



12 April 2007

LAMPRELL PLC
("Lamprell" or the "Company")

2006 PRELIMINARY RESULTS

Lamprell (symbol: LAM), the leading provider of specialist engineering services to the international oil & gas industry based in the UAE, is pleased to announce its maiden Preliminary Results for the year ended 31 December 2006. This follows the Company's successful flotation on AIM in October 2006.

2006 HIGHLIGHTS

- Revenue: US\$ 329.6 million up 57.5% (2005: US\$ 209.2 million)
- Operating profit: US\$ 56.1 million up 90.6%* (2005: US\$ 29.4 million)
- Net profit: US\$ 56.9 million up 91.0%* (2005: US\$ 29.8 million)
- EPS (fully diluted): 28.47 cents up 91.1%* (2005: 14.90 cents)
- Proposed final dividend: 3.8 cents (1.93 pence) per ordinary share
- Strong cash flow from operations continues to support investment program for operating equipment
- Successful projects completed in 2006 included major refurbishments of jackup drilling rigs for National Drilling Company and Gulf Drilling International; the substantial completion of the Vitoria FPSO project for Saipem, the Single Buoy Moorings, Inc. ("SBM") Kashagan project and the Tapti topside process decks for British Gas Exploration and Production India Ltd.

* For the current year stated before reflecting exceptional charges for share based payments of US\$ 15.6 million, and US\$ 7.5 million incurred for various legal and professional charges incurred in connection with the admission of Lamprell to AIM.

CURRENT TRADING:

Lamprell started the year with the highest level of confirmed orders in the company's history and since then has won several lucrative and high profile contracts:

- Lump sum turnkey construction contracts for two harsh environment special purpose self propelled four legged jackup vessels from Seajacks International ("Seajacks") amounting to US\$224 million. There is also an option for three more rigs

- Contract for the rehabilitation of the Hurricane Katrina damaged Nabors 660 jackup rig (formerly the Ocean Warwick) which is now expected to exceed US\$ 65 million in value when completed
- Refurbishment of 4 Global Sante Fe jackups amounting to US\$ 36.4 million
- Fabrication of an FPSO vessel topside module for a new client, Aker FP
- Further contracts have been awarded for the fabrication of topside process modules for FPSO vessels for Saipem and SBM in the region of US\$ 55.1 million

Commenting on the results Peter Whitbread, Chairman and Chief Executive, Lamprell said:

“2006 was a very exciting year for Lamprell. Our business expanded across all key activities in what has been a very buoyant market for our services. This has enabled us to achieve very significant growth in both turnover and profit.

In October 2006 we successfully floated the Company on London’s AIM market, which was an important step in the development of our business and we believe this provides Lamprell with an important foundation for future growth. We have also broadened our client base during the year - a trend which has continued into 2007 - improving our earnings visibility.

We have entered 2007 with the highest level of confirmed orders in the Company’s history and we are well positioned to take advantage of very positive market dynamics that we envisage will enable us to continue delivering growth through 2007 and beyond.”

ANALYST MEETING

There will be an analyst meeting at 9.30am on 12th April 2007 at Citigate Dewe Rogerson, 3 London Wall Buildings, London, EC2M 5SY.

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NOTES TO EDITORS

- Lamprell, based in the UAE, has played a prominent role in the development of the oil & gas industry in the Arabian Gulf for over 30 years.
- Lamprell's two primary facilities are in Port Khalid, in the Emirate of Sharjah, and in the Jebel Ali Free Zone, in the Emirate of Dubai, both of which are in the UAE.
- The principal markets in which Lamprell operates, and the principal services it provides, are:
 - Upgrade and refurbishment of offshore jackup rigs;
 - New build construction for the offshore oil and gas sector, including Floating Production, Storage and Offloading ("FPSO") systems and other offshore and onshore structures; and
 - Oilfield engineering services, including the upgrade and refurbishment of land rigs.
- Lamprell has grown strongly over the last four years, driven by buoyant conditions in the oil and gas industry.
- Lamprell joined AIM, a market operated by London Stock Exchange plc, on 16 October 2006.

CHAIRMAN and CHIEF EXECUTIVE OFFICER'S STATEMENT

It is with a considerable degree of pride that we see Lamprell's well established and widely recognized record of quality, growth and profitability being maintained as we made the transition into a publicly listed company and our results for the year 2006 exceeded all of our expectations. Throughout 2006 the Company has made significant progress operationally, through the acquisition of new equipment and the strengthening of our management capabilities and work force.

Throughout the period we have continued to expand our client base and construction activities, as demonstrated by the award of the two new build jackup liftboats for Seajacks. All of this has been achieved whilst satisfying the needs of our existing clients and maintaining our outstanding safety record.

Market overview

During the past year we have seen an unparalleled period of activity in the oil and gas industry worldwide but particularly in the Middle Eastern market. In this region drilling activity, both onshore and offshore, is at an all time high and we expect this will continue for a considerable period to come.

We have also witnessed a period of major growth in the number of oil and gas field developments taking place in different parts of the world. Lamprell has been particularly well placed to take full advantage of the increase in rig refurbishment, FPSO projects and offshore construction activity.

This trend of high levels of drilling and construction activity has continued into 2007 with an even greater level of activity taking place in the regional drilling segment. This supports our belief that we will see further growth and development in one of our core business activities of rig refurbishment and upgrade throughout 2007 and 2008.

We are also witnessing a significant increase in the planned number of FPSO field developments through 2007 and beyond, with an estimated US\$ 6 billion worth of worldwide development expenditure budgeted each year up to 2010. This again provides us with a high level of confidence that our new build process module fabrication facility in Jebel Ali will see significant additional growth.

We have entered 2007 with the highest level of confirmed orders in the Company's history, with projects extending into 2009. This provides us with a secure foundation to expand the Company further and to develop significant long-term visibility.

Future development

There is currently a well recognized shortage of marine construction yard space worldwide and Lamprell is moving quickly to develop its new 330,000 m² facility at the Hamriyah Free Zone in the United Arab Emirates. The yard construction remains on plan and will greatly increase Lamprell's quay side facilities and enable us to handle more jackup rig refurbishment projects as well as further new build marine projects.

This development will enable us to extend further our client base, particular targeting to those companies who are entering the Middle Eastern oil and gas market for the first time.

We continue to retain a clear focus on our core business competencies in offshore jackup and land rig refurbishment, new build FPSO modules and offshore structures. Our primary focus will be in maintaining our strong regional position in these markets. There are also areas of related opportunity. For example, we have now entered into contracts, valued at US\$ 224 million, with Seajacks for the construction of two new build jackup lift boats with additional options for three other similar units to follow.

Lamprell continues to overcome the difficulties of acquiring and maintaining core labour skills in a buoyant and highly specialized market. We have now established a training school in India to develop all of the key artisan skills necessary to support our needs for the coming years, and we are already seeing the benefits of training our own committed workforce.

We believe the oil and gas industry is currently in a period of unprecedented long term growth and development with a sustainable high oil price and with demand for services far outstripping supply. Located in the Middle East with extensive modern facilities, a dedicated workforce of over three thousand and a strong and well respected reputation, we feel that Lamprell is well placed to capitalize on the many opportunities that we see for the future.

Acknowledgements

I would like to take this opportunity to acknowledge the contribution of Steven Lamprell, the original founding owner of Lamprell, in taking the Company from the small family business created over 30 years ago, to the successful publicly quoted Company we have today.

Mr. Lamprell still retains 34% of the shares in Lamprell, holds the title of President and continues to provide the Company with ongoing local support and assistance in dealings with senior local dignitaries in the United Arab Emirates. This continued association is, and will continue to be, a valuable asset for the Company.

Management structure

Our strong management team has been further enhanced with the arrival of Scott Doak, the former Head of Finance at Reuters for Middle East and Africa, who takes over from David Moran as Chief Financial Officer. David will now focus on his role as Chief Operating Officer. Chris Hand has been promoted to Vice President Commercial. Both of these positions provide us with added managerial strength to support the progressive long term growth and development of our Company. We would like to welcome Scott and Chris to the management team and would also like to thank David Moran for standing in as Chief Financial Officer in the interim period.

Dividend

For the year ended 31 December 2006, the Board of Directors of the Group recommends a final dividend of 3.80 cents per ordinary share with a Sterling equivalent of 1.93 pence per ordinary share which, if approved, will be paid on 18 June 2007 to eligible shareholders on the register at 11 May 2007. This proposed final dividend is approximately half of the level that the Directors would have expected to recommend had the Group been listed for the whole of the half year to 31 December

2006, having taken account of the intention to pay two thirds of the annual dividend as a final dividend.

Conclusion

This has been an exceptional year for Lamprell and these excellent results have been achieved during a period of significant corporate development.

In the year ahead, we believe that Lamprell will see significant growth in each of its core activities of jackup rig refurbishment, land rig refurbishment, marine and new build FPSO process module construction and related construction activities.

On behalf of the Board of Directors and from myself personally, I would like to thank everyone in the Lamprell team for the tremendous efforts that have been made throughout the past year. I am confident that we will continue to deliver the highest standard of service to our customers, win new business and reward our shareholders for their support. Together with the Lamprell management team I look forward to another successful year ahead.

Peter Whitbread
Chairman and Chief Executive Officer

OPERATING REVIEW

Lamprell enjoyed a very successful year in 2006, with each operating facility enjoying substantial revenue growth. This growth reflects a buoyant market and the successful implementation of our business plan for the year. We further believe that through maintaining our core business values and continuing a collaborative approach to projects with customers focused on quality, safety and timely delivery, we will carry forward the success of the past year into the coming years.

Upgrade and refurbishment of offshore jackup rigs

During 2006 we successfully refurbished 26 offshore jackup rigs and one semi-submersible drilling rig. This compares to 25 jackup rigs refurbished in 2005. The scope and value of projects executed in 2006 increased by more than 30% compared to those executed in 2005.

Projects were carried out for 11 different international clients, demonstrating the depth of our market and a diverse client base.

The specific work scopes carried out on jackup upgrade and refurbishment projects varied greatly from project to project, dependant on the rig's age, condition and the requirements of the rig owner. Typical upgrade and refurbishment projects included some of the following work scopes:

- leg extension and/or strengthening;
- conversion of slot rigs to cantilever mode;
- living quarters extension, upgrade and refurbishment;
- engine replacement and re-power works;

- mud process system upgrade and/or refurbishment;
- helideck replacement, upgrade and/or refurbishment;
- condition driven refurbishment, including structural steel and piping replacement.

In addition to rig refurbishment projects carried out at our facilities, we offered smaller scale services to our customers. These projects ranged in scope from the supply of materials and equipment, to the execution of repair and upgrade works on rigs carried out whilst the rigs remain operational offshore. Whilst not as significant in terms of turnover, these minor projects represent an important part of the service we offered our clients, who continue to rely on us to keep their jackup fleets operational.

New build construction for the offshore oil and gas sector

During 2006 work was carried out on several major projects at the Jebel Ali facility. These projects were carried out for existing clients including SBM, Saipem and Clough Projects International Limited ("Clough") as well as new clients such as Aker FP and British Gas Exploration and Production India Limited ("British Gas").

The turnover produced at the Jebel Ali facility was more than double the value achieved during 2005. This growth reflects the ongoing improvements in the operating capacity of the facility as well as a successful marketing campaign that has broadened our client base and seen awards of larger and more prestigious project.

FPSO process modules construction

Throughout 2006 there were a number of process modules under construction at our Jebel Ali facility. These were constructed for several clients, namely Saipem, Aker FP and Grenland Framnaes. This represented a significant increase in activity when compared to 2005 and was indicative of the increasing demand for FPSO developments worldwide. Demand for FPSOs continues to be strong and the growth in activity we experienced in 2006 has continued with further awards from SBM and Saipem in early 2007. We expect this trend to continue into 2008 and beyond and we will therefore continue to allocate a significant proportion of our available capacity for this in the Jebel Ali facility.

Offshore fixed structures: Topside process platforms

As an extension of the skills developed for the construction of FPSO process modules, the Company has now successfully completed construction of a number of topside process platforms. Three platforms were successfully completed in early 2006 for Clough, following which British Gas awarded a project to deliver three topside platforms for the Tapti development for offshore India. This project represented a fast track development which has been successfully delivered to the client on schedule, in the first quarter of 2007. This is an area of activity that the Company intends to develop further, targeting the specific regional markets of the Arabian Gulf and India, where a number of attractive projects are under development.

Process barges

Throughout 2006 work has continued on three Flash Gas Compression barges for SBM for the Kashagan project, with substantial completion having been achieved at

the end of 2006. On completion this project will have been the largest undertaken by the Company to date with a value in excess of US\$ 62 million. The Kashagan development is a large scale project, with more than twenty barges under construction in various parts of the world. There are a number of phases to the development and with the experience gained in the successful execution of the barges in phase one, we expect to bid for participation in later phases of the development.

Oilfield Engineering services

Turnover in our Oilfield Engineering facility in 2006 has increased by approximately one third on 2005 figures. This increase reflects an increased awareness of our capabilities amongst regional contractors. 2006 also represented the first full year of operation for the facility, which was fully opened in early 2005.

Upgrade and refurbishment of land rigs

We successfully carried out 10 land rig refurbishment projects during 2006. Strong demand for land drilling rigs regionally has continued through 2006, driving the growth in revenue for the facility. This demand remains high in 2007 and we are looking at further enhancing our service offering to take advantage of this continued demand through an expansion of our equipment servicing capability.

New land camps

In addition to the complete rig refurbishment projects we also fabricated 14 complete land camps, of which 12 were delivered in 2006. Each land camp was constructed to very high standards and is suitable for utilization in a harsh desert environment.

Operating facilities

As part of our development strategy, we continued a program of capital investment aimed at increasing the operating capacity and efficiency of our facilities. This included investment in buildings, equipment and general infrastructure.

Major investments have included the purchase of the "Hamriyah Pride", a bottom reaction semi-submersible barge. This will enhance our rig refurbishment offering by enabling us effectively to "dry dock" jackup rigs, as well as providing us with the capacity to transport new build structures to clients. Major equipment procured in 2006 included eight cranes, multiple forklift trucks, generators, and automated welding equipment, all of which will enable us to improve our operating efficiency and make us less reliant on hired equipment.

Our investment in infrastructure in 2006 also included the extension of our temporary Hamriyah facilities from 20,000m² to 42,000m². This included extending the construction and fabrication areas, as well as the completion of a new client office block in the Jebel Ali facility.

This capital investment program, particularly in operating equipment, will continue over the next three years. In addition a detailed design is currently being finalised for our new 330,000m² facility in the Hamriyah Free Zone in the United Arab Emirates, which is expected to cost approximately US\$ 50 million. This development will commence in 2007. The company believes that the facility will be operational at the end of 2008.

FINANCIAL REVIEW

Trading performance

	2006 (US\$m)	2005 (US\$m)	Change
Revenue	329.6	209.2	57.5%
Gross profit	73.2	43.0	70.2%
EBITDA *	61.2	33.0	85.2%
<i>EBITDA margin *</i>	<i>18.6%</i>	<i>15.8%</i>	
Operating profit *	56.1	29.4	90.6%
<i>Operating margin *</i>	<i>17.0%</i>	<i>14.1%</i>	
Net profit *	56.9	29.8	91.0%
<i>Net margin *</i>	<i>17.3%</i>	<i>14.2%</i>	
Earnings per share *	28.47c	14.90c	91.1%

* For the current year stated before reflecting exceptional charges for share based payments of US\$ 15.6 million and US\$ 7.5 million incurred mainly towards various legal and professional charges in connection with the admission of Lamprell to AIM.

Group revenue increased by 57.5% to US\$ 329.6 million (2005: US\$ 209.2 million) reflecting a significant growth over the prior year. This growth was largely driven by a significant increase in new build activity in the Jebel Ali facility, both in the number of projects and their value compared to 2005. Significant increases in revenue were also achieved from jacking rig upgrade and refurbishment activities, managed from the Sharjah facility, and improved oilfield services revenue from the refurbishment of land rigs. The Group revenue in 2006 includes US\$ 4.8 million (2005: US\$ 4.2 million) from International Inspection Services Limited ("Inspec"), acquired on 11 September 2006 for a consideration of US\$ 4 million. As Inspec was a business under common control, the 'uniting of interests' method was adopted for accounting for the business combination and the results of Inspec for the full year 2006 are included in the Group's financial statements. The information for the prior year has been restated to include the Inspec results.

The cost of sales for the year was US\$ 256.3 million (2005: US\$ 166.2 million). The increase in the cost of sales has been driven predominantly by the increase in the revenue during the year. As a percentage of revenue, cost of sales has decreased from 79.4% in 2005 to 77.8% in 2006 and reflects the improved sales pricing of projects, especially in the new build activities at the Jebel Ali facility, together with increased operational efficiencies.

Gross profit margin increased from 20.6% to 22.2% in 2006. This improvement is attributable to improved average margins across all areas of activity, but particularly in new build activities in the Jebel Ali facility on a number of major projects undertaken during the year, including the Tapti process topsides for British Gas in India, the Kashagan flash gas compression barges built for SBM and the Vitoria FPSO process modules built for Saipem. Rig refurbishment activities carried out in the Sharjah and temporary Hamriyah facilities continued to provide very positive margins along with a significant amount of increased work scopes through variation orders which further supported margin growth.

Operating profit (before exceptional charges) in 2006 was US\$ 56.1 million (2005: US\$ 29.4 million), an increase of 90.6% over the previous year and reflects the strong growth in revenue and increased gross margin. The exceptional charges in the current

year are for share based payments of US\$ 15.6 million to selected directors and employees and US\$ 7.5 million incurred mainly towards various legal and professional charges in connection with the admission of Lamprell to AIM. The operating profit after these exceptional charges was US\$ 33.0 million.

The operating profit margin (before exceptional charges) increased from 14.1% in 2005 to 17.0% in 2006 as a result of the benefit of operational gearing from the significant growth in revenue and gross margin but with a lower rate of growth in overheads.

The net profit (before exceptional charges) attributable to the shareholders of Lamprell increased by 91.0% to US\$ 56.9 million (2005: US\$ 29.8 million), in line with operating profit. The net profit after these exceptional charges was US\$ 33.8 million.

EBITDA (before exceptional charges) increased to US\$ 61.2 million (2005: US\$ 33.0 million) reflecting an increase of 85.2% over the prior year. The increase in EBITDA is approximately in line with operating profit as there is no taxation on earnings and interest income is not significant. EBITDA margin (before exceptional charges) for the year has increased to 18.6% (2005: 15.8%).

Interest income

Interest income of US\$ 0.9 million (2005: US\$ 0.4 million) related mainly to bank interest earned on surplus funds deposited on a short term basis with the Company's bankers. The increase reflects a higher level of funds on deposit during the year and an increase in the average deposit rates.

Taxation

The Company, which is incorporated in the Isle of Man, is not subject to income tax in the Isle of Man for the year ended 31 December 2006 as it has been registered as a tax exempt company. With effect from 6 April 2007 the tax exempt company will cease to exist in Isle of Man legislation and the Company will then be taxable at 0% in the Isle of Man. The Group is not currently subject to income tax in respect of its operations carried out in the United Arab Emirates, and does not anticipate any liability to income tax arising in the foreseeable future.

Earnings per share

Adjusted fully diluted earnings per share for 2006 increased to 28.47 cents per share (before exceptional charges) (2005: 14.90 cents) reflecting primarily the significantly improved profit of the Group for the year, an increase of 91.1% on 2005. Actual fully diluted earnings per share for 2006 (after exceptional charges) were 16.91 cents per share.

Operating cash flow and liquidity

The Group's net cash flow from operating activities for the year was US\$ 16.6 million (2005: US\$ 38.0 million). The net cash flow from operations was lower than the prior year mainly due to short term timing differences in collections from debtors and an increase in amounts due from customers on contracts, largely due to variations and change orders agreed on certain large contracts that were invoiced and paid after the

year end. The amounts due by customers on contracts and not invoiced as at the year end was US\$ 36.9 million (2005: US\$ 25.8 million). Advance payments amounting to US\$ 14.4 million made to LeTourneau Inc. during the year for the purchase of a Super 116E jackup drilling rig kit also reduced cash flow from operating activities. The rig kit has been purchased as the Group intends shortly to enter the new build jackup drilling rig construction market.

Investing activities for the year absorbed US\$ 23.0 million (2005: US\$ 7.1 million) as a result of a significant increase in investment in property, plant and equipment amounting to US\$ 24.0 million (2005: US\$ 7.0 million). This included the purchase of a semi-submersible barge for US\$ 7.4 million, which was used on acquisition to transport a damaged jackup rig from the Gulf of Mexico for a major refurbishment at the Group's temporary facility in Hamriyah. In addition US\$ 2.7 million was realised during the year by the disposal of a small jackup rig that had been held for resale.

Net cash used in financing activities was US\$ 7.8 million (2005: US\$ 11.1 million). This represents dividend payments made of US\$ 26.3 million (2005: US\$ 3.8 million) offset by a reduction in net amounts due from related parties of US\$ 18.5 million.

Capital expenditure

Capital expenditure on property, plant and equipment during the year amounted to US\$ 24.0 million (2005: US\$ 7.0 million). The predominant area of expenditure was the investment in operating equipment amounting to US\$ 18.9 million to support the growth in activities experienced during the year and to replace a significant amount of hired equipment that was in use at the time, and also included the acquisition of a semi-submersible barge, as noted above. Further expenditure on buildings and related infrastructure at Group facilities amounted to US\$ 2.8 million.

Shareholders' equity

Shareholders' equity increased from US\$ 75.7 million at 31 December 2005 to US\$ 89.9 million at 31 December 2006. The movement mainly reflects the retained profits for the year of US\$ 33.8 million net of dividends declared of US\$ 31.3 million. The movement also reflects a credit for the accounting of share based payments of US\$ 15.6 million (2005: Nil) made to certain directors and employees of the Group and charged to General and Administrative expenses.

Shareholders' equity includes a Merger reserve of US\$ 22.4 million as a result of Lamprell Energy Limited ("LEL") acquiring 100% of the legal and beneficial ownership of Inspec from Lamprell Holdings Limited ("LHL") for a consideration of US\$ 4 million on 11 September 2006. This acquisition was accounted for using the 'uniting of interests' method and the difference between the purchase consideration (US\$ 4 million) and share capital of Inspec (US\$ 0.15 million) was taken to the Merger reserve. In addition, on 25 September 2006, Lamprell 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 and transfer to LHL of 200,000,000 shares of the Company. This acquisition was also 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 (US\$ 0.082 million) was taken to the Merger reserve.

General Information

The preliminary statement of results for the year ended 31 December 2006 does not constitute statutory accounts. Statutory accounts have not been delivered to the Registrar of Companies in the Isle of Man.

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2006**

Consolidated income statement

	Note	<u>Year ended 31 December</u>	
		2006 USD'000	2005 USD'000
Revenue		329,587	209,245
Cost of sales	5	(256,341)	(166,212)
		<hr/>	<hr/>
Gross profit		73,246	43,033
Other operating income		767	368
Expenses			
Selling and distribution	6	(988)	(675)
General and administrative – share based payments	7	(15,584)	-
General and administrative – Others	8	(24,478)	(13,300)
		<hr/>	<hr/>
Operating profit		32,963	29,426
Interest income		852	375
Profit for the year		33,815	29,801
		<hr/>	<hr/>
Earnings per share	11		
Basic		16.91c	14.90c
		<hr/>	<hr/>
Diluted		16.91c	14.90c
		<hr/>	<hr/>

Consolidated balance sheet

		<u>As at 31 December</u>	
	Note	2006 USD'000	2005 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	40,595	21,673
		_____	_____
Current assets			
Inventories	14	4,531	3,432
Trade and other receivables	15	113,508	60,252
Due from related parties	16	-	18,403
Cash and bank balances	17	19,777	32,344
		_____	_____
		137,816	114,431
Asset classified as held for sale		-	1,932
		_____	_____
		137,816	116,363
		_____	_____
Total assets		178,411	138,036
		=====	=====
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	18,654	18,654
Legal reserve	19	22	18
Merger reserve	20	(22,422)	(18,422)
Retained earnings		93,616	75,472
		_____	_____
		89,870	75,722
		_____	_____
Non-current liabilities			
Provision for employees' end of service benefits	21	8,039	5,868
		_____	_____
Current liabilities			
Trade and other payables	22	72,404	56,446
Due to a related party	16	8,098	-
		_____	_____
		80,502	56,446
		_____	_____
Total liabilities		88,541	62,314

Total equity and liabilities

178,411

138,036

Consolidated statement of changes in equity

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2005	18,20	18,654	14	(18,422)	49,489	49,735
Profit for the year		-	-	-	29,801	29,801
Transfer to Legal reserve	19	-	4	-	(4)	-
Dividends	10	-	-	-	(3,814)	(3,814)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2005		18,654	18	(18,422)	75,472	75,722
Profit for the year		-	-	-	33,815	33,815
Share based payments – value of services provided	7	-	-	-	15,584	15,584
Transfer to Legal reserve	19	-	4	-	(4)	-
Dividends	10	-	-	-	(31,251)	(31,251)
Acquisition of Inspec	20	-	-	(4,000)	-	(4,000)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006		18,654	22	(22,422)	93,616	89,870
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Consolidated cash flow statement

	Note	As at 31 December	
		2006 USD'000	2005 USD'000
Operating activities			
Profit for the year		33,815	29,801
Adjustments for:			
Share based payments – value of services provided	7	15,584	-
Depreciation	13	5,082	3,605
Loss/(profit) on disposal of property, plant and equipment		6	(360)
Profit on disposal of asset held for sale		(773)	-
Provision for slow moving and obsolete inventories	14	396	169
Charge for provision for impairment of trade receivables	15	65	6
Provision for employees' end of service benefits	21	3,221	1,742
Interest income		(852)	(375)
		<hr/>	<hr/>
Operating cash flows before payment of employees' end of services benefits and changes in working capital		56,544	34,588
Payment of employees' end of service benefits	21	(1,050)	(141)
Changes in working capital:			
Inventories before movement in provision	14	(1,495)	(1,083)
Trade and other receivables before movement in provision for impairment of trade receivable	15	(53,321)	(19,385)
Trade and other payables	22	15,958	23,975
		<hr/>	<hr/>
Net cash generated from operating activities		16,636	37,954
		<hr/>	<hr/>
Investing activities			
Payments for property, plant and equipment	13	(24,037)	(6,990)
Acquisition of Inspec	20	(1,000)	-
Proceeds from sale of property, plant and equipment		27	543
Proceeds from disposal of asset held for sale		2,705	-
Interest income		852	375
Margin deposits	17	(1,523)	(979)
		<hr/>	<hr/>
Net cash used in investing activities		(22,976)	(7,051)
		<hr/>	<hr/>
Financing activities			
Due from / (to) related parties net of unpaid dividend and purchase consideration payable for acquisition of Inspec	16,20 10,16	18,501 (26,251)	(7,255) (3,814)
Dividends paid			
		<hr/>	<hr/>
Net cash used in financing activities		(7,750)	(11,069)
		<hr/>	<hr/>

Net (decrease)/increase in cash and cash equivalents		(14,090)	19,834
Cash and cash equivalents, beginning of the year		<u>30,500</u>	<u>10,666</u>
Cash and cash equivalents, end of the year	17	<u><u>16,410</u></u>	<u><u>30,500</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Legal status and activities

Lamprell plc (“the Company”) was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 11710C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited (“LEL”) from Lamprell Holdings Limited (“LHL”), under a share for share exchange agreement dated 25 September 2006 and this transaction is accounted for using the uniting of interests method (Note 18). The Company was admitted to the Alternative Investment Market (“AIM”) of the London Stock Exchange with effect from 16 October 2006. 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 United Arab Emirates (“UAE”).

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) are: the upgrade and refurbishment of offshore jack up rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, including Floating, Production, Storage and Offloading (“FPSO”) and other offshore and onshore structures, oilfield engineering services, including the upgrade and refurbishment of land rigs.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Country of Incorporation
Lamprell Energy Limited	100	100	Isle of Man
Lamprell Dubai LLC (“LD”)	49*	100	UAE
Lamprell Sharjah WLL (“LS”)	49*	100	UAE
Maritime Offshore Limited (“MOL”)	100	100	Isle of Man
Maritime Offshore Construction Limited (“MOCL”)	100	100	Isle of Man
International Inspection Services Limited (“Inspec”)** (acquired in 2006)	100	100	Isle of Man
Cleopatra Barges Limited (“CBL”)	100	100	British Virgin Islands

* 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 in lieu of the loan advanced by the Group entity to the UAE National towards contribution of his share of the capital. Further, 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.

** During the year, LEL acquired 100% of the legal and beneficial ownership of Inspec from LHL. As the transaction involves the acquisition of an entity under common control, it is accounted for using the uniting of interests method (Note 20).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

a) Amendments to published standards effective in 2006

International Accounting Standard ("IAS") 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment does not have a material impact on the Group's consolidated financial statements.

b) Interpretations to published standards early adopted

International Financial Reporting Interpretations Committee interpretation ("IFRIC") 11, 'IFRS 2 - Group and treasury share transactions' (effective from 1 March 2007). This interpretation deals with the accounting for share based payments given by the parent company to employees of a subsidiary or any other entity in the same group.

c) Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

IAS 21 (Amendment), Net Investment in a Foreign Operation;

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

IAS 39 (Amendment), The Fair Value Option;

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

IFRS 6, Exploration for and Evaluation of Mineral Resources;

IFRIC 4, Determining whether an Arrangement contains a Lease;

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

d) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but which the Group has not early adopted:

Standards

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 7 introduces new disclosures relating to financial instruments. The Group will apply IFRS 7 from 1 January 2007.

IFRS 8, Operating Segments (applicable for annual periods beginning on or after 1 January 2009). IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. Management is currently assessing the impact of IFRS 8 on the Group's operations.

Interpretations

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. IFRIC 7 is not relevant to the Group's operations.

IFRIC 8, Scope of IFRS 2. Effective for annual periods beginning on or after 1 May 2006. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

IFRIC 9, Reassessment of Embedded Derivatives. IFRIC 9 is not relevant to the Group's operations.

IFRIC 10, Interim Financial Reporting and Impairment. Effective for annual periods beginning on or after 1 November 2006. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

IFRIC 12, Service concession arrangements. IFRIC 12 is not relevant to the Group's operations.

2.2 Revenue recognition

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

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation, and the amount of revenue 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 that it is probable will be accepted by the customer 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 costs relating to future activity on a contract are excluded and are presented as inventories, prepayments or other assets depending on their nature.

2.3 Consolidation

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

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

Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests method for accounting 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 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 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. The consolidated financial statements are presented in US Dollars.

(b) *Transactions and balances*

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

(c) *Group companies*

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

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

2.5 Property, plant and equipment

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

	Years
Buildings	10 - 20
Operating equipment	5 - 10
Fixtures and office equipment	3 - 5
Motor vehicles	5

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

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

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

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

2.6 Inventories

Inventories comprise 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 material costs. Net realisable value is the estimate of the replacement cost of consumables.

2.7 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.

2.8 Trade payables

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

2.9 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.

2.10 Employee benefits

(a) Provision for staff benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and leave passage 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.

(b) Share based payments

The Group and LHL operate 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.

2.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks less margin deposits, and other short-term highly liquid investments with original maturity of less than three months.

2.13 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.14 Dividend distribution

Dividend distribution is 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.

2.15 Segment reporting

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

Given the nature of the business and operations the Group has assessed that it has one business and one geographical segment.

2.16 Taxation

The Company, which is incorporated in the Isle of Man, is not subject to income tax in the Isle of Man for the period ended 31 December 2006 as it has been registered as a tax exempt company. With effect from 6 April 2007 the tax exempt company will cease to exist in Isle of Man legislation and the Company will then be taxable at 0% in the Isle of Man. The Group is not currently subject to income tax in respect of its operations carried out in the UAE.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and interest rate risk.

(a) Market risk – foreign exchange risk

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

(b) Credit risk

The Group's exposure to credit risk is detailed in Notes 15 and 17. 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.

(c) 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 dynamic nature of the underlying business and through progress billings, the Group maintains adequate bank balances to fund its operations.

(d) Cash flow and fair value interest rate risk

The Group holds its surplus funds in short term bank deposits. The Group has no other interest bearing assets or borrowings and therefore the Group's income and operating cash flows are substantially independent of changes in market interest rates.

4 Critical accounting estimates and judgments

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 results in the revenue and profit increasing by USD 3.5 million if the total costs to completion are decreased by 10% and the revenue and profit decreasing by USD 4.1 million if the total costs to completion are increased by 10%.

	2006 USD'000	2005 USD'000
5 Cost of sales		
Materials and related costs	84,647	53,089
Sub-contract	70,713	40,321
Staff costs (Note 9)	45,378	32,079
Sub-contract labour	27,175	21,718
Equipment hire	8,867	7,237
Repairs and maintenance	3,222	2,073
Depreciation	3,089	2,011
Yard rent	2,153	1,507
Others	11,097	6,177
	<u>256,341</u>	<u>166,212</u>
	=====	=====

6 Selling and distribution expenses

Advertisement and marketing	441	257
Entertainment	123	135
Travel	275	167
Other expenses	149	116
	<u>988</u>	<u>675</u>
	=====	=====

7 General and administrative expenses – share based payments

	USD'000
Fair value of shares vested in October 2006	11,882
Proportionate amount of share based charge for the year:	
- relating to shares gifted / granted	3,414
- relating to deferred share award	288
	<u>15,584</u>

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 (195 pence), amounted to USD 33.9 million. As part of the arrangements, 3,266,414 shares with a fair value of USD 11.9 million vest immediately and the balance is held under lock-in arrangements and vests over a period of two years. A charge of USD 15.3 million has been recognised in the consolidated income statement with a corresponding credit to the consolidated Retained earnings. This includes an amount of charge recognised in the income statement of the Company with a corresponding credit to Retained earnings of USD 2.7 million.

On 16 October 2006, the Company also granted a director a deferred share award that gives him an entitlement to receive a certain number of shares equivalent to USD 3 million at no cost. The award, subject to satisfaction of a performance target, will normally vest in three equal tranches on the announcement of the Company's final results for each of the financial years ending 31 December 2007, 2008 and 2009. The performance target relates to the growth in the Company's earnings per share. The number of shares awarded under this scheme, computed based on the Company's share price on 11 October 2006 (195 pence), is 828,689. Accordingly, the Group has recognised a charge of USD 0.3 million in the consolidated income statement with the corresponding credit to Retained earnings.

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 gifted / granted in October 2006	9,311,996
Shares under deferred share award	828,689
Shares vested during the year	<u>(3,266,414)</u>
Shares expected to vest in future periods	<u>6,874,271</u>

The period over which the number of shares are expected to vest is as follows:

Year	Number of shares
2007	2,212,721
2008	4,109,091

2009	276,230
2010	276,229
	<u>6,874,271</u>

8 General and administrative expenses - others

	2006 USD'000	2005 USD'000
Staff costs (Note 9)	10,626	9,090
Utilities and communication	1,370	1,113
Other expenses	12,482	3,097
	<u>24,478</u>	<u>13,300</u>

Other expenses include USD 7.5 million incurred mainly towards various legal and professional charges in connection with the admission of Lamprell plc to AIM.

9 Staff costs

	2006 USD'000	2005 USD'000
Wages and salaries	36,239	28,870
Employees' end of service benefits (Note 21)	3,221	1,742
Share based payments – value of services provided (Note 7)	15,584	-
Other benefits	16,544	10,557
	<u>71,588</u>	<u>41,169</u>

Staff costs are included in:

Cost of sales (Note 5)	45,378	32,079
General and administrative expenses - share based payments (Note 7)	15,584	-
General and administrative expenses - others (Note 8)	10,626	9,090
	<u>71,588</u>	<u>41,169</u>

Number of employees at 31 December	<u>3,331</u>	<u>2,499</u>
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Directors' remuneration comprises:

	2006 USD'000	2005 USD'000
Salaries and other short term employee benefits	1,741	1,825
Director's fees	124	-
Share based payments – value of services provided	12,402	-
Post-employment benefits	369	12
	<u>14,636</u>	<u>1,837</u>

10 Dividends

During the year (on 30 June 2006 and 20 September 2006), the Board of Directors of LEL approved a total dividend amounting to USD 30.8 million (2005: USD 3.8 million) of which USD 5 million is unpaid at 31 December 2006 (Note 16). In addition, on 30 June 2006, the Board of Directors of Inspec approved a dividend of USD 0.4 million (2005: USD Nil). These dividends were payable to the former shareholders of LEL and Inspec.

11 Earnings per share

	2006 USD'000	2005 USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the year	<u>33,815</u>	<u>29,801</u>
Weighted average number of shares of the Company		
Basic	200,000,000	200,000,000
Diluted	<u>200,000,000</u>	<u>200,000,000</u>
Earnings per share:		
Basic	<u>16.91c</u>	<u>14.90c</u>
Diluted	<u>16.91c</u>	<u>14.90c</u>

The Group did not exist in its current structure at 31 December 2005. Hence, the same weighted average number of shares has been used in both the years presented.

12 Operating profit

	2006 USD'000	2005 USD'000
Operating profit is stated after charging:		
Depreciation	5,082	3,605
Auditors' remuneration – audit services	252	115
Auditors' remuneration – non-audit services	2,270	-
Operating lease rentals – land and buildings	4,773	3,412
Provision for impairment of trade receivables	73	31
Release of provision for impairment of trade receivables	9	25

13 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						
2005	10,996	14,886	3,229	1,082	122	30,315
Additions	2,224	3,239	1,034	270	223	6,990
Disposals	-	(1,160)	-	(105)	-	(1,265)
At 31						
December						
2005	13,220	16,965	4,263	1,247	345	36,040
Additions	2,825	18,914	1,325	739	234	24,037
Disposals	-	(8)	(2)	(54)	-	(64)
At 31						
December						
2006	16,045	35,871	5,586	1,932	579	60,013

Depreciation

At 1 January 2005	2,526	6,363	2,331	624	-	11,844
Charge for the year	749	2,011	650	195	-	3,605
Disposals	-	(1,001)	-	(81)	-	(1,082)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2005	3,275	7,373	2,981	738	-	14,367
Charge for the year	966	3,089	739	288	-	5,082
Disposals	-	(8)	(1)	(22)	-	(31)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	<u>4,241</u>	<u>10,454</u>	<u>3,719</u>	<u>1,004</u>	<u>-</u>	<u>19,418</u>
Net book amount						
31 December 2006	<u>11,804</u>	<u>25,417</u>	<u>1,867</u>	<u>928</u>	<u>579</u>	<u>40,595</u>
31 December 2005	<u>9,945</u>	<u>9,592</u>	<u>1,282</u>	<u>509</u>	<u>345</u>	<u>21,673</u>

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

Depreciation charge of USD 3,089,000 (2005: USD 2,011,000) has been charged to cost of sales and USD 1,993,000 (2005: USD 1,594,000) to general and administrative expenses.

14 Inventories

	2006 USD'000	2005 USD'000
Consumables	5,535	4,040
Less: Provision for slow moving and obsolete inventories	<u>(1,004)</u>	<u>(608)</u>
	<u>4,531</u>	<u>3,432</u>

The cost of consumable inventories recognised as an expense and included in contract costs amounted to USD 10.4 million (2005: USD 7.7 million).

15 Trade and other receivables

	2006 USD'000	2005 USD'000
Trade receivables	52,335	27,943
Other receivables and prepayments	5,653	3,405
Advance to suppliers	18,760	3,105
	<hr/>	<hr/>
	76,748	34,453
Less: provision for impairment of trade receivable	(97)	(32)
	<hr/>	<hr/>
	76,651	34,421
Amounts due from customers on contracts	36,857	25,831
	<hr/>	<hr/>
	113,508	60,252
	<hr/> <hr/>	<hr/> <hr/>

Amounts due from customers on contracts comprise:

Costs incurred to date	133,697	83,571
Attributable profits less losses recognised	34,119	21,363
	<hr/>	<hr/>
Less: Progress billings	167,816	104,934
	(130,959)	(79,103)
	<hr/>	<hr/>
	36,857	25,831
	<hr/> <hr/>	<hr/> <hr/>

The Group had a significant concentration of credit risk at the balance sheet date with nine (2005: nine) of its largest customer balances accounting for 79% (2005: 90%) of trade receivables at 31 December 2006. Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers, and the majority of the outstanding balances at the balance sheet date have been subsequently received.

16 Related party balances and transactions

Related parties comprise the Company's shareholders, associated companies, other entities in which the shareholders of the Group have the ability to control or exercise significant influence over their financial and operating decisions and key management personnel. During the year, the Group entered into the following

significant transactions with related parties at prices and on terms agreed between the related parties:

	2006 USD'000	2005 USD'000
Payments to suppliers made on behalf of Lamprell Energy Oil and Gas Limited	-	418
Key management compensation	19,814	4,898
Sponsorship fees paid to legal shareholders of Lamprell Dubai LLC and Lamprell Sharjah WLL	80	74
Payments for use of a vessel	37	127
Interest charged on loans to key management personnel	7	24

Key management compensation comprises:

Salaries and other short term employee benefits	3,980	4,492
Share based payments – value of service provided	15,160	-
Post-employment benefits	674	406
	<u>19,814</u>	<u>4,898</u>

Loans to directors and key management personnel

Beginning of the year	239	117
Loans advanced during the year	210	163
Loan repayments received	(449)	(41)
Interest charged	7	24
Interest received	(7)	(24)
End of the Year	<u>-</u>	<u>239</u>

Loan to a director

The loan advanced to a director has the following terms and conditions:

Name of director	Amount of loan (USD'000)	Term	Interest rate
2005			
Peter Whitbread	1	Payable on demand	2.53%
2006			
Peter Whitbread	-	-	-

Due from/due to related parties

	2006 USD'000	2005 USD'000
Due from related parties		
Lamprell Holdings Limited (payments to or on behalf of the previous ultimate parent company)	-	18,164
Loans to directors and key management personnel	-	239
	<u>-</u>	<u>18,403</u>

Due to a related party

Lamprell Holdings Limited (USD 5 million and USD 3 million payable principally in respect of dividend declared and acquisition of Inspec respectively, by LEL)	8,098	-
	<u>8,098</u>	<u>-</u>

LEL has provided a financial guarantee on behalf of Lamprell Energy Oil and Gas Limited ("LEOGL"), a company under control of LHL, in respect of certain royalty payment obligations of LEOGL. LHL has indemnified LEL for any payment it may have to make under its obligation to LEOGL and LHL has, in turn, been indemnified to the extent of 50% of the liability, if any, by a director of LEL.

In light of the above, and based on information available at 31 December 2006 and 2005, the possibility of an outflow of resources embodying economic benefits in relation to this guarantee is remote.

17 Cash and bank balances

	2006 USD'000	2005 USD'000
Cash at bank and on land	8,705	4,633
Short term and margin deposits	11,072	27,711
	<hr/>	<hr/>
Cash and bank balances	19,777	32,344
Less: margin deposits	(3,367)	(1,844)
	<hr/>	<hr/>
Cash and cash equivalents	16,410	30,500
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2006, the cash at bank and short term deposits were held with three (2005: three) local branches of international banks operating in the UAE. The effective interest rate on short term deposits was 4.68% (2005: 3.30%) per annum. These deposits have an average maturity of seven days to one month. The margin deposits with the bank are held under lien against guarantees issued (Note 24).

18 Share capital

Issued and fully paid ordinary shares

	Equity share capital Number	USD'000
At 1 January 2005	-	-
At 25 September 2006 – issued in connection with the acquisition of LEL and treated as if always in issue (Note 20)	200,000,000 ⁺	18,654
At 1 January 2005 – restated for the effect of the uniting of interests method of accounting *	200,000,000	18,654
	<hr/>	<hr/>
At 31 December 2005 and 2006	200,000,000	18,654
	<hr/> <hr/>	<hr/> <hr/>

⁺ Includes 2 shares issued on incorporation of the Company.

* In line with the Group's policy of the uniting of interests method of accounting for the acquisition of entities under common control as set out in Note 2.3, the shares issued on 25 September 2006, in connection with the acquisition of LEL, have been treated as if they have always been in issue hence are shown on the Group balance sheet at 31 December 2005. The difference between the nominal value of the shares issued by the Company (USD 18,654,000) and the nominal value of the

LEL shares acquired (USD 82,000) has been taken to the Merger reserve (Note 20).

19 Legal reserve

The Legal reserve of USD 22,088 (2005: USD 18,296) relates to subsidiaries incorporated as limited liability companies in the UAE. In accordance with the respective subsidiary's Articles of Association and the UAE Federal Law No. (8) of 1984, as amended, 10% of the profit for the year of such companies is transferred to a Legal reserve. Such transfers are required to be made until the reserve is equal to, at least, 50% of the Share capital of such companies.

20 Merger reserve

	2006 USD'000	2005 USD'000
Nominal value of shares of the Company	18,654	18,654
Share capital of LEL	(82)	(82)
	<u>18,572</u>	<u>18,572</u>
Merger reserve on acquisition of LEL	18,572	18,572
	<u>18,572</u>	<u>18,572</u>
Purchase consideration relating to acquisition of Inspec	4,000	-
Share capital of Inspec	(150)	(150)
	<u>3,850</u>	<u>(150)</u>
Merger reserve on acquisition of Inspec	3,850	(150)
	<u>3,850</u>	<u>(150)</u>
Total	<u><u>22,422</u></u>	<u><u>18,422</u></u>

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 is accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4 million) and Share capital of Inspec (USD 150,000) is taken to the Merger reserve. During the year, a payment of USD 1 million was made against the purchase consideration and the balance of USD 3 million is unpaid at 31 December 2006 (Note 16).

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/transfer to LHL of 200,000,000 shares of the Company. This acquisition has been accounted for using the uniting of interests method and the difference between the nominal value of shares issued by the Company (USD 18,654,000) and the nominal value of LEL shares acquired (USD 82,000) is taken to the Merger reserve (Note 18).

21 Provision for employees' end of service benefits

	2006 USD'000	2005 USD'000
At 1 January	5,868	4,267
Charge for the year (Note 9)	3,221	1,742
Payments during the year	(1,050)	(141)
	<hr/>	<hr/>
At 31 December	8,039	5,868
	<hr/> <hr/>	<hr/> <hr/>

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 2006 and 2005, 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 3% to 4% (2005: 3% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 6.11% (2005: 5.28%).

22 Trade and other payables

	2006 USD'000	2005 USD'000
Trade payables	26,388	17,398
Other payables and accruals	34,125	23,795
Amounts due to customers on contracts	11,891	15,253
	<hr/>	<hr/>
	72,404	56,446
	<hr/> <hr/>	<hr/> <hr/>
Amounts due to customers on contracts comprise:		
Progress billings	93,859	46,392
Less: Cost incurred to date	(63,175)	(25,253)
Less: Attributable profits less losses recognised	(18,793)	(5,886)
	<hr/>	<hr/>
	11,891	15,253
	<hr/> <hr/>	<hr/> <hr/>

23 Commitments

(a) Operating lease commitments

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

	2006 USD'000	2005 USD'000
Not later than one year	1,620	1,650
Later than one year but not later than five years	8,395	5,251
Later than five years	57,044	5,911
	<u> </u>	<u> </u>
	67,059	12,812
	<u>=====</u>	<u>=====</u>

(b) Other commitments

Letters of credit for purchase of materials and operating equipment	21,913	1,565
	<u> </u>	<u> </u>
Capital commitments for purchase of operating equipment	1,664	268
	<u> </u>	<u> </u>
Capital commitments for construction of a facility	8,173	-
	<u> </u>	<u> </u>

24 Bank guarantees

Performance/bid bonds	24,138	19,027
Advance payment, labour visa and payment guarantees	3,364	5,870
	<u> </u>	<u> </u>
	27,502	24,897
	<u> </u>	<u> </u>

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. In the opinion of the Management the above bank guarantees are unlikely to result in any liability to the Group.

25 Fair value

At 31 December 2006 and at 31 December 2005, the fair values of the financial assets and liabilities approximate their net book amounts as reflected in these consolidated financial statements.

26 Events after balance sheet date

The Board of Directors of the Company have proposed a dividend of USD 7.6 million (3.80 cents per share) at a meeting held on 2 April 2007. In accordance with the accounting policy under IFRS set out at Note 2.14 this dividend has not been accrued at 31 December 2006. However, this is not in accordance with the Isle of Man Companies Acts 1931 to 2004 which require such a proposed dividend to be accrued at the balance sheet date. The Directors understand that the relevant section of the law is likely to be repealed in the coming year so as not to be in conflict with IFRS.