



**26 August 2009**

**LAMPRELL PLC**

("Lamprell" or the "Company")

**2009 INTERIM RESULTS**

Lamprell (ticker: 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 2009.

**H1 2009 FINANCIAL RESULTS**

- Revenue: US\$ 259.9 million down 18.3% (H1 2008: US\$ 318.2 million)
- Operating profit: US\$ 31.2 million down 32.2% (H1 2008: US\$ 46.0 million)
- Net profit: US\$ 31.6 million down 34.0% (H1 2008: US\$ 47.8 million)
- EPS (fully diluted): 15.80 cents down 33.8% (H1 2008: 23.86 cents)
- Cash and bank balances as at 30 June 2009 of US\$ 87.5 million (31 December 2008: US\$ 97.8 million)
- Order book as at 31 July 2009 of US\$ 417 million (August 2008: US\$ 818 million)

**Adjusted Results\***

The results for the six month period ended 30 June 2009, are as follows:

- Operating profit: US\$ 31.2 million down 38.3% (H1 2008: US\$ 50.5 million\*)
- Net profit: US\$ 31.6 million down 39.6% (H1 2008: US\$ 52.3 million\*)
- EPS (fully diluted): 15.80 cents down 39.5% (H1 2008: 26.11 cents\*)

\* There were no exceptional charges for the six month period ended 30 June 2009 (H1 2008: stated before reflecting exceptional charges for share based payments of US\$ 4.1 million granted to certain directors and selected management personnel pre IPO, and before reflecting various legal and professional charges of US\$ 0.5 million incurred in connection with the admission of Lamprell plc to the Main Market of the London Stock Exchange plc in November 2008).

## **H1 2009 OPERATIONAL HIGHLIGHTS**

- The Kraken and Leviathan new build self propelled liftboats for Seajacks International Limited were completed in March and July 2009 respectively, on time and on budget.
- The Al Ghallan jackup drilling rig refurbishment project for National Drilling Company (“NDC”) was completed in March 2009. This project, with a contract value of US\$ 59 million is part of the NDC strategic Rig Integrity Assurance Program (“RIAP”), and is the second contract awarded under the RIAP program following the successful completion of the NDC Junana upgrade project in 2007.
- The Offshore Freedom new build jackup rig for Scorpion Offshore Limited was completed in April 2009, on time and on budget.

## **CURRENT MAJOR EPC PROJECTS**

- The construction phase of the Offshore Mischief for Scorpion Offshore Limited has significantly advanced and is now planned to be completed during Q2, 2010.
- The new build jackup rig project with Riginvest GP (“Riginvest”) for the construction and delivery of a completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platform of a Super 116E (Enhanced) Class design has been delayed whilst we continue discussions with Riginvest regarding various financing options that they are exploring.
- The construction phase of the lump sum turnkey construction contract with BassDrill Alpha Ltd (“BassDrill”) for a self erecting tender assist drilling unit with living accommodation and a modular mast equipment package, is progressing on target for completion in October 2009. Lamprell has recently entered into detailed discussions with BassDrill with regard to agreeing an extended payment plan in connection with the construction of the unit.

### **Commenting on the half year results Nigel McCue, Chief Executive Officer, Lamprell said:**

*“The first six months of 2009 has been a busy period for Lamprell during which we have delivered our first three Engineering, Procurement and Construction (“EPC”) contracts all of which have been delivered to our customers on time and on budget. Executing our work to the highest standard, both on time and on budget, remains central to our business and we believe it is the platform for the future growth of our business.*

*However, these remain challenging times for the sector as a whole and, as expected, we continue to see a lower level of rig refurbishment and offshore construction activity, mainly in the area of Floating Production, Storage and Offloading (“FPSO”) contract awards, than in the same period last year. More positively, we continue to see a high level of interest for the wide spectrum of new build services we offer and our total proposals pipeline is currently at the highest level in the history of the Company.*

*We continue to review the impact of the on-going prevailing market conditions on our business in the short term and we remain focused on achieving cost savings and managing our business as efficiently as possible, in the light of our flexible business model, whilst maintaining our ability to take opportunities when they arise. Although the market today presents challenges to the Group, we are confident that our long term prospects remain promising.”*

**Enquiries:**

**Lamprell plc**

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## Chairman's Statement

Performance in the first half of 2009 has been in line with management expectations. During that period the Company has worked on fourteen upgrade and refurbishment projects at our Sharjah and Hamriyah facilities including the Al Ghallan for the National Drilling Company ("NDC") and the Roy Rhodes for Noble International LTD. The Al Ghallan has been completed and is now working in the Zadco field offshore Abu Dhabi and work on the Noble Roy Rhodes, which includes the complete refurbishment of the 120 person living quarters and the upgrade and refurbishment of the drill floor and cantilever, will be completed in the third quarter of 2009. Jebel Ali work is proceeding on the Saipem Livorno process modules for Saipem SPA and the spud can extensions for Master Marine ASA and our new Sattahip facility in Thailand has secured and worked on a number of jackup rigs in the period.

During the first half of 2009, Lamprell has also successfully delivered the Company's first Engineering, Procurement and Construction ("EPC") projects, including the new build self propelled liftboats, the Seajacks Kraken in March 2009 and the Seajacks Leviathan in July 2009, for Seajacks International Limited ("Seajacks"), and the Scorpion Offshore Freedom for Scorpion Offshore Ltd ("Scorpion") in April 2009. Work continues on the remaining EPC projects, the jackup rig, the Scorpion Offshore Mischief, as well as the BassDrill Alpha Ltd ("BassDrill") tender assist barge.

The Company remains in discussion with Riginvest GP ("Riginvest") regarding financing options of the LeTourneau Super 116E jackup drilling rig project and has recently entered into detailed discussions with BassDrill with regard to agreeing an extended payment plan in connection with the construction of the BassDrill tender assist barge.

As foreshadowed in earlier announcements, we have seen, during the first half of 2009, a lower level of activity in the rig refurbishment market. We are seeing a consistent number of rigs as in the prior period but a lower level of activity as drilling contractors reduce non-essential expenditure reflecting the current uncertain market conditions. In addition, no new FPSO related contracts have been signed. This has reinforced our view that this is as a result of the general reduction of capex budgets and the weaker oil price during H1 2009. Nevertheless, the Company remains confident in the long term prospects and viability of this sector.

Encouragingly, we have seen a high level of interest for the wide spectrum of new build services we offer and our total proposals pipeline is currently at the highest level in the history of the Company. This proposals pipeline includes levels of enquiries for our services in all sectors of our business and whilst recognising the short term weakening of the rig refurbishment market, the Middle East remains a key market for jack-up rigs, which will require refurbishment over their working lives.

A considerable amount of time continues to be devoted to the effective management of the Company's cost base, the results of which are now being felt, including a large reduction both in the number of labour supply personnel employed and in the amount of hired equipment being utilised. Compared to the prior year, labour supply cost has reduced by 36% and equipment hire by 31%. In addition, the procurement group continues to establish a number of strategic agreements with various suppliers and this initiative is expected to deliver significant cost savings in the remainder of 2009 and beyond.

The construction of the 250,000m<sup>2</sup> facility in the Hamriyah Free Zone continues. The dredging work and the 1.25km quay wall both are now complete, along with several fabrication areas. The construction of the main office, client office and main workshops are ongoing and remain on track for completion in line with current schedules. The facility was officially opened on 28 April 2009 at the time of the delivery of the Offshore Freedom. We saw the first jackup drilling rig begin refurbishment work at the quayside in the same month and we currently have five rigs in this facility. The Company continues to explore opportunities which can be considered now that the new facility is operational, which could not previously be exploited by the Company, to secure additional high value projects with increased revenue visibility. These opportunities include work relating to semi-submersible drilling rigs, both refurbishment and new construction, and the refurbishment of drillships.

As a result of the current uncertain economic conditions the Directors do not recommend the payment of an interim dividend. The payment of a final dividend will be considered at the year end taking account of trading conditions at that time.

Our track record of on time and on budget project execution remains central to our offering and underpins our confidence in our long term prospects, which remain promising as we seek to build a strong platform for future growth.

## **Market Overview**

The opportunity to secure EPC contracts has been limited during the first half of 2009 and despite considerable proposals activity, no new orders have been placed in this period. This situation predominately reflects the lower oil price and the difficulties many potential clients face to obtain finance for their projects. Notwithstanding the absence of large awards, bid activity has been exceptionally high in the year to date and our bidding pipeline currently exceeds US\$ 3.9 billion, covering the full range of Lamprell's business segments.

Activity in the jackup upgrade and refurbishment segment has been impacted by operators who have not renewed some rig contracts. As a result, drilling contractors are competing for new contracts and this cycle is likely to continue throughout 2009 whilst operators wait for rig rates to stabilise. During this period, some drilling contractors have adopted a policy of deferring maintenance expenditure on their assets until contracts are secured, whilst others are seizing the opportunity to refurbish their rigs.

From a new build perspective, we continue to receive enquiries for drilling rigs. These enquiries are predominately from national oil companies and we remain cautiously optimistic that awards will be made in the coming months.

Following the successful delivery of two lift boats to Seajacks International Limited there is significant interest in similar units to operate in the wind farm installation sector and this segment of our business has been identified as a potential area for future growth.

Lamprell also continues to develop opportunities in new business areas such as the refurbishment and construction of semi-submersible drilling rigs and drillship refurbishment, which will be carried out at our new Hamriyah Free Zone Facility.

## **Outlook**

At 31 July 2009 the total order book was approximately US\$ 417 million and extends into 2011. This provides forward revenue visibility and, in addition, a significant number of potential new contracts have been identified as likely prospects for Lamprell across all our business activities.

The contracted order book, combined with the potential projects, gives the Board confidence of meeting management expectations in the second half of 2009 and beyond.

## **Risks and uncertainties**

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the year and which would cause actual results to differ materially from expected performance. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Group's Annual Report for 2008. An explanation of all risks and those detailed below, and the business strategies that Lamprell uses to manage and mitigate those risks and uncertainties, can be found on pages 28 and 29 of the Annual Report, which is available for download at [www.lamprell.com](http://www.lamprell.com).

The Company's 2008 Annual Report made reference to the principal risks and uncertainties arising from the decline in the level of expenditure by oil and gas companies, counterparty credit risk, the dependence of the Group's growth on the availability of financing both for its own future projects and for its customers, the inability of the Company to use equipment purchased in

advance should a customer not be found for such equipment, the Company's dependence upon a small number of contracts and customers, and the Company operating on a project-by-project basis and not having long term commitments with the majority of its customers, which may cause its visible order book to fluctuate significantly.

In particular, the Company remains in discussion with Riginvest regarding financing options of the LeTourneau Super 116E jackup drilling rig project and has recently entered into detailed discussions with BassDrill with regard to agreeing an extended payment plan in connection with the construction of the BassDrill tender assist barge.

## **Operating Review**

Lamprell's revenue in the first half of 2009 has been generated through the execution of multiple projects across all Lamprell's operating segments. These projects have been executed with a high level of focus on safety and on ensuring that projects are completed safely, on time, on budget, to high quality standards.

Whilst ensuring successful project execution there has been a significant focus on reducing operating costs. Consequently, the Company's operations have been reviewed and a number of aspects of those operations have been streamlined to improve efficiency. This process will continue throughout 2009.

## **Upgrade and refurbishment of offshore jackup rigs**

During the first six months of 2009, Lamprell has executed fourteen upgrade and refurbishment projects at our Sharjah and Hamriyah facilities. Notable projects have included the Ensco Rig 53 for Ensco Oceanics International Company, the Al Ghallan for the National Drilling Company ("NDC") and the Roy Rhodes for Noble International LTD. The Ensco 53 was completed in the second quarter of 2009 and has commenced a contract for British Gas in India. The Al Ghallan contract was executed as part of the NDC Rig Integrity Assurance Program ("RIAP") and the rig is now working in the Zadco field offshore Abu Dhabi. The Noble Roy Rhodes work scope includes the complete refurbishment of the 120 person living quarters and the upgrade and refurbishment of the drill floor and cantilever, and this project will be completed in the third quarter of 2009.

## **Engineering, Procurement and Construction**

Throughout the first half of the year, Lamprell continued the construction of a number of major EPC new build projects at both our Hamriyah Free Zone and Jebel Ali facilities.

## **S116E jackup drilling rigs**

The construction of our first LeTourneau Super 116E jackup drilling rig, the Offshore Freedom for Scorpion Freedom Ltd ("Scorpion"), was a focal point of activity at our Hamriyah facility. The rig was successfully delivered to Scorpion on 27 April 2009 and is now working for the Al-Khafji Joint Operation in the Saudi Arabia and Kuwait ex neutral zone.

The hull assembly process for the Scorpion Offshore Mischief is now well advanced and the hull will be launched in the fourth quarter of 2009. Thereafter the rig outfitting will be completed alongside our Hamriyah quay ready for delivery of the rig in the second quarter of 2010.

The detailed engineering and the procurement of bulk materials and major equipment for a S116E jackup for Riginvest is now well advanced. The hull construction process has temporarily been suspended whilst we work with Riginvest to secure additional finance or a buyer for the rig. It is anticipated that construction work will recommence on this project in the fourth quarter of 2009.

## **Liftboats**

The Jebel Ali facility has been busy in the first six months of 2009 and this high level of activity has been partly attributable to the construction of two harsh environment special purpose self propelled four legged jackup vessels for Seajacks International Ltd ("Seajacks"). The Seajacks Kraken and Seajacks Leviathan have now both been successfully completed on time and on budget.

## **Tender Assist Drilling Units**

The first self-erecting tender assist drilling unit for BassDrill Ltd is scheduled to be delivered in the fourth quarter of 2009 and work on both the vessel and modular mast equipment package has been underway throughout 2009. In June 2009, the project celebrated the significant achievement of utilising one million man-hours without a reportable safety incident.

## **New build construction for the offshore oil and gas sector**

In addition to the EPC projects ongoing at our Jebel Ali facility in the first half of 2009 work is also ongoing on a number of fabrication projects, including two FPSO process modules for Saipem S.p.A. and spud can extensions for Master Marine ASA.

## **Oilfield engineering services**

Throughout 2009, our oilfield engineering facility has focused on the core activities of land rig upgrade and refurbishment, land camp related projects and the inspection and overhaul of mechanical and rotary equipment. A wide range of projects have been executed for multiple clients including Nabors Drilling International Ltd and the Egyptian Drilling Company.

In addition, Lamprell has completed and delivered three new build land rigs and a fourth rig is nearing completion and will be delivered in the third quarter of 2009. All four rigs were built for LeTourneau Technologies Drillings Systems Inc.

## **Thailand**

The Sattahip facility is now fully operational and revenue has been generated through jackup upgrade and refurbishment projects. Management now feel confident to execute larger rig refurbishment projects and offshore fabrication works at Sattahip.

## **Operational developments**

Lamprell has continued the program of organic investment in facilities and equipment throughout 2009, with the objective of increasing productivity and capacity.

The marine work at the new Hamriyah Free Zone facility is now complete and the facility is operational. Rig upgrade and refurbishment projects are ongoing and the facility is ready to undertake large EPC projects. Construction work on the offices, workshops, stores and other parts of the infrastructure continue, although the schedule for this work has been extended into 2010.

In all facilities, we continue to analyse the utilisation of all construction equipment and further investments will continue as and when required to ensure that high levels of operational efficiency are maintained.

We believe the benefits of these investments will support the ongoing development of our turnover throughout the remainder of 2009 and beyond and further investments will be made on an ongoing basis.

## Financial Review

Lamprell has experienced a busy first half year for the period ended 30 June 2009 and the results of its activities are set out in summary below.

### Results for the six month period from operations

	2009 (US\$m)	2008 (US\$m)*	Change
Revenue	259.9	318.2	(18.3)%
Gross profit	48.2	65.8	(26.7)%
EBITDA	37.7	55.1	(31.6)%
<i>EBITDA margin</i>	14.5%	17.3%	
Operating profit	31.2	50.5	(38.3)%
<i>Operating margin</i>	12.0%	15.9%	
Net profit	31.6	52.3	(39.6)%
<i>Net margin</i>	12.1%	16.4%	
Earnings per share	15.80c	26.11c	(39.5)%

\* There were no exceptional charges for the six month period ended 30 June 2009 (H1 2008: stated before reflecting exceptional charges for share based payments of US\$ 4.1 million granted to certain directors and selected management personnel pre IPO, and before reflecting various legal and professional charges of US\$ 0.5 million incurred in connection with the admission of Lamprell plc to the Main Market of the London Stock Exchange plc in November 2008).

Group revenue for the period to 30 June 2009 decreased by 18.3% to US\$ 259.9 million (H1 2008: US\$ 318.2 million). The decrease was largely driven by a reduction in the level of activity of offshore construction, based in Jebel Ali, which was also seen in the second half of 2008, and also a decrease in jackup rig upgrade and refurbishment activities. Revenue generated from EPC projects comprising the new build jackups, liftboats and a self erecting tender assist drilling unit increased during the period largely as a result of the number of projects being undertaken during the first half of 2009.

Gross profit margin decreased from 20.7% for the period to 30 June 2008 to 18.6% for the period to 30 June 2009. This decrease is largely due to the mix in revenue for the period, specifically a lower level of higher margin rig refurbishment and offshore construction activity. In addition, the margin on rig refurbishment activity was seen to decrease as a result of the scopes of work being undertaken and generally tighter market conditions. The gross margin on EPC projects which are generally lower as a result of a higher level of procurement, both in respect of material purchases and sub-contractor work, improved in the period largely reflecting the release of positive cost contingencies mainly on the completion of certain projects.

Operating profit for the period decreased by 38.3% to US\$ 31.2 million (2008: US\$ 50.5 million before exceptional charges) largely reflecting the reduced gross profit. There are no exceptional costs in the current period and in the prior period these costs reflected share based payments of US\$ 4.1 million granted to selected directors and employees pre IPO and also reflect various legal and professional charges amounting to US\$ 0.5 million, incurred in connection with the admission of Lamprell plc to the Main Board of the London Stock Exchange plc in November 2008. The operating margin of 12.0% reflects a decrease from the adjusted operating margin (before exceptional charges) in the same prior year six month period of 15.9% largely in line with the decrease in gross margin.

The net profit decreased by 39.6% to US\$ 31.6 million (H1 2008: US\$ 52.3 million before exceptional charges), in line with the operating profit and also reflects the decrease in interest income in the current period to US\$ 0.8 million (H1 2008: US\$ 1.7 million).

### **Taxation**

The Company, which is incorporated in the Isle of Man, has no income tax liability for the period ended 30 June 2009 as it is taxable at 0% in line with local Isle of Man tax legislation. The Group is not currently subject to income tax in respect of its operations carried out in the United Arab Emirates, and does not anticipate any liability to income tax arising in the foreseeable future. On 4 December 2008, Lamprell Asia Limited, the Company's wholly owned subsidiary in Thailand, was granted Board of Investment privileges which allows it to operate with a tax exempt status for a period of up to eight years.

### **Earnings per share**

Fully diluted earnings per share for the six month period to 30 June 2009 decreased to 15.80 cents per share (H1 2008: 26.11 cents before exceptional charges) reflecting primarily the reduced 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\$ 18.1 million (H1 2008: US\$ 28.2 million). The net cash flow from operations was lower than the prior year six month period reflecting decreased profit for the period and movements in working capital, largely reflecting a decrease in trade and other receivables and trade and other payables, offset by an increase in inventories.

Investing activities for the period absorbed US\$ 13.0 million (H1 2008: US\$ 9.8 million) and mainly comprise investment in property, operating plant and equipment, largely investment in the new Hamriyah facility, amounting to US\$ 13.8 million (H1 2008: US\$ 16.6 million) offset by interest income for the period amounting to US\$ 0.8 million (H1 2008: US\$ 1.7 million).

Net cash used in financing activities amounted to US\$ 19.1 million (H1 2008: US\$ 25.3 million) and mainly reflected the final dividend payment for the year ended 31 December 2008 of US\$ 6.3 million and also the reduction in bank borrowings of US\$ 11.2 million.

**Jonathan Silver**  
Chairman

Lamprell plc  
**26 August 2009**

# Lamprell plc

## Balance sheet

	Note	<u>At 30 June</u> 2009 USD'000	<u>At 31 December</u> 2008 USD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	99,735	92,354
Intangible asset	8	1,356	1,400
		<u>101,091</u>	<u>93,754</u>
<b>Current assets</b>			
Inventories		48,896	20,506
Trade and other receivables		185,988	289,812
Derivative financial instruments		-	50
Cash and bank balances	9	87,523	97,824
		<u>322,407</u>	<u>408,192</u>
<b>Total assets</b>		<u>423,498</u>	<u>501,946</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	18,682	18,682
Legal reserve	12	29	29
Merger reserve	13	(22,422)	(22,422)
Translation reserve		50	(47)
Retained earnings		240,320	216,012
		<u>236,659</u>	<u>212,254</u>
<b>Total equity</b>		<u>236,659</u>	<u>212,254</u>
<b>Non-current liability</b>			
Provision for employees' end of service benefits	14	14,470	14,329
		<u>14,470</u>	<u>14,329</u>
<b>Current liabilities</b>			
Trade and other payables		167,511	263,439
Borrowings	10	4,858	11,924
		<u>172,369</u>	<u>275,363</u>
<b>Total liabilities</b>		<u>186,839</u>	<u>289,692</u>
<b>Total equity and liabilities</b>		<u>423,498</u>	<u>501,946</u>

## Lamprell plc

### Statement of comprehensive income

	Note	Six months ended 30 June	
		2009 USD'000	2008 USD'000
Revenue		259,907	318,241
Cost of sales		(211,685)	(252,420)
<b>Gross profit</b>		<u>48,222</u>	<u>65,821</u>
Selling and distribution expenses		(818)	(1,018)
General and administrative expenses:			
- share based payments		(737)	(4,626)
- others		(15,476)	(15,277)
		<u>(16,213)</u>	<u>(19,903)</u>
Other gains		15	1,141
<b>Operating profit</b>		<u>31,206</u>	<u>46,041</u>
Interest expense		(477)	-
Interest income		823	1,734
		<u></u>	<u></u>
<b>Profit for the period attributable to equity holders of the Company</b>		<u>31,552</u>	<u>47,775</u>
<b>Other comprehensive income:</b>			
Currency translation differences		97	-
		<u></u>	<u></u>
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<u><u>31,649</u></u>	<u><u>47,775</u></u>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic	5	<u>15.83c</u>	<u>23.87c</u>
Diluted		<u>15.80c</u>	<u>23.86c</u>

**Lamprell plc**  
**Statement of changes in equity**

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Retained earnings USD'000	Total USD'000
<b>At 1 January 2008</b>		18,654	24	(22,422)	-	162,506	158,762
Profit for the period		-	-	-	-	47,775	47,775
<b>Total comprehensive income for the period ended 30 June 2008</b>		-	-	-	-	47,775	47,775
Transactions with owners:							
Share based payments:							
– shares issued during the period		28	-	-	-	(28)	-
– value of services provided		-	-	-	-	4,626	4,626
Treasury shares purchased	11	-	-	-	-	(942)	(942)
Transfer to legal reserve		-	1	-	-	(1)	-
Dividends	16	-	-	-	-	(24,525)	(24,525)
		28	1	-	-	(20,870)	(20,841)
<b>At 30 June 2008</b>		18,682	25	(22,422)	-	189,411	185,696
Profit for the period		-	-	-	-	37,680	37,680
Other comprehensive income:							
Currency translation difference		-	-	-	(47)	-	(47)
<b>Total comprehensive income for the period ended 31 December 2008</b>		-	-	-	(47)	37,680	37,633
Transactions with owners:							
Share based payments:							
– value of services provided		-	-	-	-	3,433	3,433
Treasury shares purchased	11	-	-	-	-	(1,683)	(1,683)
Transfer to legal reserve		-	4	-	-	(4)	-
Dividends	16	-	-	-	-	(12,825)	(12,825)
		-	4	-	-	(11,079)	(11,075)
<b>At 31 December 2008</b>		18,682	29	(22,422)	(47)	216,012	212,254

## Lamprell plc

### Statement of changes in equity (continued)

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Retained earnings USD'000	Total USD'000
<b>At 1 January 2009</b>		18,682	29	(22,422)	(47)	216,012	212,254
Profit for the period		-	-	-	-	31,552	31,552
Other							
comprehensive							
income:							
Currency							
translation							
difference		-	-	-	97	-	97
<b>Total</b>							
<b>comprehensive</b>							
<b>income for the</b>							
<b>period ended</b>							
<b>30 June 2009</b>		-	-	-	97	31,552	31,649
Transactions with							
owners:							
Share based							
payments:							
- shares issued							
during the period		-	-	-	-	-	-
- value of services							
provided		-	-	-	-	737	737
Treasury shares							
purchased	11	-	-	-	-	(1,697)	(1,697)
Transfer to legal							
reserve		-	-	-	-	-	-
Dividends	16	-	-	-	-	(6,284)	(6,284)
		-	-	-	-	(7,244)	(7,244)
<b>At 30 June 2009</b>		18,682	29	(22,422)	50	240,320	236,659

# Lamprell plc

## Statement of cash flows

	Note	Six months ended 30 June	
		2009 USD'000	2008 USD'000
<b>Operating activities</b>			
Profit for the period		31,552	47,775
Adjustments for:			
Share based payments - value of services provided		737	4,626
Unrealised fair value gain on derivative financial instruments		-	(329)
Depreciation	7	6,432	4,488
Amortisation of intangible asset	8	44	43
Loss/(profit) on disposal of property, plant and equipment		7	(63)
Provision for slow moving and obsolete inventories		151	112
Provision for impairment of trade receivables, net	6	-	4
Provision for employees' end of service benefits	14	1,815	1,549
Interest expense		477	-
Interest income		(823)	(1,734)
		<hr/>	<hr/>
Operating cash flows before payment of employees' end of service benefits and changes in working capital		40,392	56,471
Payment of employees' end of service benefits	14	(1,674)	(380)
Changes in working capital:			
Inventories before movement in provision		(28,541)	(2,370)
Trade and other receivables before movement in provision for impairment of trade receivables		103,824	(51,083)
Derivative financial instruments		50	608
Trade and other payables excluding unpaid dividend		(95,955)	24,995
		<hr/>	<hr/>
Net cash generated from operating activities		18,096	28,241
<b>Investing activities</b>			
Payments for property, plant and equipment	7	(13,826)	(16,578)
Proceeds from sale of property, plant and equipment		37	70
Interest income		823	1,734
Movement in margin deposits	9	(49)	4,954
		<hr/>	<hr/>
Net cash used in investing activities		(13,015)	(9,820)
<b>Financing activities</b>			
Treasury shares purchased	11	(1,697)	(942)
Dividends paid	16	(6,257)	(24,322)
Repayment of borrowings including interest paid		(11,170)	-
		<hr/>	<hr/>
Net cash used in financing activities		(19,124)	(25,264)
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(14,043)	(6,843)
Cash and cash equivalents, beginning of the period	9	90,225	149,264
Exchange rate translation		66	-
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	9	76,248	142,421
		<hr/> <hr/>	<hr/> <hr/>

## 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 in the consolidated financial statements using the uniting of interests method. The Company was admitted to the Alternative Investment Market (“AIM”) of the London Stock Exchange with effect from 16 October 2006. From 6 November 2008 the Company moved from AIM and was admitted to trading on the London Stock Exchange (“LSE”) plc’s main market for listed securities. The address of the registered office of the Company is 15-19 Athol Street, Douglas, Isle of Man and the Company is managed from the United Arab Emirates (“UAE”). The address of the principal place of the business is PO Box 5427, Dubai, UAE.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) are: the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, including jackup rigs, 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”)	100	100	Isle of Man
Cleopatra Barges Limited (“CBL”)	100	100	British Virgin Islands
Lamprell plc employee benefit trust (“EBT”)	100	†	Unincorporated British Virgin Islands
Jebel Ali Investments Limited (“JIL”)	100	100	Isle of Man
Lamprell Energy FZCO (“LEFZCo”) (previously known as Ahbab FZCo)	90*	100	UAE
Lamprell Asia Limited (“LAL”) (incorporated on 14 May 2008)	100 <sup>++</sup>	100	Thailand

\* The balance of 51% in each case is registered in the name of a UAE National who has assigned all the economic benefits attached to his shareholding to the Group entity. LEL has the power to exercise control over the financial and operating policies of the entities incorporated in the UAE through management agreements and accordingly, these entities are consolidated as wholly owned subsidiaries in this condensed consolidated interim financial information. The UAE National shareholders of these entities receive sponsorship fees from the Group (Note 15).

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

\* A free zone company (“FZCo”) is required to have a minimum of two shareholders and consequently the balance of 10% is held by an employee of LEL in trust for the beneficial interest of the Group.

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

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules (“DTR”) of the Financial Services Authority (“FSA”) and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as adopted by the European Union (“EU”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the EU.

### **2.2 Accounting policies**

Except as discussed below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those financial statements. The annual financial statements for the year ended 31 December 2008 are available on the Company’s website ([www.lamprell.com](http://www.lamprell.com)).

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 and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), ‘Presentation of Financial Statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one performance statement: a condensed consolidated interim comprehensive income statement. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, ‘Operating Segments’. IFRS 8 replaces IAS 14, ‘Segment Reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors who make strategic decisions. Note 4 provides further details and disclosures relating to segment reporting.

IFRS 2 (Amendment), ‘Share-Based Payment’. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has applied the amendment and it had no material impact on the financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

IFRIC 13, 'Customer Loyalty Programmes'.  
IFRIC 15, 'Agreements for the Construction of Real Estate'.  
IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'.  
IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

IFRS 3 (revised), 'Business Combinations' and Consequential Amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) to all business combinations from 1 July 2009.

IFRIC 17, 'Distributions of Non-cash Assets to Owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, 'Transfers of Assets from Customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

### **3 Critical accounting estimates and judgements**

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

#### **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 period 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 period end would result in the revenue and profit increasing by USD 8.1 million (H1 2008: USD 12.4 million) if the total costs to completion are decreased by 10% and the revenue and profit would decrease by USD 7.5 million (H1 2008: USD 11.2 million) if the total costs to completion are increased by 10%.

## Employees' end of service benefits

The rate used for discounting the employees' post employment defined benefit obligation should be based on market yields on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. In the UAE there is no deep market either for corporate or government bonds and therefore, the discount rate has been estimated using the US government bond rates as a proxy adjusted for the credit rating of the UAE and other differences noted in the lending rates of the UAE. On this basis the discount rate applied was 6%. If the discount rate used were to differ by 0.5 points from management's estimates, the carrying amount of the employees' end of service benefits provision at the balance sheet date would be an estimated USD 434,000 (2008: USD 431,000) lower or USD 579,000 (2008: USD 574,000) higher.

## 4 Segment information

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

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

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

The reportable operating segments derive their revenue from 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 Off-loading ("FPSO") and other offshore and onshore structures, oilfield engineering services, including the upgrade and refurbishment of land rigs.

	Segment A USD'000	All other segments USD'000	Total USD'000
<b>Period ended 30 June 2009</b>			
Total segment revenue	253,147	7,558	260,705
Inter-segment revenue	-	(798)	(798)
Revenue from external customers	<u>253,147</u>	<u>6,760</u>	<u>259,907</u>
Gross profit	<u>61,967</u>	<u>2,019</u>	<u>63,986</u>
<b>Period ended 30 June 2008</b>			
Total segment revenue	313,116	6,136	319,252
Inter-segment revenue	(605)	(406)	(1,011)
Revenue from external customers	<u>312,511</u>	<u>5,730</u>	<u>318,241</u>
Gross profit	<u>80,326</u>	<u>1,695</u>	<u>82,021</u>

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

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

The reconciliation of the gross profit is provided as follows:

	<u>Six months ended 30 June</u>	
	2009	2008
	USD'000	USD'000
Gross operating profit for the reportable segments as reported to the Executive Directors	61,967	80,326
Gross profit for other segments as reported to the Executive Directors	2,019	1,695
Unallocated:		
Under-absorbed employee and equipment costs	(8,102)	(7,981)
Repairs and maintenance	(2,111)	(3,933)
Yard rent	(1,744)	(1,358)
Others	(3,807)	(2,928)
Gross profit	<u>48,222</u>	<u>65,821</u>
Selling and distribution expenses	(818)	(1,018)
General and administrative expenses	(16,213)	(19,903)
Other gains	15	1,141
Interest expense	(477)	-
Interest income	823	1,734
Net profit	<u><u>31,552</u></u>	<u><u>47,775</u></u>

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

## 5 Earnings per share

	<u>Six months ended 30 June</u>	
	2009	2008
	USD'000	USD'000
The calculations of earnings per share are based on the following profit and numbers of shares		
Profit for the period	<u>31,552</u>	<u>47,775</u>
Weighted average number of shares for basic earnings per share	199,332,193	200,113,784
Adjustments for:		
- Assumed exercise of free share awards	318,613	148,658
- Assumed vesting of executive share options	67,496	-
Weighted average number of shares for diluted earnings per share	<u>199,718,302</u>	<u>200,262,442</u>
Earnings per share:		
Basic	<u>15.83c</u>	<u>23.87c</u>
Diluted	<u><u>15.80c</u></u>	<u><u>23.86c</u></u>

## 6 Operating profit

Operating profit is stated after charging:

	<u>Six months ended 30 June</u>	
	2009 USD'000	2008 USD'000
Depreciation	6,432	4,488
Operating lease rentals – land and buildings	11,657	4,849
Provision for impairment of trade receivables	-	11
Release of provision for impairment of trade receivables	-	(7)
	-	4
	<u>        </u>	<u>        </u>

## 7 Property, plant and equipment

	USD'000
<b>Opening net book amount at 1 January 2008</b>	47,766
Additions	16,578
Net book value of disposals	(7)
Depreciation	(4,488)
<b>Closing net book amount at 30 June 2008</b>	59,849
Additions	37,866
Net book value of disposals	(93)
Depreciation	(5,268)
<b>Closing net book amount at 31 December 2008</b>	92,354
Additions	13,826
Exchange difference	31
Net book value of disposals	(44)
Depreciation	(6,432)
<b>Closing net book amount at 30 June 2009</b>	99,735

## 8 Intangible asset

	USD'000
<b>At 1 January 2008</b>	1,490
Charge for the period	(43)
<b>At 30 June 2008</b>	1,447
Charge for the period	(47)
<b>At 31 December 2008</b>	1,400
Charge for the period	(44)
<b>At 30 June 2009</b>	1,356

## 9 Cash and bank balances

	<u>At 30 June</u> 2009 USD'000	<u>At 31 December</u> 2008 USD'000
Cash at bank and on hand	20,444	21,112
Short term and margin deposits	67,079	76,712
	<u>          </u>	<u>          </u>
Cash and bank balances	87,523	97,824
Less: Margin deposits	(6,417)	(6,368)
Less: Bank overdrafts (Note 10)	(4,858)	(1,231)
	<u>          </u>	<u>          </u>
Cash and cash equivalents (for cash flow purpose)	76,248	90,225
	<u>          </u>	<u>          </u>

At 30 June 2009 and 31 December 2008, the cash at bank and short term deposits were held with six banks. The effective average interest rate on short term deposits was 2.33% (31 December 2008: 2.79%) per annum. These deposits have an average maturity of seven days to one month. The margin deposits with the banks are held under lien against guarantees issued by them.

## 10 Borrowings

	<u>At 30 June</u> 2009 USD'000	<u>At 31 December</u> 2008 USD'000
Bank overdrafts (Note 9)	4,858	1,231
Revolving facility	-	10,693
	<u>          </u>	<u>          </u>
	4,858	11,924
	<u>          </u>	<u>          </u>

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

The Group has the following undrawn borrowing facilities:

	<u>At 30 June</u> 2009 USD'000	<u>At 31 December</u> 2008 USD'000
Floating rate:		
Expiring within one year	22,392	250
Expiring beyond one year	-	15,076
	<u>          </u>	<u>          </u>
	22,392	15,326
	<u>          </u>	<u>          </u>

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

Although global market conditions have affected market confidence and consumer spending pattern, the Group remains well placed and does not have any exposure to sub-prime lending or collateralised debt obligations. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Group has sufficient working capital and undrawn financing facilities to service its operating activities.

## 11 Share capital

### Issued and fully paid ordinary shares

	<u>Equity share capital</u>	
	Number	USD'000
At 1 January 2008	200,000,000	18,654
Issued on 26 March 2008 in connection with the deferred share award granted on 16 October 2006	279,309	28
	<hr/>	<hr/>
At 31 December 2008 and 30 June 2009	200,279,309	18,682
	<hr/> <hr/>	<hr/> <hr/>

The total authorised number of ordinary shares is 400 million (2008: 400 million shares) with par value of 5 pence per share (2008: 5 pence per share).

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

During 2009, EBT acquired 1,391,253 shares (H1 2008: 92,725 shares; H2 2008: 661,826 shares) of the Company. The total amount paid to acquire the shares was USD 1.7 million (H1 2008: USD 0.9 million; H2 2008: USD 1.7 million) and has been deducted from the Consolidated Retained earnings. During 2009, 618,155 shares (2008: 85,294) amounting to USD 2.4 million (2008: USD 0.3 million) were issued to employees on vesting of the free shares and at 30 June 2009 1,442,355 shares (31 December 2008: 669,257) are held as treasury shares. The Company has the right to reissue these shares at a later date. These shares will be issued on the vesting of the free shares granted to certain employees of the Group.

## 12 Legal reserve

The legal reserve of USD 29,436 at 30 June 2009 (31 December 2008: USD 29,436) 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. There was no transfer to legal reserve during the current period.

## 13 Merger reserve

	At 31 December 2008 and at <u>30 June 2009</u> USD'000
Nominal value of shares of the Company on 25 September 2006	18,654
Share capital of LEL	(82)
	<hr/>
Merger reserve on acquisition of LEL	18,572
	<hr/>
Purchase consideration relating to acquisition of Inspec	4,000
Share capital of Inspec	(150)
	<hr/>
Merger reserve on acquisition of Inspec	3,850
	<hr/>
Total	22,422
	<hr/> <hr/>

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

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

#### 14 Provision for employees' end of service benefits

	USD'000
<b>At 1 January 2008</b>	9,740
Charge for the period	1,549
Payments during the period	(380)
	<hr/>
<b>At 30 June 2008</b>	10,909
Charge for the period	3,751
Payments during the period	(331)
	<hr/>
<b>At 31 December 2008</b>	14,329
Charge for the period	1,815
Payments during the period	(1,674)
	<hr/>
<b>At 30 June 2009</b>	<u>14,470</u>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the period end, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 4% to 5% (2008: 4% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 6% (2008: 6%).

#### 15 Related party balances and transactions

Related parties comprise LHL (which owns 33% of the issued share capital of the Company), certain legal shareholders of Group companies and Directors and key management personnel of the Group. Other than disclosed elsewhere in the condensed consolidated interim financial information, the Group entered into the following significant transactions during the period with related parties at prices and on terms agreed between the related parties:

	<u>Six months ended 30 June</u>	
	2009	2008
	USD'000	USD'000
Key management compensation	5,105	9,617
	<hr/>	<hr/>
Sponsorship fees paid to legal shareholders of Lamprell Dubai LLC and Lamprell Sharjah WLL	69	68
	<hr/>	<hr/>

## Key management compensation comprises:

	<u>Six months ended 30 June</u>	
	2009	2008
	USD'000	USD'000
Salaries and other short term employee benefits	4,526	5,362
Share based payments – value of service provided	424	4,088
Post-employment benefits	155	167
	<u>5,105</u>	<u>9,617</u>

Dividends paid by the Company include an amount of USD 2.2 million (2008: USD 8.6 million) in respect of shares held by key management personnel (including those held by the EBT in respect of shares gifted/awarded) of which USD 2.1 million (2008: USD 8.1 million) was paid to LHL, a company controlled by Steven Lamprell who is a member of key management.

## 16 Dividends

During the period (on 27 March 2009), the Board of Directors of the Company approved a final dividend of USD 6.3 million (US cents 3.15 per share) relating to the year ended 31 December 2008. At 30 June 2009, the unpaid dividend amounted to USD 36,000.

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

## 17 Commitments

### (a) Operating lease commitments

The Group leases land and staff accommodation under various operating lease agreements. The remaining lease terms of the majority of the leases are between 7 to 25 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	<u>At 30 June</u>	<u>At 31 December</u>
	2009	2008
	USD'000	USD'000
Not later than one year	7,948	6,063
Later than one year but not later than five years	13,522	14,001
Later than five years	35,061	36,321
	<u>56,531</u>	<u>56,385</u>

### (b) Other commitments

Letters of credit for purchase of materials and operating equipment	73	11,326
	<u>73</u>	<u>11,326</u>
Capital commitments for purchase of operating equipment	479	3,215
	<u>479</u>	<u>3,215</u>
Capital commitments for construction of a facility	19,023	25,413
	<u>19,023</u>	<u>25,413</u>

## 18 Bank guarantees

	<u>At 30 June</u> 2009 USD'000	<u>At 31 December</u> 2008 USD'000
Performance/bid bonds	129,413	135,903
Advance payment, labour visa and payment guarantees	14,337	14,147
	<u>143,750</u>	<u>150,050</u>

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