000
At 1 January 2008	200,000,000	18,654
Issued on 26 March 2008 in connection with a deferred share award granted on 16 October 2006 (Note 8)	279,309	28
At 31 December 2008 and 2009	200,279,309	18,682

The total authorised number of ordinary shares is 400 million shares (2008: 400 million shares) with a par value of 5 pence per share (2008: 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, set out in the deferred share award granted on 16 October 2006 (Note 8).

24 Share capital (continued)

During 2009, EBT acquired 1,391,253 shares (2008: 754,551 shares) of the Company. The total amount paid to acquire the shares was USD 1.7 million (2008: USD 2.6 million) and has been deducted from the Consolidated Retained earnings. Of the above, 724,251 shares (2008: 85,294 shares) amounting to USD 2.2 million (2008: USD 0.3 million) were issued to employees on vesting of the free shares and 1,336,259 shares (2008: 669,257 shares) are held as treasury shares at 31 December 2009. The Company has the right to reissue these shares at a later date. These shares will be issued on the vesting of the free shares/share options granted to certain employees of the Group (Note 8).

25 Legal reserve

The Legal reserve of USD 31,436 (2008: USD 29,436) relates to subsidiaries incorporated as limited liability companies in the UAE. In accordance with the Articles of Association of the respective subsidiaries 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 issued share capital of such companies. During the year, an amount of USD 2,000 (2008: USD 5,359) was transferred to the Legal reserve.

26 Other reserve

The 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). The Other reserve is not available for distribution.

27 Merger reserve

	2009 USD'000	2008 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 the 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 million 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.

28 Provision for employees' end of service benefits

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2009 and 2008, 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.

28 Provision for employees' end of service benefits (continued)

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

Group

	2009 USD'000	2008 USD'000
At 1 January	**14,329**	9,740
Current service cost	**2,762**	2,293
Interest cost	**960**	707
Actuarial (gains)/losses	**(384)**	2,300
Curtailments	**(165)**	–
Benefits paid	**(2,352)**	(711)
At 31 December	**15,150**	14,329

Company

	2009 USD'000	2008 USD'000
At 1 January	**758**	551
Current service cost	**30**	53
Interest cost	**17**	29
Actuarial losses	**56**	125
Benefits paid	**(269)**	–
At 31 December	**592**	758

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

Group

	2009 USD'000	2008 USD'000
Current service cost	**2,762**	2,293
Interest cost	**960**	707
Actuarial (gains)/losses	**(384)**	2,300
Gain on curtailments	**(165)**	–
Total (included in staff costs) (Note 10)	**3,173**	5,300

Of the total charge, USD 2.6 million (2008: USD 4.1 million) and USD 0.6 million (2008: USD 1.2 million) are included in cost of sales and general and administrative expenses – others respectively.

Company

	2009 USD'000	2008 USD'000
Current service cost	**30**	53
Interest cost	**17**	29
Actuarial losses	**56**	125
Total (included in staff costs)	**103**	207

The above charge of USD 0.1 million (2008: USD 0.2 million) is included in general and administrative expenses – others.

28 Provision for employees' end of service benefits (continued)

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	**5.75%**	6.00%
Future salary increase:		
Management and administrative employees	**5.00%**	5.00%
Yard employees	**4.00%**	4.00%

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

	Percentage of employees at each age exiting the plan per year	
Age	2009	2008
Management, yard and administrative employees:		
Below 20 years:	**0%**	0%
20–29 years	**15%**	15%
30–39 years	**10%**	10%
40–59 years	**7%**	7%
60 years and above	**100%**	100%
Executive directors:		
40–64 years	**7%**	7%
65 years and above	**100%**	100%

29 Trade and other payables

	2009 USD'000	2008 USD'000
Trade payables	**53,035**	83,778
Other payables and accruals	**51,358**	105,552
Amounts due to customers on contracts	**20,183**	72,479
Advances received for contract work	**–**	1,621
Dividend payable** (Note 11)	**34**	9
	124,610	263,439
Amounts due to customers on contracts comprise:		
Progress billings	**250,892**	375,806
Less: Cost incurred to date	**(213,733)**	(247,401)
Less: Attributable profits	**(16,976)**	(55,926)
	20,183	72,479

** The dividend payable represents an amount held by the EBT in respect of treasury shares. This dividend will be paid by the EBT to the employees upon completion of the vesting period.

30 Borrowings

	2009 USD'000	2008 USD'000
Bank overdrafts	**9,081**	1,231
Revolving facilities	**22,547**	10,693
	31,628	11,924

The bank facilities relating to overdrafts and revolving facilities carry interest at one to three months LIBOR/EIBOR + 2.0% to 3.5%.

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

31 Profit of the Company

The profit of USD 6,579,000 (2008: USD 37,444,000) in respect of the Company has been included in these consolidated financial statements.

32 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 seven to 24 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	2009 USD'000	2008 USD'000
Not later than one year	**7,826**	6,063
Later than one year but not later than five years	**13,019**	14,001
Later than five years	**33,728**	36,321
	54,573	56,385

(b) Other commitments

	2009 USD'000	2008 USD'000
Letters of credit for purchase of materials and operating equipment	**13,285**	11,326
Capital commitments for purchase of operating equipment	**929**	3,215
Capital commitments for construction of facilities	**18,262**	25,413

33 Bank guarantees

	2009 USD'000	2008 USD'000
Performance/bid bonds	**112,319**	135,903
Advance payment, labour visa and payment guarantees	**5,882**	14,147
	118,201	150,050

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

34 Events after balance sheet date

The Board of Directors of the Company has proposed a dividend of 3.80 cents per share amounting to USD 7.6 million at a meeting held on 26 March 2010. In accordance with the accounting policy under IFRS set out at Note 2.16, this dividend has not been accrued at 31 December 2009 (2009: 3.15 cents per share amounting to USD 6.3 million declared on 27 March 2009 was not accrued at 31 December 2008). In the prior year, this was not in accordance with the Isle of Man Companies Acts 1931 – 2004 which required such a proposed dividend to be accrued at the balance sheet date. However, following the Isle of Man Companies (Amendment) Act 2009 the law has been amended such that proposed dividends should not be recognised until paid or approved by the shareholders.

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

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

"API" – American Petroleum Institute

"BassDrill" – BassDrill Alpha Limited

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

"CAD" – Canadian Dollars

"CEO" – Chief Executive Officer

"CFO" – Chief Financial Officer

"CSR" – Corporate Social Responsibility

"Company" – Lamprell plc

"COO" – Chief Operating Officer

"DBMA" – Don Bosco Maritime Academy

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

"EBT" – Lamprell plc Employee Benefit Trust

"EPC" – Engineering, Procurement and Construction

"EPS" – Earnings Per Share

"ESOP" – Lamprell plc Executive Share Option Plan

"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

"KPI" – Key Performance Indicators

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

"LAL" – Lamprell Asia Limited

"Lamprell" – the Company and its subsidiary undertakings

"LD" – Lamprell Dubai LLC

"LEL" – Lamprell Energy Limited

"LHL" – Lamprell Holdings Limited

"LS" – Lamprell Sharjah WLL

"LSE" – London Stock Exchange Limited

"LTDS" – LeTourneau Technologies Drilling Systems Inc.

"LTI" – Lost Time Incident

"Mercer" – Mercer Consulting Middle East Limited

"PSP" – Lamprell plc 2008 Performance Share Plan

"Saipem" – Saipem Energy Services S.p.A

"SBM" – Single Buoy Moorings

"Scorpion" – Scorpion Offshore Limited

"Seajacks" – Seajacks International Limited

"Transocean" – Transocean Investments S.a.r.l

"TSR" – Total Shareholder Return

"UAE" – the Federation of the United Arab Emirates

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

Notes

Notes

Notes

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