



27 September 2007

LAMPRELL PLC

(“Lamprell” or the “Company”)

2007 INTERIM RESULTS

Lamprell (symbol: LAM), a leading provider of specialist engineering services to the international oil & gas industry based in the UAE, is pleased to announce its Interim Results for the six month period ended 30 June 2007.

2007 INTERIM HIGHLIGHTS

- Revenue: US\$246.1 million up 50.5% (H1 2006: US\$ 163.5 million)
- Operating profit: US\$43.9 million up 50.5%* (H1 2006: US\$ 29.2 million)
- Net profit: US\$45.2 million up 52.0%* (H1 2006: US\$ 29.7 million)
- EPS (fully diluted): 22.58 cents up 52.0%* (H1 2006: 14.86 cents)
- Proposed debut interim dividend: 5 cents per ordinary share (2.47 pence per share)
- Cash generated from operations of US\$100.5 million (H1 2006: US\$5.1 million)
- Order book as at 31 August 2007 of US\$507 million (Q1 2007: US\$387 million)
- Successful projects completed in the first six months of 2007 included major refurbishments of four jackup drilling rigs for Global Santa Fe International Drilling Inc; the completion of 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 six month period stated before reflecting exceptional charges for share based payments of US\$9.0 million granted to certain directors and selected management personnel pre IPO and for the prior year six month period stated before reflecting various legal and professional charges of US\$2.4 million incurred in connection with the admission of Lamprell plc to AIM.

NEW CONTRACT AWARDS:

The first six months of 2007 saw the announcement of several high profile contracts. Work has commenced on all of these projects.

- Lump sum turnkey construction contract for a LeTourneau Super 116E jackup drilling rig from Scorpion Offshore Limited (“Scorpion”) amounting to US\$168 million
- 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
- Fabrication of a Floating, Production, Storage and Offloading (“FPSO”) vessel topside module for Aker Kvaerner Process Systems AS with a significant project expansion currently under discussion with the client
- Fabrication of topside process modules for FPSO vessels for Saipem SA and Single Buoy Moorings, Inc in the region of US\$55.1 million

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

“The first six months of 2007 has seen Lamprell continue to deliver significant growth in both turnover and profit. Our business expanded across all key activities in what is clearly a buoyant market for our services and we are delighted that we continue to meet and indeed exceed our forecasts.

In this period Lamprell has been awarded and commenced construction of the first of the Super 116E LeTourneau jack up drilling rigs for Scorpion, with options in place for a further four similar units. In addition, Lamprell has commenced the construction of the first two lift boats for our client Seajacks. Both of these projects represent a key development as Lamprell continues to expand the Company.

Our order book remains high giving us confidence that Lamprell will continue to match and, indeed, exceed management expectations”

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Chairman's Statement

The first half year of 2007 has seen the Company continue to expand and develop, building on the highly successful year in 2006. Throughout the first half of this year Lamprell has continued to outperform our forecasts and it has secured significant additional opportunities for Lamprell both in terms of additional major projects and also opportunities to further expand the scope and reach of the Company.

In this first six months Lamprell has commenced the simultaneous construction of the first two lift boats for our client Seajacks, with options for a further three units. Lamprell has also been awarded and commenced construction of the first of the Super 116E LeTourneau jackup drilling rigs for Scorpion, with options in place for a further four similar units.

The Company has also seen the successful launch of two of three Flash Gas Compression Barges for our client SBM for the Kashagan Field Development in the Caspian Sea, this being the largest single project completed to date by Lamprell.

These represent some of the highlights of the year to date. However, these projects represent only part of the wide range of contracts currently underway in what promises to be the busiest and most successful year in the Company's history.

Market Overview

During the first half of this year Lamprell has continued to see an unparalleled level of activity in the oil and gas industry worldwide. In the Middle East region, the Company continues to see long term demand for both onshore and offshore drilling equipment, with demand far outstripping supply. Lamprell sees this high level of demand continuing through to 2009 and beyond, with additional drilling rigs being mobilised into the Middle East and India regions. Lamprell remains well placed to be able to support the refurbishment of this influx of additional land based and offshore drilling equipment into the region both in terms of operational capacity and financial resources.

Lamprell entered 2007 with a high expectation of continued long term growth in the number of FPSO development projects throughout the world. In this first half year Lamprell has witnessed a better than expected increase in both the number of clients and the number of projects upon which Lamprell is actively engaged and continues to believe that the Company's prospects for further contract awards are strong. This confidence suggests that Lamprell will maintain a substantial order book for confirmed work for offshore jackup rigs, land based drilling rigs and FPSO related project works well into 2009.

With the long term view of the world oil price remaining high combined with major development and rehabilitation projects being implemented by the national oil companies of the Middle East and India regions, Lamprell is confident that it is well placed to significantly benefit both geographically and commercially from these long term development opportunities.

Outlook

Lamprell is confident of continued growth through the second half of 2007. In particular, the construction of the LeTourneau Super 116E jackup drilling rig and the two harsh environment special purpose self propelled jackup vessels, will represent key projects and a significant contribution to the results of the Company. A number of FPSO projects including Aker Smart 1, Saipem Gimboa, SBM Frade, FPS Ocean and Kanfa Olowi, will also contribute considerably to increased performance at Lamprell's offshore construction facility at Jebel Ali.

The key project currently being undertaken with respect to the rig refurbishment business is the Nabors 660 rig and this will continue to represent a strong revenue stream for the Company for the balance of the year. In addition, a number of other rig refurbishment projects have been identified and planned for completion in the second half of 2007.

Operating Review

Lamprell's success in the first half of 2007 has been founded on significantly increased turnover, compared to the same period in 2006, in all key business activities. The increased turnover is recognition of Lamprell's growing stature as a contractor of first choice in the international oil and gas construction sector.

Upgrade and refurbishment of offshore jackup rigs

During the first six months of 2007 Lamprell have refurbished sixteen jackup rigs and one semi-submersible rig at Lamprell's Sharjah and Hamriyah facilities. The combined scope and value of these projects increased by 79% to US\$140.9 million compared to US\$78.7 million for projects executed in the same period in 2006. Notable projects included four rigs refurbished for Global Sante Fe International Drilling Inc. and the ongoing refurbishment of the Nabors 660 rig. The Global Sante Fe projects were successfully completed between May and July and these rigs are now operational in Saudi Arabia. The Nabors 660 project, the largest refurbishment project undertaken to date by Lamprell, is proceeding well and is scheduled for completion at the end of 2007.

New build offshore jackup rigs

As announced in July, Lamprell has secured a contract with Scorpion for the construction of a LeTourneau Super 116 E jackup drilling rig. This project will be constructed at our Hamriyah facility with support being provided from the Sharjah facility. This is an exciting project that represents a natural progression of our upgrade and refurbishment experience and it provides an excellent foundation for contribution to results until its delivery in 2009.

New build construction for the offshore oil and gas sector

Our Jebel Ali facility has enjoyed a very productive six months during which work continuity has been maximised. This has resulted in the facility generating a 25% increase in turnover to US\$77.9 million compared to the US\$62.2 million achieved in the same period in 2006. This turnover has consisted of several projects which have been completed following commencement in 2006 as well as a number of new projects that have been awarded this year. These projects include process module construction, topside platforms, process barges and notably the commencement of construction of two harsh environment special purpose self propelled four legged jackup vessels for Seajacks. The scheduled delivery dates for these projects range from the fourth quarter of 2007 to 2009 and provide a significant order book over the period.

Oilfield engineering services

The turnover at our Oilfield Engineering facility has increased by 21% to US\$22.6 million compared to US\$18.7 million generated in the same period in 2006. This turnover has been earned on a number of different projects, including those relating to land rig upgrade and refurbishment, the construction of land camps and the inspection and overhaul of mechanical and rotary equipment.

Operational developments

The design of the new facility in the Hamriyah Free Zone is at an advanced stage and management expect to commence operations in this new facility at the end of 2008, in line with earlier expectations.

Management have just completed a review of group operations to determine the optimal locations and resources necessary to support the planned growth in each of our core activities.

Lamprell has applied for an allocation of additional land in the Jebel Ali Free Zone on which to expand the operations of the Oilfield Engineering facility to cater to the expanding market for land rig refurbishment and new build activities. Lamprell are considering the development of a new 100,000 m² facility in the Jebel Ali Free Zone rather than the alternative plan to develop the Oilfield Engineering facility within the new Hamriyah facility. Lamprell believe that there are significant operational and commercial efficiencies that can result from continuing these operations within the Jebel Ali Free Zone. It is planned that the extended facility will commence operations at the end of 2008.

In conclusion, by the end of 2008, Lamprell will be well placed to continue to grow, through all of its key facilities; the existing Jebel Ali facility for new build projects, the new Jebel Ali facility for oilfield engineering and the new Hamriyah facility for new build and rig refurbishment.

Financial Review

Lamprell has experienced a successful first half year for the period ended 30 June 2007 and the results of its activities are set out in summary below.

Results for the six month period from operations

	2007 US\$ million	2006 US\$ million	Change
Revenue	246.1	163.5	50.5%
Gross profit	56.2	36.6	53.5%
Operating profit	43.9	29.2	50.5%
Net profit	45.2	29.7	52.0%

* For the current six month period stated before reflecting exceptional charges for share based payments of US\$9.0 million granted to certain directors and selected management personnel pre IPO and for the prior year six month period stated before reflecting various legal and professional charges of US\$2.4 million incurred in connection with the admission of Lamprell plc to AIM.

Group revenue for the period to 30 June 2007 increased by 50.5% to US\$246.1 million (H1 2006: US\$163.5 million) reflecting a significant growth over the prior year six month period. This growth was largely driven by a significant increase in jackup rig upgrade and refurbishment activities, including a number of major upgrade projects which were undertaken during the period. Revenue growth was also achieved in offshore construction activity in the Jebel Ali facility, with the completion of a number of key projects which were commenced in 2006 and also improved oilfield engineering services revenue from the refurbishment of land rigs and the construction of land camps.

Gross profit margin increased from 22.4% for the period to 30 June 2006 to 22.8% for the period to 30 June 2007. This marginal improvement is due largely to the mix in revenue for the period, specifically a greater proportion of higher margin rig refurbishment activity. In addition, the period reflected the completion of a major new offshore construction project which included the agreement of a number of changes in scope. These variations, as in this case, generally achieve higher margins as they are usually completed on a cost plus basis.

Operating profit for the period (before exceptional charges) increased by 50.5% to US\$43.9 million (2006: US\$29.2 million). The exceptional costs in the current period reflect share based payments of US\$9.0 million (H1 2006: US\$nil) granted to selected directors and employees pre IPO and for the prior year period reflect various legal and professional charges of US\$2.4 million (H1 2007: US\$nil), incurred in connection with the admission of Lamprell plc to AIM. The operating margin (before exceptional charges) of 17.8% is in line with the prior year six month period operating margin.

The net profit (before exceptional charges) attributable to the shareholders of Lamprell plc increased by 52.0% to US\$45.2 million (H1 2006: US\$29.7 million), in line with the operating profit and also reflects the increase in interest income in the current period to US\$1.3 million (H1 2006: US\$0.6 million).

Taxation

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

Earnings per share

Fully diluted earnings per share for the six period to 30 June 2007 increased to 22.58 cents per share (before exceptional charges) (H1 2006: 14.86 cents) reflecting primarily the improved profit of the Group for the period under review.

Operating cash flow and liquidity

The Group's net cash flow from operating activities for the six month period was US\$100.5 million (H1 2006: US\$5.1 million). The net cash flow from operations was higher than the prior year six month period as a result of increased profit for the period and movements in working capital, largely as a result of an increase in trade and other payables including advances received from customers amounting to US\$67.4 million.

Investing activities for the period absorbed US\$9.6 million (H1 2006: US\$7.4 million) and mainly comprise continued investment in property, operating plant and equipment amounting to US\$5.9 million (H1 2006: US\$9.8 million) and the acquisition of a company for US\$1.6 million in the period. The company holds a lease in the Jebel Ali Free Zone covering 16,343 square meters of land with a lease agreement reflecting preferential lease rates and has been used for the expansion of Oilfield Engineering activities.

Net cash used in financing activities was US\$12.6 million (H1 2006: US\$7.7 million) and reflected the final dividend payment for the year ended 31 December 2006 of US\$7.6 million and the payment of an outstanding pre IPO dividend payment to the previous holding company of US\$5.0 million.

Dividend

For the six months ended 30 June 2007, the Board of Directors of the Group recommends an interim dividend of 5.00 cents per ordinary share with a Sterling equivalent of 2.47 pence per ordinary share which will be paid on 8 November 2007 to eligible shareholders on the register at 12 October 2007.

Peter Whitbread

Chairman and Chief Executive Officer

Lamprell plc

27 September 2007

Report on review of interim financial information

Lamprell Plc
15-19 Athol Street
Douglas
Isle of Man

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Lamprell Plc as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’ as adopted for use in the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 as adopted for use in the European Union.

PricewaterhouseCoopers
Chartered Accountants
26 September 2007

Lamprell Plc

Condensed consolidated interim income statement

	Note	Six months ended 30 June	
		2007 USD'000	2006 USD'000
Revenue		246,080	163,467
Cost of sales		(189,927)	(126,885)
Gross profit		<u>56,153</u>	<u>36,582</u>
Other operating income		-	772
Fair value gain on derivative financial instruments		488	-
Expenses			
<i>Selling and distribution</i>		(688)	(593)
General and administrative - share based payments		(9,000)	-
General and administrative - others		(12,036)	(9,986)
Operating profit		<u>34,917</u>	<u>26,775</u>
Interest income		1,288	560
Profit for the period		<u><u>36,205</u></u>	<u><u>27,335</u></u>
Earnings per share			
Basic	4	<u>18.10c</u>	<u>13.67c</u>
Diluted		<u>18.10c</u>	<u>13.67c</u>

Lamprell Plc

Condensed consolidated interim balance sheet

	Note	At 30 June 2007 USD'000	At 31 December 2006 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	43,017	40,595
Intangible asset	7	1,534	-
		<u>44,551</u>	<u>40,595</u>
Current assets			
Inventories		5,667	4,531
Trade and other receivables		136,022	113,508
Derivative financial instruments		488	-
Cash and bank balances	8	98,413	19,777
		<u>240,590</u>	<u>137,816</u>
Total assets		<u><u>285,141</u></u>	<u><u>178,411</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	18,654	18,654
Legal reserve	10	23	22
Merger reserve	11	(22,422)	(22,422)
Retained earnings		131,220	93,616
		<u>127,475</u>	<u>89,870</u>
Non-current liability			
Provision for employees' end of service benefits	12	9,105	8,039
Current liabilities			
Trade and other payables		148,463	72,404
Due to a related party	13	98	8,098
		<u>148,561</u>	<u>80,502</u>
Total liabilities		<u>157,666</u>	<u>88,541</u>
Total equity and liabilities		<u><u>285,141</u></u>	<u><u>178,411</u></u>

Lamprell Plc

Condensed consolidated interim 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 2006		18,654	18	(18,422)	75,472	75,722
Profit for the period		-	-	-	27,335	27,335
Transfer to Legal reserve		-	1	-	(1)	-
Dividends	14	-	-	-	(25,762)	(25,762)
At 30 June 2006		18,654	19	(18,422)	77,044	77,295
Profit for the period		-	-	-	6,480	6,480
Share based payments – value of services provided		-	-	-	15,584	15,584
Transfer to Legal reserve		-	3	-	(3)	-
Dividends	14	-	-	-	(5,489)	(5,489)
Acquisition of Inspec	11	-	-	(4,000)	-	(4,000)
At 31 December 2006		18,654	22	(22,422)	93,616	89,870
Profit for the period		-	-	-	36,205	36,205
Share based payments – value of services provided		-	-	-	9,000	9,000
Transfer to Legal reserve	10	-	1	-	(1)	-
Dividends	14	-	-	-	(7,600)	(7,600)
At 30 June 2007		18,654	23	(22,422)	131,220	127,475

Lamprell Plc

Condensed consolidated interim cash flow statement

	Note	Six months ended 30 June	
		2007 USD'000	2006 USD'000
Operating activities			
Profit for the period		36,205	27,335
Adjustments for:			
<i>Share based payments - value of services provided</i>		9,000	-
<i>Fair value gain on derivative financial instruments</i>		(488)	-
<i>Depreciation</i>	6	3,550	2,167
<i>Loss on disposal of property, plant and equipment</i>		-	2
<i>Profit on disposal of asset held for sale</i>		-	(773)
<i>Provision for slow moving and obsolete inventories</i>		(192)	74
<i>Charge for provision for impairment of trade receivables, net</i>	5	20	5
Provision for employees' end of service benefits	12	1,275	1,060
Interest income		(1,288)	(560)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		48,082	29,310
Payment of employees' end of service benefits	12	(209)	(299)
Changes in working capital:			
Inventories before movement in provision		(944)	(571)
Trade and other receivables before movement in provision for impairment of trade receivables and write off		(22,513)	(30,231)
Trade and other payables		76,038	6,856
Net cash generated from operating activities		100,454	5,065
Investing activities			
Payments for property, plant and equipment	6	(5,933)	(9,801)
Acquisition of a subsidiary net of cash acquired	7	(1,586)	-
Payment for acquisition of Inspec	11	(3,000)	-
Proceeds from sale of property, plant and equipment		13	16
Proceeds from sale of asset held for sale		-	2,705
Interest income		1,288	560
Margin deposits	8	(427)	(885)
Net cash used in investing activities		(9,645)	(7,405)
Financing activities			
Due to related parties		-	17,596
Dividends paid	14	(12,600)	(25,318)
Net cash used in financing activities		(12,600)	(7,722)
Net increase /(decrease) in cash and cash equivalents		78,209	(10,062)
Cash and cash equivalents, beginning of the period	8	16,410	30,477
Cash and cash equivalents, end of the period	8	94,619	20,415

**Selected notes to the condensed consolidated interim financial information
for the six months ended 30 June 2007**

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 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited (“LEL”) from Lamprell Holdings Limited (“LHL”), under a share for share exchange agreement dated 25 September 2006 and this transaction was accounted for using the uniting of interests method. The Company listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange with effect from 11 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
Jebel Ali Investments Limited (“JIL”) ** (acquired in June 2007)	100	100	British Virgin Islands
Ahbab FZCO (“Ahbab”) ** (acquired in June 2007)	90 ⁺	100	UAE

* 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 information.

** During the year, LEL acquired 100% of the legal and beneficial ownership of JIL (which has 100% of the beneficial ownership of Ahbab) from LHL for a total purchase consideration of USD1,594,000 (Notes 7 and 13).

⁺ The balance 10% is held by an employee of LEL as a trustee.

2 Summary of significant accounting policies

2.1 Basis of preparation

This condensed interim financial information for the six months ended 30 June 2007 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The interim condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2.2 Accounting policies

The accounting policies adopted are consistent with those described in the annual financial statements for the year ended 31 December 2006. New accounting policies adopted are mentioned below in Notes 2.3 and 2.4. The preparation of condensed interim financial information 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, are disclosed in Note 3.

The following new standards, amendments to standards and interpretations are mandatory for annual periods beginning on or after 1 May 2006:

Standards

- International Financial Reporting Standards (“IFRS”) 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial information – Capital Disclosures (applicable from 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The Group will apply IFRS 7 in the annual financial statements for the year ended 31 December 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

- International Financial Reporting Interpretations Committee interpretation (“IFRIC”) 8, Scope of IFRS 2. Effective for annual periods beginning on or after 1 May 2006. This interpretation is not expected to have any impact on the Group’s accounts.
- IFRIC 9, Reassessment of Embedded Derivatives. Effective for annual periods beginning on or after 1 June 2006. IFRIC 9 is not expected to have any material impact to the Group’s operations.
- IFRIC 10, Interim Financial Reporting and Impairment. Effective for annual periods beginning on or after 1 November 2006. IFRIC 10 is presently not applicable to the Group’s operations.
- IFRIC 12, Service Concession Arrangements. IFRIC 12 is not relevant to the Group’s operations.

- IFRIC 13, Customer Loyalty Programmes. Effective for annual periods beginning on or after 1 July 2008. IFRIC 13 is not applicable to the Group's operations
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction. Effective for periods beginning on or after 1 January 2008. . Management is currently assessing the impact of IFRIC 14 on the Group's operations.

2.3 Derivative financial instruments

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

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

2.4 Intangible assets

Leasehold rights

Intangible assets 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.

3 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.

3.1 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 Group's accounting policy. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each period end. The application of a 10% sensitivity to management estimates of the total costs to completion of all outstanding projects at the year end results in the revenue and profit increasing by USD 6.4 million if the total costs to completion are decreased by 10% and the revenue and profit decreasing by USD 3.7 million if the total costs to completion are increased by 10%.

4 Earnings per share

The calculations of earnings per share are based on the following profit and numbers of shares:

	Six months ended 30 June	
	2007 USD'000	2006 USD'000
Profit for the period	36,205	27,335
Weighted average number of shares		
Basic	200,000,000	200,000,000
Diluted	200,025,585	200,000,000
Earnings per share:		
Basic	18.10c	13.67c
Diluted	18.10c	13.67c

The Group did not exist in its current structure at 30 June 2006. In line with the Group's policy of the uniting of interests method of accounting for the acquisition of entities under common control, the 200,000,000 shares issued on 25 September 2006 have been treated as if they have always been in issue and hence included in the earning per share computation for the six months ended 30 June 2006.

5 Operating profit

Operating profit is stated after charging:

	Six months ended 30 June	
	2007	2006
	USD'000	USD'000
Depreciation	3,550	2,167
Operating lease rentals – land and buildings	4,127	2,105
Provision for impairment of trade receivables	80	14
Release of provision for impairment of trade receivables	60	9

6 Property, plant and equipment

	USD'000
Six months ended 30 June 2006	
Opening net book amount at 1 January 2006	21,673
Additions	9,801
Net book value of disposals	(18)
Depreciation	(2,167)
Closing net book amount at 30 June 2006	29,289
Six months ended 30 June 2007	
Opening net book amount at 1 January 2007	40,595
Acquisition of JIL (Note 7)	52
Additions	5,933
Net book value of disposals	(13)
Depreciation	(3,550)
Closing net book amount at 30 June 2007	43,017

7 Business combinations

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

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

The details of net assets acquired are as follows:

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

* Intangible asset represents a favourable leasehold right acquired, the value of which has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease term (17 years).

If the acquisition had occurred on 1 January 2007, consolidated revenue and consolidated profit for the half year ended 30 June 2007 would have been USD 246,079,726 and USD 36,169,216 respectively.

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

8 Cash and bank balances

	At 30 June 2007 USD'000	At 31 December 2006 USD'000
Cash at bank and on hand	16,478	8,705
Short term and margin deposits	81,935	11,072
	<u> </u>	<u> </u>
Cash and bank balances	98,413	19,777
Less: Margin deposits	(3,794)	(3,367)
	<u> </u>	<u> </u>
Cash and cash equivalents	<u>94,619</u>	<u>16,410</u>

At 30 June 2007, the cash at bank and short term deposits were held with five (31 December 2006: three) international banks and local branches of international banks operating in the UAE. The effective average interest rate on short term deposits was 4.76% (31 December 2006: 4.68%) per annum. These deposits have an average maturity of seven days to one month. The margin deposits with the bank are held under lien against guarantees issued (Note 16).

9 Share capital

Issued and fully paid ordinary shares

	Equity share capital Number	USD'000
At 1 January 2006	-	-
At 25 September 2006 – issued in connection with the acquisition of LEL and treated as if always in issue	200,000,000 ⁺	18,654
At 1 January 2006 – restated for the effect of the uniting of interests method of accounting *	200,000,000	18,654
	<u> </u>	<u> </u>
At 31 December 2006 and 30 June 2007	<u>200,000,000</u>	<u>18,654</u>

⁺ 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, 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. 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 11).

10 Legal reserve

The Legal reserve of USD 23,088 (31 December 2006: USD 22,088) 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.

11 Merger reserve

	At 30 June 2007 USD'000	At 31 December 2006 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
Purchase consideration relating to acquisition of Inspec	4,000	4,000
Share capital of Inspec	(150)	(150)
	<u>3,850</u>	<u>3,850</u>
Merger reserve on acquisition of Inspec	3,850	3,850
Total	<u><u>22,422</u></u>	<u><u>22,422</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 2006, a payment of USD 1 million was made against the purchase consideration and the balance of USD 3 million was paid in 2007.

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 9).

12 Provision for employees' end of service benefits

	At 30 June 2007 USD'000	At 30 June 2006 USD'000
<i>At beginning of the period</i>	8,039	5,868
<i>Charge for the period</i>	1,275	1,060
<i>Payments during the period</i>	(209)	(299)
	<u>9,105</u>	<u>6,629</u>
At end of the period	<u><u>9,105</u></u>	<u><u>6,629</u></u>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 30 June 2007 and 31 December 2006, 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% (2006: 3% to 4%). 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% (2006: 6.11%).

13 Related party balances and transactions

Related parties comprise the Group's associated companies 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:

	Six months ended 30 June	
	2007 USD'000	2006 USD'000
Payments to suppliers made on behalf of Lamprell Energy Oil and Gas Limited	-	233
Key management compensation	11,619	2,279
Sponsorship fees paid to legal shareholders of Lamprell Dubai LLC, Lamprell Sharjah WLL and Inspec	90	64
Payments for use of a vessel	-	40
Interest charged on loans to key management personnel	-	12
Purchase consideration for acquisition of JIL (Note 7)	1,594	-

Key management compensation comprises:

	Six months ended 30 June	
	2007 USD'000	2006 USD'000
Salaries and other short term employee benefits	2,868	2,178
Share based payments – value of service provided	8,662	-
Post-employment benefits	89	101
	11,619	2,279

Loans to directors and key management personnel:

Beginning of the period	-	239
Loans advanced during the period	-	210
Loan repayments received	-	(56)
Interest charged	-	12
Interest received	-	(12)
End of the period	-	393

	At 30 June 2007 USD'000	At 31 December 2006 USD'000
Due to a related party		
Lamprell Holdings Limited	98	8,098

14 Dividends

During the period the Group has paid and accounted for a dividend amounting to USD 7.6 million (3.80 cents per share) to its shareholders relating to the year ended 31 December 2006.

During 2006 (on 30 June 2006 and 20 September 2006), the Board of Directors of LEL approved a total dividend amounting to USD 30.8 million of which USD 5 million was unpaid at 31 December 2006. This dividend of USD 5 million was paid in 2007. In addition, on 30 June 2006, the Board of Directors of Inspec approved a dividend of USD 0.4 million. These dividends were paid to the former shareholders of LEL and Inspec.

	At 30 June 2007 USD'000	At 31 December 2006 USD'000
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15 Commitments

(a) Operating lease commitments

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

Not later than one year	2,130	1,620
Later than one year but not later than five years	8,266	8,395
Later than five years	53,373	57,044
	<u>63,769</u>	<u>67,059</u>

(b) Other commitments

Letters of credit for purchase of materials and operating equipment	21,714	21,913
Capital commitments for purchase of operating equipment	<u>2,495</u>	<u>1,664</u>
Capital commitments for construction of a facility	<u>13,654</u>	<u>8,173</u>

16 Bank guarantees

Performance/bid bonds	60,152	24,138
Advance payment, labour visa and payment guarantees	<u>3,967</u>	<u>3,364</u>
	<u>64,119</u>	<u>27,502</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.

17 Fair value

At 30 June 2007 and 31 December 2006, the fair values of the financial assets and liabilities approximate their net book amounts as reflected in the financial information.

18 Events after balance sheet date

The Board of Directors of the Company have proposed a dividend of USD 10 million (5 cents per share) at a meeting held on 25 September 2007. In accordance with the accounting policy under IFRS set out at Note 2.15 of the annual financial statements for the year ended 31 December 2006 this dividend has not been accrued at 30 June 2007.