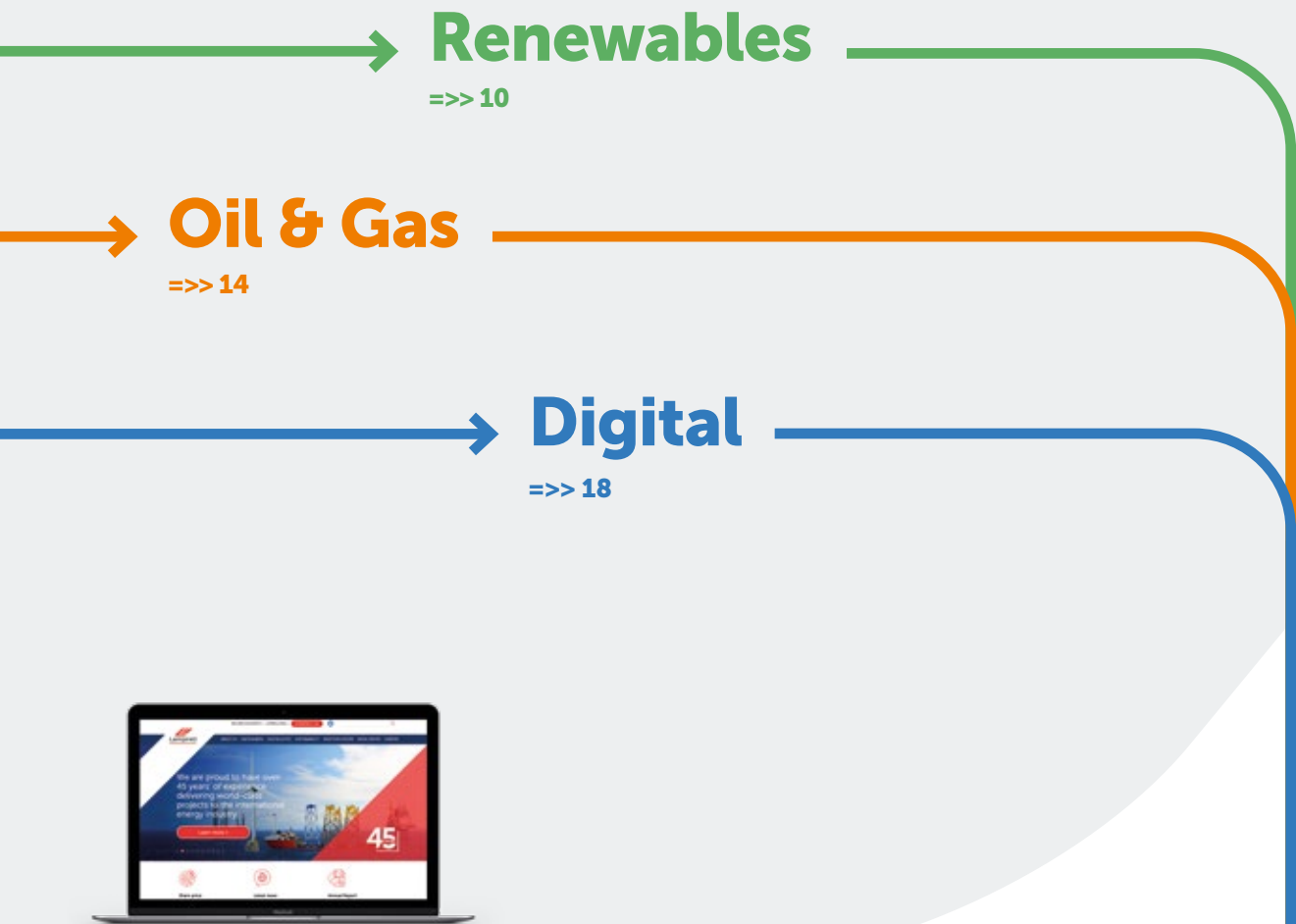


Pathways to growth

Lamprell plc Annual Report and Accounts 2021

Lamprell is transforming its business to thrive in the energy transition. We have gained a foothold in energy markets with significant barriers to entry and continue to evolve the business to deliver more sustainable and differentiated solutions. We are committed to working to generate value for all of our stakeholders.



Online shareholder information
To keep shareholders fully up-to-date, we have comprehensive financial and Company information on our website. Our shareholders can access all the information they require, 24 hours a day.

www.lamprell.com

Front cover
The front cover is a graphic representation depicting Lamprell’s three business units: Renewables, Oil & Gas and Digital. We continue to evolve our strategy with the developing needs of the energy industry.

Highlights

Revenue (USD m)	Adjusted EBITDA* (USD m)
388.8	(19.9)
2020: 338.6	2020: 3.9
Net (loss)/profit (USD m)	(Loss)/EPS diluted (cents)
(60.0)	(16.98)
2020: (53.4)	2020: (15.63)
Net cash* (USD m)	Training (000 hours)
53.0**	288.8
2020: 112.4	2020: 218.7
GHG emissions*** (tonnes CO ₂ e gross)	Safety TRIR (rate per 200,000 hours)
44,847	0.10
2020: 26,304	2020: 0.15
- Record safety performance despite ongoing COVID-19 challenges with TRIR of 0.10 - Solid operational delivery against a backdrop of widespread distress in the supply chain - Renewables segment grown to over 50% of total bid pipeline - First two Saudi Aramco LTA projects awarded - Digital business unit making notable progress founded on solid financial and industry partnerships - Board recommended all-cash offer by two major shareholders to acquire Lamprell, as this represents a viable solution for immediate severe liquidity challenges - Successful completion of debt and equity fund raise in Q4 2021	

* Throughout the Annual Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including total shareholder return, overheads, adjusted EBITDA, adjusted EBITDA margin and net cash are not defined under IFRS, and are termed 'APMs'. Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help evaluate the ongoing financial performance and position of the Group. We have defined and explained the purpose of each of these measures => 150 and 151 where we provide more detail, including reconciliations to the closest equivalent measure under IFRS. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with the IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APMs may not be comparable with similarly titled measures and disclosures by other companies.

** USD 47m is restricted (2020: USD 56m).

*** Our greenhouse gas emissions increased in 2021 due to diesel consumption for an expanded operational area we acquired in 2020 => 32.

Strategic report	
Highlights	01
Chair's statement	02
At a glance	04
Chief Executive Officer's review	06
Our business model	08
Renewables	10
Oil & Gas	14
Digital	18
Our key performance indicators	22
Engaging with our stakeholders	24
Sustainability	28
Non-financial information statement	41
Financial review	42
Viability statement	45
Risk and risk management	46
Principal risks	48
Governance	
Report on corporate governance	52
Introduction by the Chair to corporate governance	52
Board of Directors	54
Board leadership and Company purpose	56
What the Board did in 2021	59
Stakeholder engagement	60
Division of responsibilities	62
Composition, succession and evaluation	64
Nomination and Governance Committee report	66
Audit, risks and internal control	68
Audit and Risk Committee report	70
Remuneration and Development Committee report	72
Directors' remuneration report	74
Directors' report	88
Financial statements	
Independent auditor's report to the members of Lamprell plc	90
Consolidated income statement	100
Consolidated statement of comprehensive income	101
Consolidated balance sheet	102
Company balance sheet	103
Consolidated statement of changes in equity	104
Company statement of changes in equity	105
Consolidated cash flow statement	106
Company cash flow statement	107
Notes to the consolidated financial statements	108
Other information	
Additional information	150
Glossary	152

Chair's statement

Pathways to growth



Lamprell is firmly aligned with the energy transition with a foothold in significant growth markets of offshore wind and oil & gas.

John Malcolm
Chair

Dear Shareholders

Thank you for your continued support as Lamprell delivers on its strategic priorities against the continuing COVID-19 disruptions. The Group has transformed noticeably over the past five years and, having announced a strategic reorganisation in early 2021, is now on course, subject to resolving its acute liquidity and funding requirements, for an even closer alignment with the energy transition. The transformation has not been straightforward and we, like everyone in the energy landscape, have fought the COVID-19 pandemic headwinds and their impacts on our productivity, new awards and financial performance. Multiple lockdowns, severe travel restrictions, self-isolation requirements and, more noticeably, the loss of productivity in our supply chain were the main drivers of our USD 19.9 million adjusted EBITDA loss. The Group net loss was USD 60.0 million.

I would like to commend everyone at Lamprell for another year of excellent safety performance. In a period of strict COVID-19 restrictions and a multitude of impacts on daily operations, the uncompromising effort to deliver our projects safely really stands out. I am also pleased with the progress made by our Sustainability Committee in setting out our priorities for responsible operations => 28. We started the year by announcing that we would drive the Group towards three distinct business units – Renewables, Oil &

Gas and Digital – as a means to implement our strategic goals. Our roots as a Middle Eastern regional rig builder are valued by our long-standing customers and recognised by new and prospective clients. Today Lamprell firmly stands as a global energy partner with a clear growth strategy and a foothold in markets with significant barriers to entry. Our capacity and track record in serial renewables fabrication have earned us solid credentials in an industry with double-digit annual growth rates. Our investment in Saudi Arabia and our four-decade history in serving our clients in the Middle East have enabled us to become one of the select few partners on Saudi Aramco's LTA programme. With the development of our digital business, Lamprell is aiming to ensure it remains a quality partner to its clients, one that is able to address their growing need for new technology and unlock its significant value.

Our renewables business has seen steady growth in its bid pipeline since we took on our first offshore wind project in 2016. In 2021, as net zero carbon targets and the energy transition dominated the headlines, our pipeline of renewables projects grew from USD 2.5 billion to USD 4.6 billion, exceeding the value of prospective oil & gas projects for the first time in our history. This is the beginning of a significant increase in opportunity as offshore wind is set to ramp up commissioned capacity through the coming decade. There are currently around a dozen yards globally that can provide adequate facilities and demonstrate proven experience for the complex serial work that Lamprell specialises in. With nearly 10,000 foundations required over the next ten years, global fabrication capacity will be put under significant pressure. Lamprell, with its track record in jacket fabrication for the UK's leading offshore wind farms, is well positioned to benefit from this growth.

The oil & gas industry has experienced some of the most dramatic shockwaves over the last eight years, only to see a steep recovery in oil

prices recently => 14 as the energy crisis unravelled to expose significant underinvestment and the global supply squeeze was amplified by the war in Ukraine. Hydrocarbons will continue to play a critical role in supplying the world with energy for many years and will therefore remain a core pillar of Lamprell's operations in the near term. Our Board too has evolved to better match our strategic ambition. We welcomed Motassim Al Maashouq as an independent Non-Executive Director => 55. Motassim brings nearly four decades of experience at Saudi Aramco, and his insight has been extremely helpful in progressing the strategy for our Oil & Gas business unit. We were also pleased to broaden our Board credentials with the appointment of Jean Marc Lechene => 55 a former renewables executive. James Dewar has decided to step down from his role as a Non-Executive Director after more than four years on the Board and as Chair of our Audit and Risk Committee. We had commenced a process to find a replacement but this process has been put on hold pending outcome of the offer process detailed below. In the meantime, Debra Valentine has agreed to step into the role on an interim basis.

In 2021 the primary focus for Lamprell was to ensure our business development goals were matched by a funding strategy. In Q4, we were pleased to receive the support of our shareholders and lenders during the first phase of this strategy when we raised USD 30.1 million of equity and a USD 45 million working capital facility, which helped alleviate the immediate pressure on our ongoing working capital requirements. Management then continued to pursue a number of financing and strategic options with a view to finalising these in Q2 2022. In the absence of adequate debt finance solutions, the Group management and Board consulted extensively with the major shareholders to gauge their support for an equity raise as a means to meet its USD 120-150 million balance sheet and growth funding target.

In light of the challenging equity markets and the acute liquidity pressure, this option did not receive sufficient support from shareholders.

The Group then received a combined all cash offer to acquire the entire issued and to be issued share capital of Lamprell PLC from Blofeld Investment Management, a 25% shareholder, and AlGihaz Holding Closed Joint-Stock Company a 19.7% shareholder. The offer includes a Bridge Loan Facility to assist with immediate working capital and capital expenditure requirements. Without an agreement on an equity-based financing solution, and mindful of the acute liquidity needs of the Group, the Board views this offer as a viable pathway to resolve the immediate funding obligations and severe liquidity concerns. In the absence of any alternatives, the Group will not be in the position to trade solvently should this offer not proceed to completion. On 21 July 2022, Thunderball Investments Limited (a newly formed company owned by Blofeld Investment Management Limited and AlGihaz Holding Closed Joint-Stock Company) and (collectively referred to as "Thunderball") Lamprell's Board of Directors announced the terms of a recommended cash offer to be made by Thunderball to acquire the issued and to be issued share capital of Lamprell PLC. Further details are set out on the Company website and its impact on going concern, including the related material uncertainty, are set out in the going concern section of the Financial Review => 43.

Energy market fundamentals have demonstrated significant growth both in renewables and oil & gas in recent months and the Board is confident in the increasing opportunity set that lies ahead for Lamprell. The Group's credentials and experience coupled with a timely funding strategy will enable it to deliver returns on this opportunity in the near to medium term.

John Malcolm
Chair

A proud history and a purposeful future

The early years

The Lamprell family established the business in 1976 during the oil & gas boom

- > Establishes itself as a fabricator specialising in onshore and offshore oil & gas projects
- > Forms rig refurbishment division servicing land and offshore jackup rigs
- > Wins contracts to build and deliver its first land rig, then its first new build offshore jackup rig
- > Lists on the London Stock Exchange (FTSE 250) in 2006

Our energy transition begins

Lamprell diversifies its offering by entering the renewables market

- > Enters renewables market delivering its first wind farm installation vessels
- > Wins three major wind farm foundations projects in four years
- > Joins a strategic partnership with IMI, and enters Saudi Aramco's LTA programme
- > Initiates first Hamriyah yard reconfigurations to improve serial fabrication

A new decade with new directions

Lamprell continues to expand by forming strategic partnerships in the technology industry

- > Forms a partnership with Injazat/G42 to develop digital concepts
- > Begins a partnership with a leader in cutting edge simulation technology, Akselos
- > Wins its first two Saudi Aramco LTA construction projects
- > Signs a capacity reservation agreement for the Moray West offshore wind farm

Lamprell reimagined

> 'Lamprell reimagined' is born with the establishment of three distinct business units:



At a glance

Over 45 years' experience delivering world-class projects

Our purpose

Lamprell's purpose is to provide best-in-class project services and execution solutions for the energy industry. We deliver this through the implementation of our strategic objectives, underpinned by our culture and core values.

Who we are

Lamprell is a leading provider of services to the international energy sector. Driving strategy and growth through its Renewables, Oil & Gas and Digital business units, underpinned by almost half a century of expertise, the Group has worked hard to establish its reputation for delivering projects safely, on time and to budget. The Company employs more than 4,000 people, with its primary facilities located in Hamriyah, in the UAE. Combined, the Group's facilities cover approximately 800,000m² with over 1.5 km of quayside. In addition, Lamprell has facilities in Saudi Arabia through a joint venture agreement.

What we do

Lamprell reimagined

Over the past five years, Lamprell's management team has transformed the Company, pursuing a strategy aligned with the energy transition from oil & gas to renewables and significantly expanding growth opportunities for the business.

2016

- Predominantly a rig builder focused on the oil & gas market
- No direct exposure to Saudi Aramco
- Bid pipeline of USD 2.5 billion comprising few renewables opportunities
- Solid track record in the fabrication of jackup drilling rigs, land rigs and rig refurbishment projects for the oil & gas industry
- Celebrated 40 years of service

2021

- Three newly formed business units: Renewables, Oil & Gas and Digital
- Saudi Aramco LTA partner with two contract wins
- Bid pipeline of USD 7.9 billion with renewables component at USD 4.6 billion
- Track record as one of the leading fabricators of wind turbine generator foundations to the renewables industry
- Recognised as a key player in the energy markets

Renewables

We focus on foundation fabrication and other services for offshore wind projects, as well as liftboat construction.

Key 2021 highlights

- Bid pipeline of USD 4.6 billion at year end
- In exclusive negotiations for reservation capacity agreements
- Seagreen project complete
- Middle East's first green trade finance facility issued by HSBC to Lamprell ==> **13**
- Received London Stock Exchange's Green Economy Mark ==> **13**

[Read more ==> 10](#)

Oil & Gas

Our activities include the delivery of EPCI and rig construction/refurbishment projects, and other services in this industry.

Key 2021 highlights

- Bid pipeline of USD 3.3 billion at year end, with a heavy slant towards core market of Saudi Arabia
- Two IMI jackup drilling rigs in peak fabrication phase ==> **17**
- Lamprell appointed on two of Saudi Aramco's LTA projects ==> **17**
- Major rig conversion contract awarded by BW Energy
- Rig refurbishment continues to deliver a steady flow of projects

[Read more ==> 14](#)

Digital

We are developing innovative proprietary digital products through our strategic partnerships.

Key 2021 highlights

- Injazat and Lamprell announce digital joint venture AiFlux ==> **20**
- Digital twin technology can reduce materials by up to 30 percent ==> **20**
- Early client discussions and first digital twin pilots being deployed

[Read more ==> 18](#)

Where we operate

Renewables

Our three major renewables projects have all been fabricated for the North Sea and Lamprell has actively targeted the growing renewables industry in its traditional European markets in recent years. In 2021, the Company placed a larger focus on new geographies, including the USA, which continues to gain traction.

Bid pipeline (USD billion)

4.6

as at 31 December 2021
(USD 2.5 billion in 2020)



Oil & Gas

Our addressable oil & gas markets are predominantly in the Middle East, the region with the lowest hydrocarbon lifting costs globally. With our well-established presence in the UAE and our plans to move the centre of gravity for this business unit to Saudi Arabia, we are able to maximise our local content which is a key factor in the award of new projects in the region.

Bid pipeline (USD billion)

3.3

as at 31 December 2021
(USD 3.5 billion in 2020)

Operational and strategic delivery against COVID-19 headwinds



Our track record and investment provide us with an excellent position to access growth opportunities in our end markets.

Christopher McDonald
Chief Executive Officer

Dear Shareholders

As we complete our second year of working with COVID-19, I am pleased to report solid operational results, year-on-year revenue and bid pipeline growth and, more importantly, a number of significant milestones as we deliver our growth strategy. 2021 marked a significant reorganisation for Lamprell that put us on a firm course towards the energy transition. Lamprell is a transformed business, not only as a result of a significant shift in its addressable markets, but also as a result of continuing investment in people, our yard and the intense commercial focus. In 2021 alone, our bid pipeline grew by over 30% to USD 7.9 billion, with the renewables component growing by a remarkable 85% to provide USD 4.6 billion of opportunities. Only five years ago, we would not have been in the position to bid on over 90% of the projects in our current pipeline. In that timeframe, we built a solid track record in complex serial renewables fabrication that can be matched by few yards globally. We also invested in and secured partnerships in Saudi Arabia, where Lamprell had no direct involvement previously. And we recognised the significant potential of digital solutions for the energy industry, again establishing strategic partnerships to develop this high-potential business unit.

COVID-19 and safety

I would like to thank our operational team for another year of excellent safety performance and delivering a Total Recordable Injury Rate (TRIR) of 0.10, another historic result. This performance is particularly noteworthy in the context of the ongoing COVID-19 pandemic, which once again affected our productivity and financial results. Our yards operated throughout the year without any outages to deliver for our clients, but it came at a cost and the Group made an adjusted EBITDA loss of USD 19.9 million and a net loss of USD 60.0 million ==> 42.

Renewables

I am highly encouraged by the bidding dynamics and the continuous upward adjustments for the outlook in the renewables industry. Presently there is circa 35 GW of installed offshore wind capacity across the globe. This is expected to reach 200 GW by the end of the decade ==> 10.

For context, 1 GW represents approximately 100 jacket foundations, or over one year of Lamprell's current capacity. We recognise the significant fabrication capacity crunch the industry is likely to face in the near and medium term. In recent months we have seen a clear preference for reservation agreements, contracts reserving yard capacity ahead of full award, as our prospective clients try to address the limited global fabrication capacity in offshore wind. That is why Lamprell has continuously adapted its operational set-up to improve efficiencies to ensure we are capable of executing larger projects within shorter timeframes. With these factors in mind, we approved, subject to securing the necessary funding, the construction of a renewables production line as a capex priority for 2022. This critical change to our yard will significantly increase our revenue-generating capacity by allowing us to access monopile projects and, in future, compete for larger-scale components for floating foundations.

Oil & Gas

Our oil & gas legacy business, and specifically our proximity to the low-cost producers, has provided us with exceptional operational expertise and crucial strategic partnerships. We are currently working on three major projects worth over USD 500 million, all directly or indirectly commissioned by Saudi Aramco, our partner in the IMI joint venture. In 2021 we were successful in securing our first two awards from Aramco's selective LTA programme. We continue to bid on circa USD 3 billion of opportunities within this programme and are starting to notice a ramp-up in bidding activity due to the favourable oil price environment. Around the turn of the year, we saw circa USD 10 billion contracts awarded by major oil producers in the MENA region to develop some of the largest projects. We were not bidding on these projects but crucially these awards will take up much of the available yard capacity and so we are confident of our competitive standing on future awards.

Our IMI joint venture is progressing despite a period of disruptions during the pandemic, and we anticipate the commissioning of certain zones to commence in 2022. Lamprell invested USD 85 million out of its USD 140 million commitment in the joint venture to date. Our shareholding in IMI has opened up a number of opportunities for Lamprell: it has enabled us to join the exclusive Saudi Aramco LTA programme, it has been an effective conduit of dialogue with major influencers in the Kingdom to develop a relocation strategy for Lamprell Oil & Gas, and it has provided us with revenue opportunities at a time when much of the oil & gas industry was recovering from a crisis.

Digital

Since 2019, Lamprell has been actively developing commercial digital solutions to improve efficiencies in our business and for its clients across the energy industry. We were pleased to have secured strategic financial and technical partnerships with Injazat/G42 and Akselos ==> 20 to complement our fabrication and engineering know-how. The Digital business unit, through its joint venture partners and independently, is currently focusing on four core areas of dynamic digital twin technology, asset integrity, the connected worker, and robotic welding. Over the next few years, we plan to invest in the development of specific digital solutions and anticipate seeing positive contribution to Group financial performance from 2024.

Funding our future

Our business requires funding and we have been severely cash-constrained for several years; we have pursued several options to alleviate these acute liquidity pressures and deliver a funding strategy with a view to raise USD 120-150 million to strengthen our balance sheet, assist with major legacy projects working capital requirements and invest in our yard to deliver significant growth. As we look ahead at the significant growth in our opportunity set and the increasing scopes, complexity and value within our bid pipeline and also our near-term working capital requirements, we realise the need for a much stronger balance sheet. In late 2021, we successfully completed the first stage of our funding strategy by securing a circa USD 45 million working capital facility and raising USD 30 million through an oversubscribed placing of shares ==> 42. Since then, the Group has explored a number of alternative financing and strategic options, including asset monetisation, debt financing and/or additional equity to deliver its funding strategy. Working capital needs and the working capital facility repayment schedule required us to deliver these options by the end of July 2022. Bearing in mind the uncompromising time pressure to improve our liquidity position and in the absence of viable funding options, the Board of Directors unanimously recommended to accept a takeover offer from two of its major shareholders, Blofeld and AlGihaz which included a USD 145 million bridge financing loan, which has been partially drawn at the end of July 2022 ==> 44. The new ownership structure can assist in delivering Lamprell's capital-intensive growth strategy, whilst securing a future for its employees, delivering some cash value for its shareholders and honouring its many other stakeholder obligations.

Christopher McDonald
Chief Executive Officer

Developing our ESG strategy

With a key focus on renewables and the energy transition, we recognise the significance of sustainability for global economies and businesses. Our commitment to sustainability ==> 28 forms part of our overall Group strategy and we are committed to operating responsibly in all aspects of our activities. In 2021, we took a number of steps towards developing our ESG strategy:

- Established a Sustainability Committee to prioritise our ESG matters, track progress and report to the Board
- Performed a materiality assessment to prioritise the most relevant issues for Lamprell and its stakeholders
- Received the Green Economy Mark from the London Stock Exchange for our 2020 performance ==> 13

What makes us different

- First-class safety and quality
- Value for money
- Client satisfaction
- Skilled workforce
- Strategic location
- Embracing technology

➤ See more on our differentiators at www.lamprell.com

Our business model

Evolving with the energy transition

Lamprell reimagined

Our purpose

Lamprell's purpose is to provide best-in-class project services and solutions for the energy industry. We deliver this through the implementation of our strategic objectives, underpinned by our culture and core values.

Our values

Safety: We deliver world-class safety performance and leave nothing to chance so everyone goes home safely.

Fiscal responsibility: Because every employee influences our costs, we are all accountable to ensure that we achieve the most cost-effective solutions.

Integrity: We conduct our business honestly, with professional integrity, fairness and transparency, and we are open and ethical in our day-to-day dealings with all stakeholders.

Accountability: We deliver what we say we will.

Teamwork: We strive to work together with our stakeholders and believe great teams can achieve incredible things.

Our strategy

We have undergone a strategic reorganisation to increase the Group's focus on renewables and the energy transition, aligning with our customers' needs and enabling optimum access to opportunities in our core markets.

➤ See Sustainability on ➤➤➤ 28

➤ See Risks on ➤➤➤ 48

➤ See Governance on ➤➤➤ 52

Our inputs

People

An internationally diverse, experienced labour force, united by a strong culture of honesty and curiosity, as well as high safety and quality performance.

Financial assets

Working capital facility for the rig projects. Completed fund raise in Q4 2021 and Group received a combined all cash offer from two major shareholders, which included a bridge loan facility, to address current liquidity challenges and to support strategy implementation and fund growth of business units.

Infrastructure

Modern, world-class facilities centrally located in the Middle East region, deploying digitalisation and optimisation to execute multiple large projects concurrently and more efficiently.

Business development

A network of both new clients and long-standing, strategic relationships that allow us to understand client needs, source new prospects, build the sales pipeline and convert opportunities into new awards.

Suppliers

Global supply chain reach with a network of proven regional and international high-quality suppliers and contractors.

Processes

Robust, embedded processes and procedures, all based on continuous improvement as we instil lessons learned from prior projects to bid and execute future projects more competitively and effectively.

Intellectual property

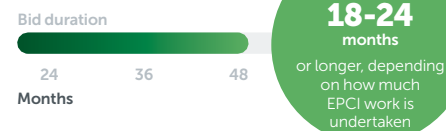
Over four decades of know-how in energy industry projects provide a high barrier to entry for competitors, and we are now tying up this expertise with new propositions in the digital sector.

Our business units

Renewables

Renewables is a relatively new sector with a short history compared to oil & gas. It can take longer to convince clients of our credentials and there is no 'normal' project structure – it could be full EPCI, procurement and construction or fabrication only. This will affect project durations, pricing and risk allocation.

Renewables offshore wind projects



Funding: Typically fixed.

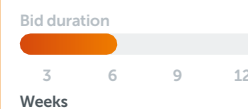
The key drivers: safety and quality; value for money, although some clients opt for 'low-cost' models which can be risky; risk allocation is being pushed down the supply chain; having a robust global supply chain network; willingness to build on lessons learned as the industry matures.

➤ Read more about Lamprell Renewables ➤➤➤ 10

Oil & Gas

Our rig refurbishment and EPCI projects operate according to different business models.

Rig refurb projects



Funding: Most are on a 'time and materials' basis, and the contract price will grow during execution; however, there may be a lump sum element.

The key drivers: the ability to complete the project on time and reliably, ensuring clients get their assets back to work quickly; having specialists on the job – increasingly rarer as fewer shipyards work on rigs; being innovative and coming up with timely solutions to issues found during execution.

➤ Read more about Lamprell Oil & Gas ➤➤➤ 14

EPCI projects



Funding: Typically fixed lump sum projects with the contractor holding most of the risks, which can be factored into the price. Risks are understood due to deep industry experience and risk management processes in the business.

The key drivers: a proven track record in large projects with good references; low-cost solutions through an efficient, skilled workforce and/or strong processes; strategic location – building locally in the Gulf is viewed positively for projects in the UAE and KSA; excellent safety record.

Digital

Goals

- Improving efficiencies to support our Renewables and Oil & Gas business units
- Digitalising our systems, processes and fabrication to increase margins on ongoing projects
- Creating new revenues for Lamprell by collaborating with digital partners such as Injazat/G42 and Akselos

➤ Read more about Lamprell Digital ➤➤➤ 18

How we deliver

- Through data management, integration and productivity throughout
- By having technology built into PPE to ensure that we have the right people in the right place at the right time
- By creating digital twins for large assets
- Through teaching welding robots to weld complex joints
- Through data gathering and analysis on a digital platform to improve NDT and inspection results

Factors to consider: these initiatives are at an embryonic stage, and each has a large existing addressable market. Lamprell Digital's business model will vary from revenue stream to stream, for example, sales or rentals of products, long-term service contracts, subscription fees for using the platform and so forth.

Key drivers: innovation and technology; adding value to client business models; personnel expertise; scalability.

Creating value

Customers

We aim to provide our clients with high-quality products that meet their expectations, with reliability of delivery, which allows them to generate energy safely, securely and cost-efficiently. We value long-term multi-contract relationships.

Shareholders

Fiscal responsibility is a core value and providing a return to our shareholders through increases in the value of their holdings and/or dividends in the longer term is a top priority for us. Management remuneration includes share schemes which are based on key performance indicators to closely align drivers for shareholders and staff alike.

Employees

Our people are our most important asset and we are committed to their well-being and to ensuring that everyone goes home safely every day. We treat our staff fairly and ethically using a 'just culture' methodology. We create value for our employees through investment in training and development to improve skills, by keeping them safe through robust procedures and through a compensation and benefits package which meets or exceeds regional norms.

Business partners

Reliable, proven business partners underpin our ability to evaluate, win and deliver complex projects with aggressive schedules. During bidding and at contract award, we align closely with our partners and suppliers, treating them fairly and transparently, working collaboratively to establish long-lasting, mutually rewarding relationships on the projects where we work together.

Communities

We invest in the communities we work in, sourcing employee benefits such as medical care, schooling and housing from within the local community. Through our social investment strategy we may extend support to the home countries of our employees including charitable support in those locations.

➤ See more on our stakeholders on ➤➤➤ 24

Major opportunities in global wind market

Key market trends

- The tremendous global growth in offshore wind continues, at a CAGR 13.5%, with an additional 200GW to be brought on stream by 2030 and a further 128GW by 2035¹
- Lamprell’s core markets of the UK, Europe and the US East Coast make up over 60% of the global pipeline
- Floating wind accelerates, boosted by the success of the 2022 Scotwind Auction with 15GW of floating wind granted seabed rights, double initial expectations²

Harnessing opportunities

Lamprell will leverage our track record in serial production and broaden our foundation offerings to include transition pieces and monopiles. We will support our customers in developing fixed and floating wind projects in Europe and the US, helping them to select technologies and deliver local content solutions.

Mitigating risks

The opportunities in foundation supply are numerous, so we will become more selective about the projects we are able to support. We will focus on key customers and geographies where we have a track record and/or clear differentiation, using our rigorous bid-no-bid process to screen opportunities with more attractive returns for the Group.

1. 4C Offshore market overview report Dec 2021.
2. <https://www.offshorewind.biz/2022/01/18/scotlands-new-floating-wind-projects-what-we-know-so-far/>.

SCALE

Our strategy

Lamprell Renewables will deliver fixed and floating wind turbine generator foundations, broadening our offering by investing in a world-class renewables production line in our Hamriyah yard in the UAE to produce up to 150 transition pieces per year. We will look for opportunities to move up the value chain into EPCI, as well as seeking local content solutions for floating wind projects based in our target markets.

2021 priorities

- Invest in our Hamriyah yard to increase capacity and broaden our product offering to include transition pieces and floating wind structures, subject to availability of funding
- Secure a role on an HVAC/HVDC project
- Participate in UK and US bidding rounds and secure major award(s) for 2022
- Secure a role on a floating wind opportunity in 2021

2021 progress

- Investment decision made to build a world-class transition piece and monopile serial production facility in our Hamriyah yard, capable of producing circa 150 transition pieces per year, with start-up scheduled for the end of 2022
- Lamprell signed a capacity reservation agreement for the Moray West offshore wind farm and has a MOU in place with NOV for the Cerulean Wind Farm project
- Working closely with several floating wind farm customers to secure our first order

Link to principal risks:

1 9 10

Renewables

128

jackets safely delivered to our clients by year end with the final ten delivered in H1 2022

First

green trade finance facility in the Middle East awarded to Lamprell in 2021

LSE award

Lamprell received the London Stock Exchange's Green Economy Mark

Introduction

Lamprell Renewables is an industry leader in building foundations for the offshore wind market. We have been awarded circa 140 jacket foundations since our first foundation contract in 2016, which is in addition to the six new build jackup installation vessels we have delivered for the wind industry. We continue to invest in our facilities in the UAE to broaden our foundation offering to include transition pieces and monopiles, as well as floating foundations as this market segment rapidly develops. We aim to collaborate with other leading partners to deliver larger scopes of work as well as move up the EPCI value chain.

Year in review

In 2021 our Hamriyah yard was focused on building 30 jackets and suction buckets for the Seagreen project, our third successive wind farm project for the UK. This was a major undertaking since the jackets were some of the largest we have built to date, with each fully assembled structure weighing 2,000 tonnes or circa 60,000 tonnes overall. It was also the first project where we deployed our proprietary lifting frame technology to up end fully assembled jackets vertically. This technology has exceeded our expectations by removing bottlenecks in the yard to increase throughput, allowing us to execute more work at grade (building horizontally instead of vertically at height), which contributed significantly to Lamprell's best-ever safety record in 2021 ==> 22, and by reducing the overall jacket cost.

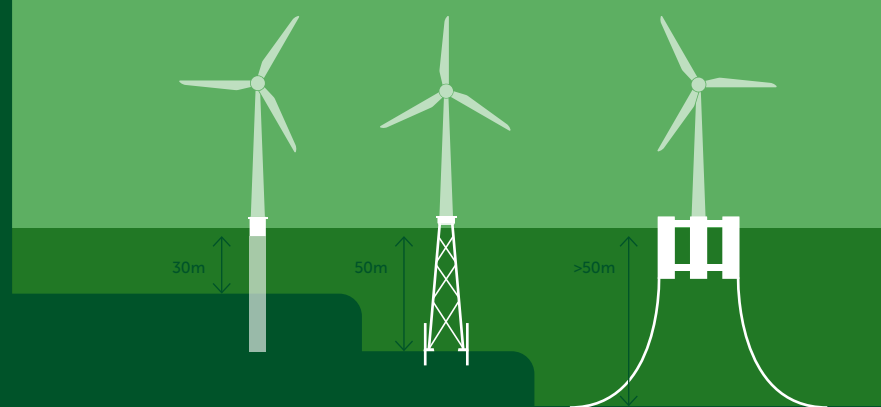
Despite the COVID-19 pandemic, which was at its peak during the Seagreen project, we successfully completed the project in Q2 2022, which is a fantastic achievement when contrasted with how other major yards have been impacted in Asia and globally.

As we closed 2021, we were well placed with a number of clients that are planning to award major contracts in 2022, and we expect to secure a backlog of work into 2023/24. In addition, we are supporting many floating wind clients with technologies that are moving into commercialisation, and we expect this to yield significant work in the coming decade.

Strategic future outlook

The strategic outlook for the renewables industry and for the building of wind turbine generator foundations is very strong and is expected to improve month-on-month as more wind farm developers come to market for foundations. The strength of the market is reflected in the significant increase in the bid pipeline from USD 2.5 billion at the end of 2020, to USD 4.6 billion at the end of 2021, with further growth expected over the coming one to two years. Climate change is a major driver for the energy transition and Lamprell is well placed to take advantage of these many new prospects. For this reason, Lamprell is adopting a 'renewables first' approach in the implementation of its 'Lamprell reimagined' strategy.

Lamprell builds offshore windfarm foundation structures



Case studies

Evolving and strengthening our Board to support our strategic vision in renewables

When implementing 'Lamprell reimagined' ==> 2, the importance of aligning our Board with that strategy, and in particular the need for deeper renewables experience, was highlighted. With the help of specialist recruitment consultants, Lamprell looked around the market to identify candidates who could bring renewables experience and further diversity to our Board.

In December 2021, Lamprell welcomed Jean Marc Lechene, who has a solid renewables background, as a new Director on Lamprell's Board. A French national, Jean Marc brings with him a wealth of experience gained over 40 years and diversity of thought from a European background. With his impressive credentials ==> 55, comprising international leadership experience in multiple areas of interest, he will undoubtedly help support and shape the organisation's continuing evolution.



Middle East's first green trade finance facility issued by HSBC to Lamprell

Lamprell was delighted to receive HSBC's first green trade finance facility in the Middle East and North Africa region. The bank raised USD 48 million to support our Seagreen project's execution. HSBC was the sole arranger for the innovative facility, which was also the first green guarantee in the MENA region. While funding for oil & gas projects is limited and rather complex, there is a large pool of 'green funding' available in the market, and this was a very auspicious first step to access capital for the Group.

Lamprell expects renewable energy projects to comprise an increasingly large percentage of our revenue so it is important for the Company to have access to this type of financing, which is not only aligned with our green agenda but is also structured efficiently. It is vital that banks and corporates work together to further deepen the green finance market in the Middle East, supporting the global and regional transition to a low-carbon future.

We are also proud to have been part of the HSBC-sponsored 'Living Business' sustainability programme ==> 28.

Green Economy Mark awarded to Lamprell

Lamprell is being recognised for its work to become a key player in the green economy. In recent years, shareholders are getting serious about sustainability and have publicised the need for listed companies to prove their green credentials.

In July 2021, Lamprell was awarded a Green Economy Mark by the London Stock Exchange. First introduced in 2019, this classification was created to highlight companies and investment funds listed on all segments of the London Stock Exchange's Main Market and AIM that are driving the global green economy. To qualify for the Mark, companies and funds must generate 50% or more of their total annual revenues from products and services that contribute to the global green economy.

Thanks to our recent projects and large renewables bid pipeline, this award helps us to deliver the message that we have transformed from a rig builder to a modern company which is aligned with the future of energy.



Market environment

Oil & Gas business focused in the Middle East region

Key market trends

- Global oil & gas demand has recovered strongly from the COVID-19 lows of 2020
- Strong demand, supply constraints due to lack of investment and geopolitical tensions have driven oil prices to highs not seen since 2014, with no expectations of a decrease in the mid-term^{1,2}
- The recovery in the oil price has improved bidding dynamics in the Gulf, and there have been a number of large-scale offshore awards in the Middle East totalling circa USD 10 billion in Q1 2022 alone

Harnessing opportunities

Lamprell is a partner with Saudi Aramco in the IMI joint venture, and we are appointed to Saudi Aramco's prestigious LTA programme with an annual EPCI offshore bid pipeline of USD 3-4 billion per year, where we expect to secure our share of awards. Lamprell is a key provider of rig refurbishment services, and in 2021 we were awarded with 11 new projects, with strong demand expected to continue.

Mitigating risks

The LTA bidding environment remained highly competitive throughout 2021, although Lamprell did secure two awards during the period =>> 16. A number of LTA contractors have recently received major awards and this is expected to cause capacity constraints in construction yards for 2022-24, improving the bidding environment for Lamprell.

1. <https://www.reuters.com/business/energy/oil-rises-more-than-7-year-high-mideast-tensions-2022-01-18/>
2. <https://www.reuters.com/business/energy/jp-morgan-sees-oil-prices-hitting-125-2022-150bbl-2023-2021-12-02/>



DEVELOP

Our strategy

Lamprell Oil & Gas will build on its strong regional position, global supply chain and high local content scores in Saudi Arabia and the UAE to secure EPCI offshore, new build jackup rig and refurbishment projects while continuing to support its smaller contracting services business.

2021 priorities

- Secure one or more EPCI CRPO awards on Saudi Aramco's LTA programme
- Support IMI in the execution of future rigs under its offtake agreement with Saudi Aramco
- Support ADNOC's rig acquisition programme by executing at least one major rig upgrade and further refurbishment projects on their behalf
- Build on our Saudi Arabia local content plan and develop local execution capability

2021 progress

- Lamprell was awarded two CRPOs under the LTA to build and install five jackets and two production deck modules
- In peak fabrication phases for IMI rigs 1 and 2 with delivery in late 2022
- We secured 11 rig refurbishment contracts during the year, including four from ADNOC and one major rig conversion from BW Energy
- As part of our recent CRPO awards, we have 13 Saudi graduates working in our UAE facilities
- We announced plans to move centre of gravity for this business unit to Saudi Arabia; this is being implemented in 2022

Link to principal risks:

[1](#) [3](#) [4](#) [5](#)

Strategy in action

Oil & Gas

2

jackup rigs currently under construction in Lamprell's Hamriyah yard

2

Saudi Aramco LTA projects awarded in 2021; currently under construction

1

major rig conversion under construction

Introduction

Lamprell Oil & Gas has first-class construction yards strategically located in the world's most dynamic energy region. They allow Lamprell to deploy a full-service EPCI offering on our offshore production and jackup rig projects as we service the world's largest company, Saudi Aramco, and key national oil company, ADNOC. Through our extensive investments in KSA and the UAE, we are able to achieve high IKTVA and ICV targets which are used, in part, to preferentially award major contracts in these countries.

Year in review

We had a successful start to 2021 with Lamprell's first-ever EPCI contract awards from Aramco under the LTA programme. The awards are the result of a two-year bidding process as we worked to establish strategies for cost-effective execution in the Kingdom and to overcome any learning curve challenges that are inevitably faced with winning and executing a new project for a major new client.

In addition to the LTA work, in the UAE, we are over halfway towards completion on rigs 1 and 2 for ARO Drilling in KSA, working as a subcontractor for International Maritime Industries where Lamprell is a 20% shareholder. Aside from the Saudi Aramco rig work, in Q4 2021 Lamprell was awarded a large contract by BW Offshore to convert the drilling rig Hibiscus Alpha to a mobile offshore production unit. The rig order is one of the largest conversion scopes that Lamprell has seen in recent years, and we are progressing the project well with expected completion in 2H 2022.

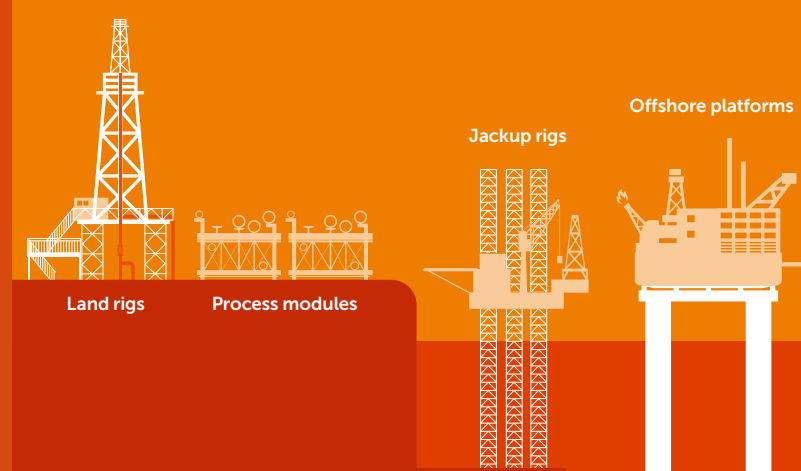
Rounding out a busy year, we also successfully completed the large EPC onshore Mahani project for SNOC, who were delighted with our performance. This project has multiple phases and we are looking forward to working with this client again in the future.

Strategic future outlook

Saudi Aramco and ADNOC have the lowest lifting costs in the world, and they will continue to invest strongly to support expanding production to fill the voids left by the lack of investment by IOCs and other NOCs in recent years. Lamprell has invested in the IMI yard in Saudi Arabia, which will build the next generation of jackup rigs for the Kingdom. Lamprell is also a key part of the prestigious Aramco LTA programme where projected capex spend is set to continue with around USD 3 to 4 billion per annum.

Lamprell will work with its partners in the IMI to determine the best way to realise value from that investment and, in the meantime, has decided to transition the centre of gravity of our oil & gas business to Saudi Arabia over time. This strategic goal will ensure that this business unit will be closer to its expected primary source of future revenues.

Lamprell fabricates various structures for the oil & gas market



Case studies

Evolving and strengthening our Board to support our strategic vision in oil & gas

One of the key components of 'Lamprell reimagined' ==> 2 is the migration of its Oil & Gas business unit to Saudi Arabia, a region with one of the lowest hydrocarbon lifting costs globally and also home to the largest energy company in the world, Saudi Aramco. To that end, Lamprell announced the appointment of Motassim Al Maashouq, a Saudi national, as an Independent Non-Executive Director in September 2021. With his in-depth knowledge of both the Kingdom and specifically Aramco, Motassim will help Lamprell with the process of advancing its oil & gas strategy.

Mr Al Maashouq also has a keen interest in our renewables and digital business; his credentials ==> 55 speak for themselves, and his contributions to the Board will be invaluable as we continue to evolve the business both in the near and long term.



ECI-backed working capital facility granted for oil & gas business

Lamprell was delighted to be granted a new working capital debt facility in 2021 for the two IMI jackup drilling rig projects we're constructing in the UAE. This debt facility is an innovative funding instrument because it has the novel feature of an insurance policy backing from the Etihad Credit Insurance, the UAE Federal export credit company. This was a hugely significant milestone because it not only helped to address liquidity concerns for the business ==> 42, but it is also directly linked to our Oil & Gas business unit, which the lending community undoubtedly still supports. One of the biggest spenders in this area is our long-standing and largest client ADNOC, emphasising the continuing importance of our presence in the UAE, and our client and partner in the IMI yard, Saudi Aramco, who will continue spending in KSA, a key territory for us.

First Saudi Aramco LTA project awards steer our strategic journey

Securing two major contracts in 2021 under our LTA with Saudi Aramco was transformational for the business and brought our strategic aspirations sharply into focus. They are a clear demonstration of us moving up the value chain into large EPCI project execution with a top-tier client.

For the first time, Lamprell will install offshore jackets and production decks using LTA experienced installation subcontractors working under our direction. The transport, installation and logistics will be contracted by our In-Kingdom joint venture partner, LKSA, thus building on our strategic intent to invest in capacity and capability in Saudi Arabia.

The awards speak volumes to our oil & gas strategy and intention to support growth inside the Kingdom, expanding our regional reach and building our EPCI capabilities. We've also expanded our talent pool to ensure our execution preparedness, and we've welcomed Saudi trainees into our facilities as part of our CRPO execution.



Lamprell’s digital transformation

Key market trends

- Acceleration of digital transformation within the energy sector in support of next generation industry practices
- Data will become standardised where all users can access the same relevant information in the right context at the right time. Future work will be built on fully connected digital experiences

Harnessing opportunities

Leveraging our access to large volumes of data from our core business activities and building on our multiple client relationships in renewables and oil & gas, Lamprell Digital will develop technologies in asset integrity, structural digital twins, connected worksites and robotic welding. This will improve our efficiency and competitiveness and enable us to commercialise digital products for wider industry use.

Mitigating risk

Data for each of the technologies will be collected, classified, securely stored and analysed through one single interface rather than several, which will enable more informed and real-time decision-making. In addition, our robotic welding solution will address the ever-increasing skills shortage in the welding of complex, high-grade material weld joints.

EXPLORE



Our strategy

Lamprell Digital will be divided into two distinct but complementary arms: one will focus on the enhancements that digital products will make to Lamprell’s core business, and the second will be executed by way of a venture capitalist approach.

2021 priorities

- Conclude stakeholder roles and investment to commercialise digital asset integrity and products
- Digitalise yard operations in Hamriyah and market these proven digital products to third parties
- Build on strategic digital relationship with Akseos to market and commercialise digital twin models to customers

2021 progress

- Injazat joint venture start-up AiFlux incorporated in Abu Dhabi Global Market, the city’s international financial centre
- First tranche of funding released to AiFlux
- Proof of concept for robotic welding continued

- Connected worker productivity platform proof of concept kicked off
- First commercial project undertaken utilising Akseos software shows promising results ==>> 21
- Completed an EU-backed offshore wind foundation design optimisation ==>> 20

Future outlook (2022)

- Continued development of digital solutions to reduce Lamprell’s cost base
- Release of minimum viable product for asset integrity digital platform and acquire first customer
- Execution of Saudi Aramco digitalisation requirements on existing LTA project, giving us an opportunity to showcase our health and safety monitoring product and present AiFlux’s wider capabilities

Link to principal risks:

6 8 9

Digital

First

digital joint venture with partner Injazat, fully operational

1

operational digital twin developed for use on Lamprell's lifting frame

30%

potential savings on offshore wind foundation design by using digital twin software

13

welded joints successfully performed on live projects using robotic welding

Introduction

Lamprell Digital is developing proprietary digital products through strategic partnerships with Injazat/G42 and Akselos. Our core focus includes asset integrity, engineering design, smart non-destructive testing, predictive maintenance and robotics. Our vision is to develop new digital prospects so they can be scalable, stand-alone and self-supporting businesses based on limited capital investment. We will also continue to implement new digital technologies into our business to reduce our ongoing cost base.

Year in review

AiFlux – a partnership between Lamprell and Injazat

AiFlux is now fully incorporated in Abu Dhabi Global Market. Branding has been completed and we are actively marketing the business to key target clients. The CEO is Lamprell's former COO, providing strong continuity and experience in Lamprell's existing business, and key technical roles have been filled. AiFlux has two main products, Ai² and SiteFlux:

Ai²

Ai² is a digital asset integrity platform that uses artificial intelligence to collate, store and manage asset data. It monitors assets through machine learning and has the ability to link to structural digital twins for asset health monitoring to support timely decision-making. The product concept has received client validation and AiFlux has concluded the prototyping of the minimum viable product. The team is deep into product development, with the release of the first version scheduled in 2022. We remain engaged in a proof of concept initiative with a client for a gas plant associated with a solar plant in Abu Dhabi and are also completing due diligence on a smart NDT partner opportunity.

SiteFlux

SiteFlux is a platform that connects workers, equipment and sites using various devices and cameras with the purpose of increasing safety and productivity in a yard environment. AiFlux has been contracted to provide hardware and develop analytics platforms for a 'worker productivity' proof of concept initiative in Lamprell's Hamriyah facility. We collect worker productivity data and then analyse the results on one of our IMI new build jackup rig projects. A proof of concept for health and safety monitoring is scheduled to be undertaken in Hamriyah in 2022.

Structural digital twins – a Lamprell and Akselos initiative

Following the creation of its first digital twin (see case study opposite), Lamprell Digital has engineers dedicated to monitoring the Akselos software used to create the twin. We announced the reduction of steel weights and associated costs by up to 30% on an EU-backed wind foundation design project, proving that predictive digital twin technology can unlock value from existing designs. In 2018, the EU awarded Akselos 1.4 million euros to conduct the research and pilot project GODESS – Global Optimal Design of Support Structures. The GODESS philosophy was used as the basis of our findings.

We also undertook our first commercial project on an offshore tripod structure in Vietnam, which confirmed the fatigue life of the tubular joint and the strength of the grout connection in 50% of the time when compared with traditional engineering software. We continue to feed data from the sensors on our lifting frame back into the model and have identified further cost-saving opportunities.

Robotic welding

Following successful proof of concept testing conducted over the last two years, we are in the process of developing a formal partnership to market two types of robotic welding technology to the energy market. The 'adaptive robotic welder' and 'TKY robotic welder' will not only help combat the shortage of welders experienced across the industry today, but will also allow companies to perform complex structural weld joint configurations more efficiently and safely.

Digital twin



Case studies

Lamprell creates first operational digital twin, replicating our lifting frame

In partnership with Akselos and using proprietary technology, Lamprell created a digital twin of a lifting frame which is being used in our Hamriyah facility. Our 75m high lifting frame has been swiftly upending all our jackets for the Seagreen project, having been commissioned in the middle of 2021. With a lifting capacity of up to 2,400t assisted by our 750t heavy lift crane, it can accommodate jackets 40m wide and ~100m high. A digital twin is a virtual representation of a physical structure or process that takes real-time data as inputs and produces functional and operational predictions as output.

We completed structural health monitoring during lifting operations of multiple offshore wind farm jackets. Critical components with sensors gather real-time data about the condition and position of the asset. A cloud-based system receives, stores and analyses the data so that the digital twin simulates the physical asset, in this case, a lifting frame. The continuous real-time monitoring provides insights that enable fast decision-making and swift action to avert downtime and reduce risks. This analysis also highlights how the design is performing, and we are currently seeing only 60% utilisation against the standard based design. Once proven, we estimate that this will demonstrate a 10:1 return for similar offshore wind assets.



Robotic welding to address global welder shortage

There is a growing global welder shortage that will be compounded by the huge number of major new offshore wind farm projects being awarded from 2022 onwards and by the increase in demand for local content. This shortage is leading to an increased need for automated welding. Jacket foundation structures for offshore wind farms have some of the most complex structural weld joint configurations that Lamprell has encountered through our many years of operation. With these joints being made up from large diameter tubulars, heavy plate thicknesses and high-grade materials, a consistent and reliable welding method must be utilised to minimise human error and maximise efficiencies. Lamprell is conducting two robotic welding proof of concepts for both adaptive (circular) and TKY joints. The study has highlighted potential savings of up to 60% of welding man-hours, and once concluded, could be used to improve Lamprell's overall competitiveness.



Our key performance indicators

Measuring our progress

We use a number of key performance indicators to measure our performance and to assess the business' ability to deliver against its strategic goals; some of these indicators are linked to short or long-term incentives for the remuneration of the executive team (these are marked with **\$**). Targets have not been disclosed due to the context of the recommended offer as described on >>> 73.

Key to risks

- 1

Ability to finance business
- 2

Ability to win work
- 3

Economic conditions
- 4

Counterparty risk
- 5

Project execution
- 6

Cyber threats
- 7

Contractual commitments
- 8

Third-party alliances
- 9

Failure to invest
- 10

Increasing scarcity of skilled personnel

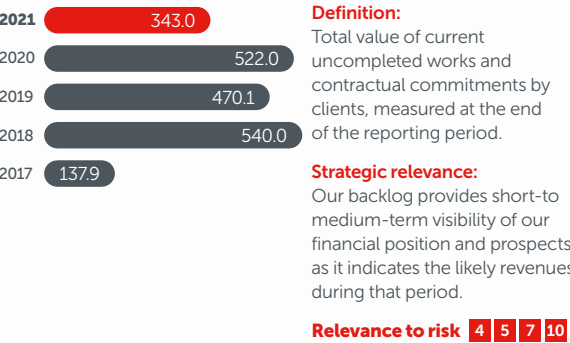
See Risks on >>> 48

Operational

Bid pipeline (USD billion)



Backlog (USD million)

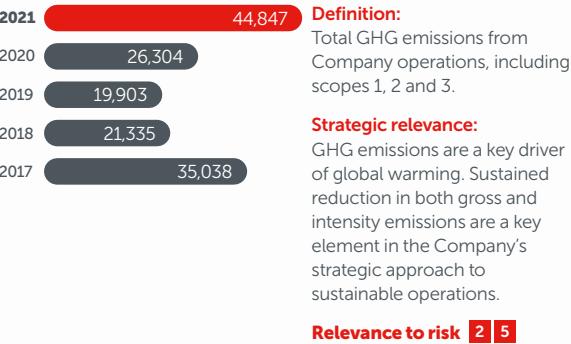


Sustainability

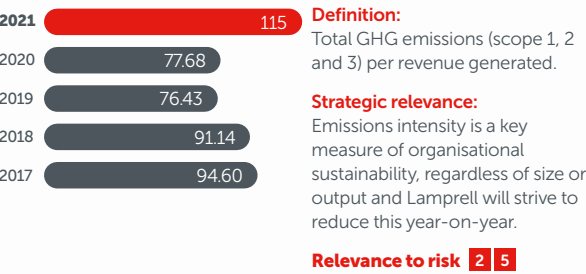
Safety TRIR (Rate per 200,000 hours)



GHG emissions (tonnes CO₂e gross)

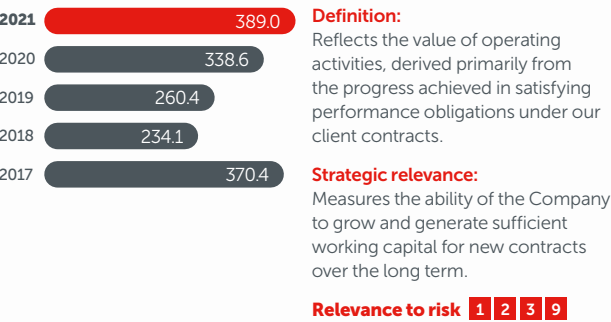


GHG intensity (tCO₂e/\$ revenue) x (million)



Financial

Revenue (USD million)



Adjusted EBITDA (USD million)



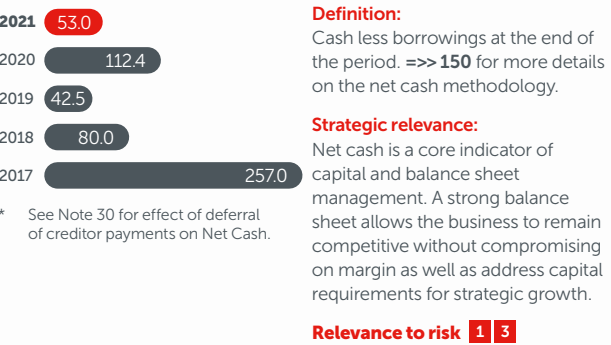
Net (loss)/profit (USD million)



Total shareholder return (%)



Net cash* (USD million)



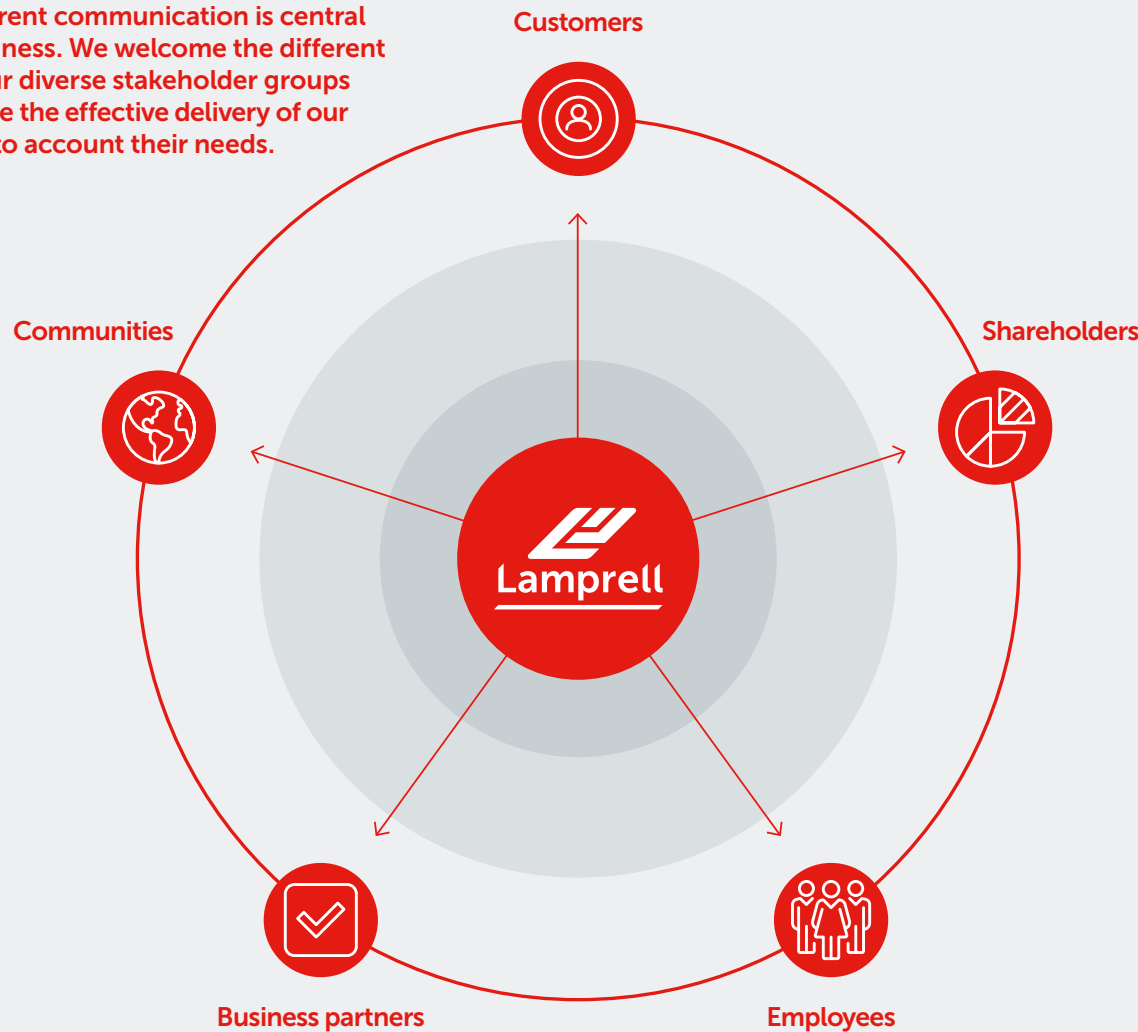
Total awards (USD million)



Engaging with our stakeholders

How we listen and report

Lamprell believes in building strong, constructive relationships through regular stakeholder engagement. Open and transparent communication is central to how we do business. We welcome the different perspectives of our diverse stakeholder groups and strive to ensure the effective delivery of our strategy, taking into account their needs.



Our engagement process



Section 172

The UK Corporate Governance Code 2018 anticipates that the Board will apply the considerations set out in Section 172(1) of the UK's Companies Act 2006 when making decisions. It imposes a general duty on every company Director to act, in good faith, in the way they consider would be most likely to promote the success of the Company for the benefit of its shareholders and to also have regard to how the Group's activities and decisions taken by the Board will impact its stakeholders. Our Board has taken steps that they believe will promote the Company's continued success for the benefit of its members and stakeholders as a whole.

How does the Board engage with stakeholders?

As an international construction company with over 4,000 employees, Lamprell has a diverse range of stakeholders, whose interests and views the Board must take into account when making decisions. It employs different methods to engage with the different stakeholder groups, and some will be more direct than others. In particular, our Directors work to have closer and more personal engagement with our workforce, whether through participation in our Employee Welfare Forum or a 'Chat with the Chair'. This has been very challenging with the continuing impact of COVID-19 but the virtual environment has afforded our Directors opportunities to engage regularly; this is likely to continue to some degree even after the pandemic recedes because it provides a considerable degree of flexibility and regular interaction.

How are stakeholder interests considered?

As part of the regular updates to the Directors in Board meetings, the CEO and CFO will provide feedback from the different stakeholder groups, whether employees, customers, shareholders or otherwise. In this way the Board is able to understand the respective drivers for stakeholder positions on key issues and to take account of them in its decision-making. A prime example in 2021 was the capital raise, combining the new debt facility and new equity issuance, for which the Board had to consider the expectations of our investors and lending banks, as well as the interests of the business as a whole, to determine the preferred deal structure.

Customers



Why it's important to engage

Lamprell believes in clear, consistent, open and honest communication with its customers. Customer opinions and insights are especially valuable in the early stages of the planning and development processes as they allow for enhancements in cost efficiencies and delivery of safe and on-time projects, as well as improved risk management.

How we engage

- Through meetings, emails and phone calls
- Our CEO engages with senior management at key customers
- By holding virtual and face-to-face meetings while adhering to COVID-19 safety protocols
- Through press releases
- Via Company marketing material including bulletins, brochures and leaflets
- Through contract bidding, negotiation and execution
- At exhibitions and conferences
- Via our website and LinkedIn page
- Through *Lamprelltimes* magazine

Outcomes of engagement

- Two EPCI contracts awarded by Saudi Aramco under the LTA programme
- A major rig conversion contract awarded by BW Energy
- Seagreen project successfully delivered in 2022
- 11 rig refurbishment projects awarded during the year, including one major rig conversion from BW Energy
- Production start-up at Mahani gas field in early 2021
- Increased bid pipeline to USD 7.9 billion of solid prospects, with USD 4.6 for renewables and USD 3.3 for oil & gas
- Signed a capacity reservation agreement for the Moray West offshore wind farm and have an MOU in place with NOV for the Cerulean Wind Farm project

Shareholders



Why it's important to engage

We engage with our shareholders to pinpoint their particular views on the market trends, their investment drivers and the vision of the organisation's future growth prospects. Investors want to know their investments are in capable hands and that the companies they invest in have robust corporate governance mechanisms in place.

How we engage

- There are direct discussions with major shareholders by our Chair, CEO and the other Directors
- Lamprell's investor relations team and corporate brokers manage day-to-day investor relations
- Through regulatory announcements and press releases
- Via our Annual Report
- We hold regular roadshows including a major roadshow leading up to the fundraising in Q4 2021
- Via results presentations
- Through AGM or EGM meetings
- Through analyst briefings
- Via our website and LinkedIn page
- Through *Lamprelltimes* magazine

Outcomes of engagement

- 'Lamprell reimagined' strategy well supported
- Successful and over subscribed equity placing for USD 30.1 million in Q4 2021
- Two new Directors whose backgrounds are closely aligned to strategy
- Remuneration targets aligned with strategic goals
- Regular dialogue between key investors and the Directors
- Built up bid pipeline significantly since 2016 with more than 50% now coming from renewables
- Engagement with all major shareholders in respect of potential capital raise and recommended offer from two major shareholders

Engaging with our stakeholders continued

Employees



Why it's important to engage

Our employees are the backbone of our business. Regular engagement reinforces the Company culture, reduces staff turnover, increases productivity, cascades our core values down the organisation and ultimately creates a profitable business. Well-informed and highly-motivated employees perform better, as evidenced in 2021 with Lamprell delivering its best-ever safety result.

How we engage

- Through 'Chats with the Chair'
- Directly at our Employee Welfare Committee or the newly launched Workforce Assembly
- Via our induction process, welcome handbooks and employment contracts
- Through our intranet, website and LinkedIn page
- Via a weekly CEO business briefing email and regular CEO town hall meetings
- With the yard workers through daily toolbox talks or training at LATC
- At performance and development reviews
- Through the 'Speaking Up' hotline
- Via initiatives like employee surveys, our annual photography competition and online wellness talks
- Via our website and LinkedIn page
- Through *Lamprelltimes* magazine

Outcomes of engagement

- Continued with measures to mitigate the threat of COVID-19 and protect employee health
- 98% of our workforce fully vaccinated
- Record TRIR of 0.10
- 288,829 hours of training conducted by LATC
- 20 employee well-being and development events held during year
- Training 14 Saudi nationals at our facilities as part of our CRPO projects
- Online TRACE anti-bribery training course rolled out

Business partners



Why it's important to engage

As a lead contractor, we rely heavily on our suppliers when executing our projects and failure by a supplier typically impacts Lamprell as well. Therefore, we encourage a culture of 'we win, you win' with our supply chains. We work to establish deep-rooted relationships with all our business partners as this can create unique business opportunities, often through joint ventures such as the AiFlux digital business.

How we engage

- Regular engagement between managers and key business partners, online and face-to-face
- Through office sharing
- Via subcontractor sustainability engagement
- Effective supply chain management processes
- Via contract negotiation and management
- Working together on press releases and media coverage
- At exhibitions and conferences
- At workshops
- Exchanges of marketing materials
- Through toolbox talks
- Through the 'Speaking Up' hotline
- Via our website and LinkedIn page
- Through *Lamprelltimes* magazine

Outcomes of engagement

- Lamprell formed digital joint venture 'AiFlux' with Injazat, a leading regional digital enterprise
- New working capital facility for USD 45 million, to fund IMI rig projects
- Received the London Stock Exchange's Green Economy Mark
- Awarded the Middle East's first green trade finance facility from HSBC
- Improved skills base by training employees and third-party workers through LATC

Communities



Why it's important to engage

With the rise in public engagement globally, community collaboration has become pivotal for companies. We strive to build broad relationships with local community and authorities, which is critical to both the success of our projects and to our efforts to develop local content and capabilities. We have always had high standards of ethics and employee welfare, and we have now committed to a net zero carbon target for the benefit of our local communities and beyond.

How we engage

- Ongoing and frequent engagement with key regulatory bodies such as the Free Zone authorities
- Activities to improve local amenities and environment
- Social welfare activities
- Investment in local content programmes
- Via press releases
- At exhibitions and conferences
- By supporting local charities and sponsoring events
- At signing ceremonies with local authorities
- Via our website and LinkedIn page
- Through *Lamprelltimes* magazine

Outcomes of engagement

- Fourth annual beach clean-up event held
- Sustainability month campaign incorporating tree planting and children's drawing competition
- Trained 67 Saudi apprentices as part of our IMI projects
- Relationship with Don Bosco Mondo Foundation
- Employee discounts at local outlets
- Continued support of Saudi Aramco's In-Kingdom Total Value Add and ADNOC's In-Country Value

Our engagement in action

Approach to climate change

Lamprell has been an early adopter when it comes to transitioning into the renewables industry, having delivered six multi-purpose vessels and over a hundred wind turbine foundations to date. Importantly, we have also been transforming the business to reflect the energy transition and have now launched our new zero carbon target =>>> 32, all of which demonstrates our commitment to the reflecting needs of our stakeholders. Advancing our commitment and progress towards net zero underpins our sustainability agenda.



Workforce engagement

In 2021 two significant milestones were honoured in the UAE. As well as marking its 50th anniversary, the country has been celebrating on the world stage at Expo 2020, which was held in Dubai.

Where we can, giving something to our communities is important to us. Through Expo 2020's social investment initiatives, Lamprell took around 1,000 of its yard employees to visit the Expo in 2021.



Developing local talent

Developing local talent through our projects is not just best practice; it is a 'win-win' for everyone. With our two rigs for IMI in Saudi Arabia, to date we have been able to second 67 Saudi apprentices through LATC and into our Hamriyah yard for on-the-job training. Once completed, the apprentices graduate and return to Saudi to continue their training and development.

Making a difference for all of our stakeholders

Our commitment to sustainability forms part of our overall Group strategy and also encompasses the ESG aspects of our activities.

Our approach to sustainability

Sustainability is required for the long-term success of the business and is strengthened by our culture, our values and the supporting framework of the Company’s management system. In 2021, Lamprell’s sustainability journey stepped up a gear following the launch of its Sustainability Committee as a means to oversee and drive the implementation of our sustainability activities and report progress to the Board. Historically the business has tackled these initiatives on a decentralised basis; bringing them together under the Committee’s purview helps to ensure consistency in their implementation, more efficient allocation of resources and an enhanced profile within the organisation.

Our Sustainability Committee

This committee is chaired by our Group HSES Manager and attended by Mel Fitzgerald, Non-Executive Director and Chair of the Nomination and Governance Committee, thereby providing the Board with direct line of sight on its activities. Underpinned by its terms of reference as well as a clearly articulated strategy, the Committee meets quarterly to discuss progress on a number of key targets for the year under its Careers, Health, Environment and Social pillars.

COVID-19

Our response to COVID-19 continued during 2021 with the same commitment that we applied in 2020. The measures maintained in relation to keeping our employees and all those who work with us safe have served us well: high vaccination take-up, booster programmes, PCR testing, contact tracing and mandatory quarantine/isolation. It is testimony to everyone and not least the efforts of the HR and HSES teams that we have been able to achieve high levels of success. While it is clear that this is an evolving situation given the emergence of highly transmissible multiple variants of the virus, we are proud of our robust response efforts and are equally proud to be playing our part in the UAE’s response to the pandemic.

98%

employees double vaccinated with 61% having received COVID-19 booster shots as at 28 February 2022

Living business programme

Our Sustainability Committee submitted an application showcasing its ESG achievements in the HSBC-sponsored Living Business Programme 2021, an initiative that has further propelled us on our ESG journey. Lamprell’s entry was shortlisted in the corporate category and presented to judges in the UK pavilion of Dubai’s Expo 2020. While not the overall winner, the fact we made it this far, from over 120 MENA entries, is testimony to our evolving ESG journey. You can watch our video submission on our website at www.lamprell.com/media-centre/videos.



Our sustainability pillars and alignment with United Nations SDGs

Lamprell’s strategic sustainability management plan provides information on how sustainability supports the business strategy and sets improvement targets for future performance. Our sustainability pillars of Careers, Health, Environment and Social have been detailed with material issues derived from a third-party assessment which align with applicable United Nations Sustainable Development Goals. Each pillar has several commitments and targets which are monitored quarterly by the Sustainability Committee (see opposite).

Materiality assessment

Following the materiality assessment we undertook at the beginning of 2021, we prioritised several ESG issues relevant to Lamprell and its stakeholders and aligned with global sustainability reporting standards. We then undertook a gap analysis to confirm which material issues were well managed and where there was potential to put in place additional measures. Some of the key findings from the assessment included:

- The increased impact from the energy transition and climate change, reflecting growing investor focus on long-term challenges facing the industry and society
- The need for heightened cybersecurity, which remains a key risk to the business, given ongoing instances of cyber-attacks
- Ensuring that Lamprell is aligned to the market dynamics, needs of our customers and entire stakeholder base, which we addressed with our reorganisation into three distinct business units

4

Sustainability Committee meetings held in 2021

12

ESG issues identified as material from our materiality assessment

The issues which we defined as material for Lamprell and our stakeholders include:

Our strategic goals	Our material issues	Our response in 2021	Our target in 2022
Environment			
Minimise our environmental impact and contribute to a greener environment Link to UN SDG: Link to sustainability pillar: Environment	Energy transition and GHG emissions	• Corporate commitment to net zero carbon emissions by 2050 finalised in alignment with the UAE’s own commitment • Developed organisational decarbonisation plan to achieve net zero carbon emissions by 2050 • Promoted a decrease in land pollution through waste reduction initiatives	• Start implementing action plan towards ‘net zero carbon by 2050’ commitment • Increase proportion of revenues from Renewables business unit • Maintain certification of all operational sites to ISO 14001:2015 • Zero severe environmental incidents
	Water stewardship	• Promoted efficient use of water resources through conservation measures to achieve a 30% annual reduction in water use intensity	• Evaluate 100% of our new major suppliers in our environmental engagement programme to assess their water impact and wider sustainability programmes
	Biodiversity	• Total Environmental Incident Rate (TEIR) target of zero major pollution incidents successfully achieved	• Continued TEIR of zero major pollution incidents • Conduct environmental engagement events with external stakeholders to promote environmental awareness and protection efforts in the UAE
Social			
Engage regularly and create a balanced working environment Link to UN SDG: Link to sustainability pillar: Environment Careers Health Social	Health and safety	• Achieved a 2021 TRIR result of 0.10 against a target of 0.13 • Maintained a healthy and safe work environment for all employees through robust COVID-19 protection measures • Established a Workforce Assembly where issues associated with our sustainability pillars are discussed, with a Director contributing	• Maintain world-class TRIR levels • Further develop robust offshore HSES system framework for EPCI projects • Maintain certification of all operational sites to ISO 45001:2018 • To hold at least two Employee Workforce Assembly meetings and report back to the Board with outcomes
	Diversity and inclusion	• We operate based on equity and fairness for all • We have zero tolerance for discrimination • We promote diversity and inclusion within the workplace • All positions are remunerated fairly and equitably, and we encourage diversity of applicants in our recruitment processes	• Strong focus on the diversity of ideas through our employee engagement programmes • Improve the overall diversity within the organisation • Engage in at least one not-for-profit activity • Employ at least five apprentices from the Don Bosco Mondo Foundation in India
	Recruitment and retention	• STIP/LTIP reward programmes designed to retain key talent and incentivise based on strategic growth	• Market Lamprell as an employer of choice through a combination of development and competitive compensation packages • Focus on SMART objectives that motivate and retain talent, supporting our strategic goals
	Employee and skills development	• LATC completed 288,829 training hours (an average of four days training per Lamprell employee) across technical competency, HSES, quality and professional development courses • In our annual appraisal process, each functional area identified personnel training/development needs	• ‘Future fit’ our teams to ensure that they have the necessary skills for new projects • Further develop core skills training across the organisation through review of training needs analysis programme
	Local sourcing and value creation*	• Achieved strong ICV target in 2021 for local goods and services	• Improve on 2021 achievement in 2022
	Emergency preparedness	• Expanded emergency response capability through purchase of new equipment and training our emergency response teams • Invested in ECG heart health checks for high-risk personnel accessing operational areas	• Conduct business continuity emergency exercise drills in the UAE and KSA • Conduct offshore emergency rescue planning and mitigation
Governance			
Follow and adhere to the new guidelines set by relevant authorities Link to UN SDG: Link to sustainability pillar: Environment Careers Health Social	Anti-bribery and corruption	• 100% admin employees completed the TRACE certification programme • Promoted Lamprell’s compliance culture and protected the business from corruption risks, including through our supply chain	• Extend TRACE certification programme to yard staff through compliance toolbox talks • Train all employees on compliance through the Business Code of Conduct
	Human rights and labour relations	• All yard employee contracts were translated into key languages • Refreshed ‘Speaking Up’ programme to promote awareness of whistleblowing	• Implementation of changes to UAE labour laws including specific provisions around human rights • Communication of human rights expectations through all teams
	Data privacy and security	• IT services outsourced to Injazat in 2021 to reduce cost and to improve data privacy and security • Zero IT system breaches during the year	• Invest in updated hardware to retire all obsolete machines • Zero IT system breaches during the year
Our stakeholders			

Environment

17%

reduction in operational CO₂e intensity emissions from 2015 baseline year

14%

decrease in electrical consumption intensity when compared with 2020 data

91%

of waste diverted from landfill and we reduced waste per man-hour by 28%

Partnering with local schools

In 2021 we partnered with local schools to plant UAE native trees to promote biodiversity and raise environmental awareness in school-age children. In unison with this programme, we conducted online biodiversity awareness sessions on the importance of protecting critically endangered species.

Protection of the environment through preventing pollution is enshrined within our HSES policy. One of the most effective ways of protecting the environment within an organisation is establishing systems that prevent pollution.

As such, we ensure all our operational locations are certified to the ISO 14001:2015 environmental management system, which governs the way we manage our environmental impact.



Our key priorities for 2021

- Identification of energy conservation measures
- Protection of the environment by preventing pollution to water, soil and air; efficient use of energy and resources; reducing emissions and avoiding biodiversity disruption
- Reduction of greenhouse gas emissions
- Diversion of the majority of operational waste away from landfill

Our key achievements for 2021

- 30% decrease in water use intensity across our operations
- 91% of operational waste recycled/reused
- Environmental incident frequency rate of 0.04 per 200,000 man-hours
- 100% of new major suppliers screened for sustainability/environmental performance

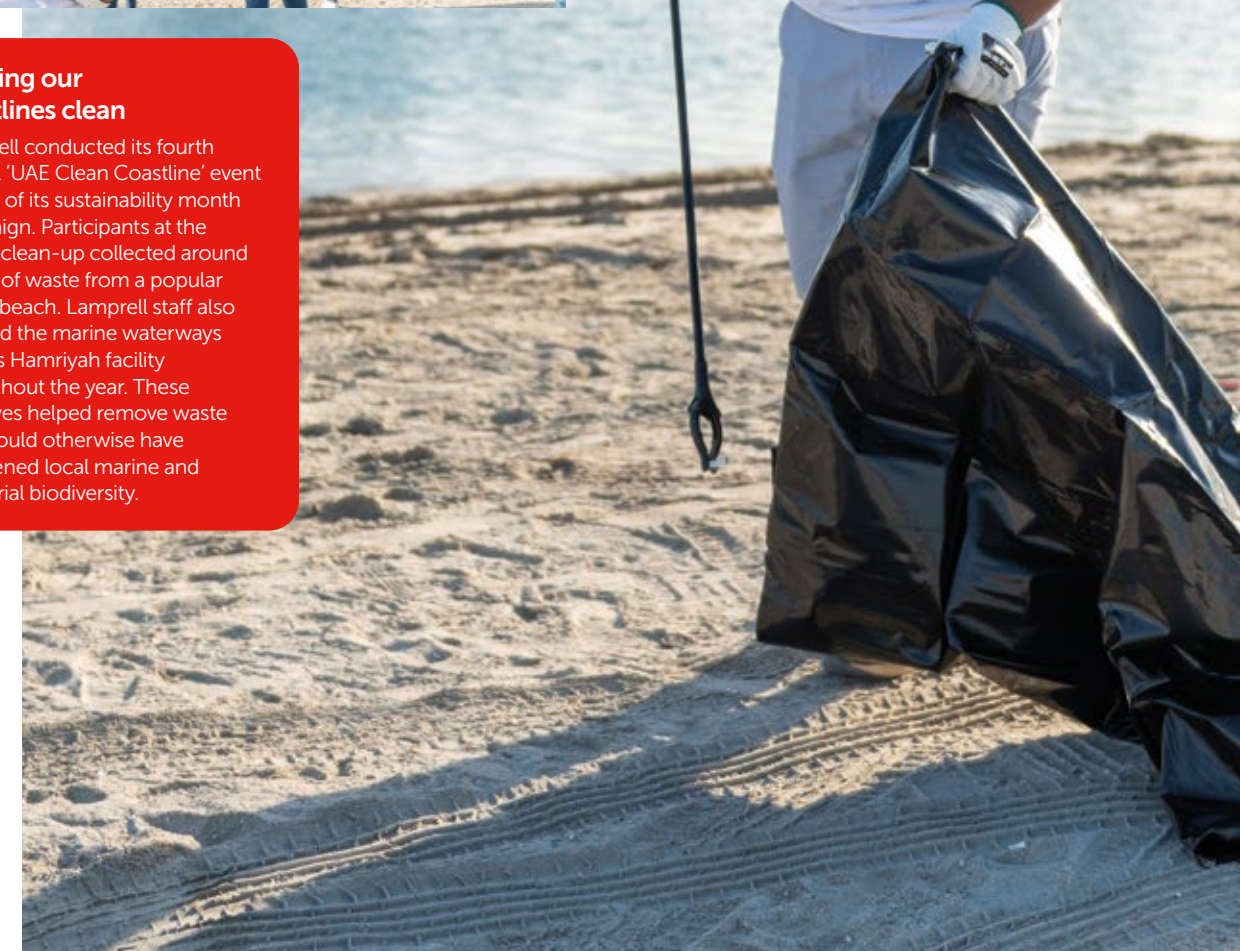
Focus for 2022

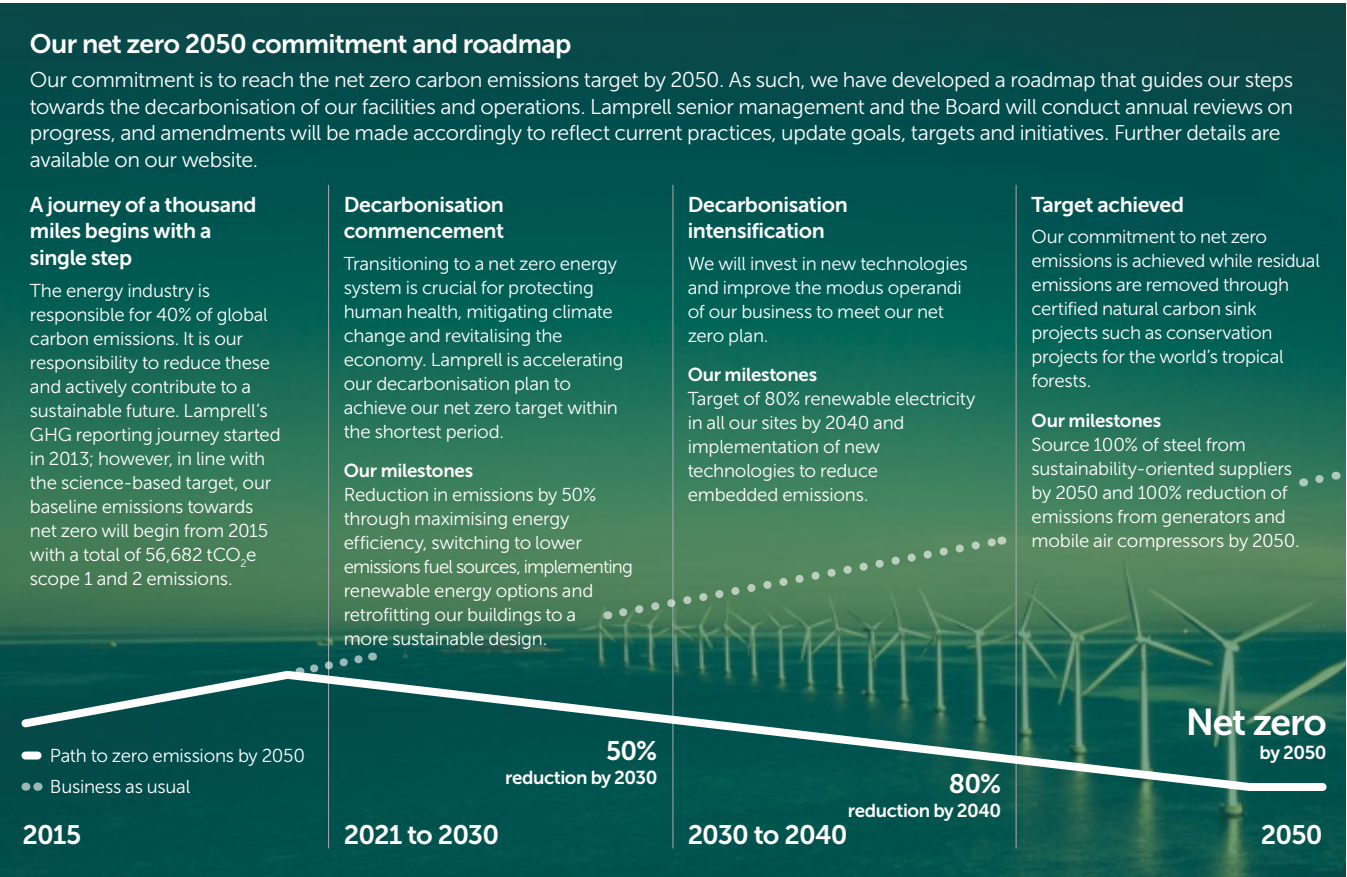
- Implementation of energy conservation measures and renewable energy sources to partially power site operations
- Reduction in the environmental incident frequency rate
- A third-party audit of GHG emissions monitoring and reporting framework
- Reduction in GHG intensity emissions



Keeping our coastlines clean

Lamprell conducted its fourth annual 'UAE Clean Coastline' event as part of its sustainability month campaign. Participants at the beach clean-up collected around 420kg of waste from a popular family beach. Lamprell staff also cleaned the marine waterways near its Hamriyah facility throughout the year. These initiatives helped remove waste that would otherwise have threatened local marine and terrestrial biodiversity.

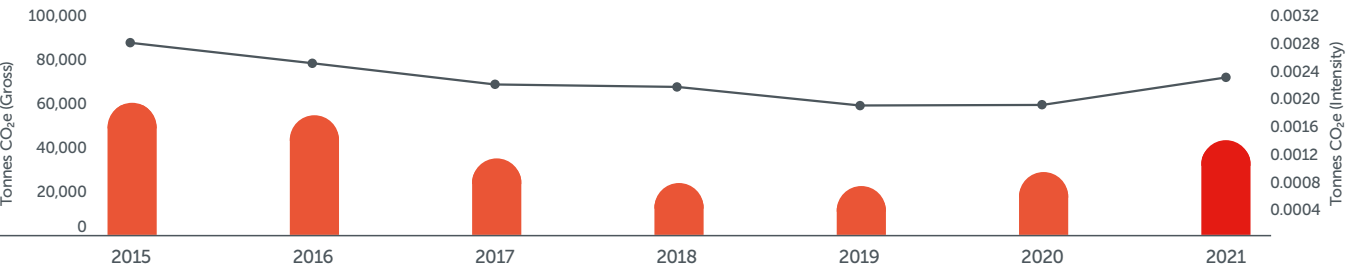




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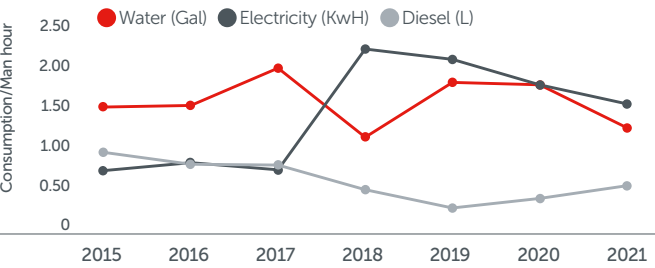
	2021	2020	2019	2018	2017	2016	2015
Total emissions	44,847	26,304	19,903	21,335	35,038	52,005	59,964
Scope 1	28,536	12,965	7,171	14,490	24,850	46,701	52,406.68
Scope 2	12,424	9,866	8,977	3,803	6,457	2,911	4,275.12
Scope 3	3,887	3,473	3,755	3,042	3,731	2,393	3,282.70

Lamprell Group greenhouse gas emissions



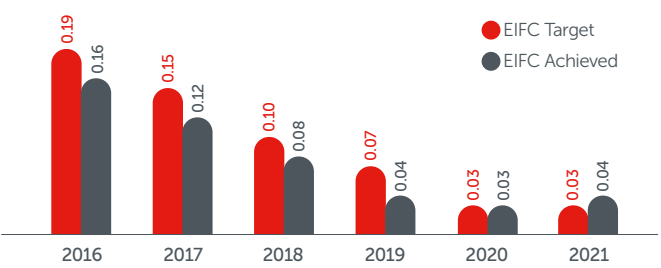
Our GHG emissions increased in 2021 due to diesel consumption for an expanded operational area we acquired in 2020. Power was predominantly provided using diesel generators in the new area due to the non-availability of electricity from the grid. Consequently, our intensity emissions increased by 16%.

Lamprell Plc sustainability data



The completion of our power consumption plan review as part of our overarching decarbonisation plan is yielding positive results, as our electricity intensity consumption reduced by 14% in 2021.

Environmental incident frequency rate



TCFD compliance

Lamprell has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

Governance

TCFD recommendation

Disclose the organisation's governance around climate-related issues and opportunities.

Recommended disclosure: Describe the Board's oversight of climate-related risks and opportunities.

The Board is responsible for the Group's risk management processes, addressing risks and opportunities, overseeing Lamprell's strategic approach to the energy transition and climate-related matters, and is updated quarterly on progress by the Sustainability Committee. In 2021, climate-related issues were included on the agenda at every Board meeting; discussions included Lamprell's commitment to net zero, investor correspondence on Lamprell's risks and opportunities, and compliance to TCFD recommendations. The Board also takes into consideration climate-related issues when reviewing and guiding on major strategic and investment decisions. The Chair for our Nominations and Governance Committee, Mel Fitzgerald, is the Board's representative at our Sustainability Committee meetings.

Recommended disclosure: Describe management's role in assessing and managing climate-related risks and opportunities.

The Group HSES Manager chairs the Sustainability Committee. The Sustainability Committee is responsible for oversight of the Group's day-to-day sustainability practices, including assessing and managing climate-related issues and reporting findings to the Chief Executive Officer. The Committee's goal is to improve the value of Lamprell by implementing initiatives that bring environmental, social and financial benefits to the organisation and its stakeholders.

Lamprell's ESG governance structure



Strategy

TCFD recommendation

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s business, strategy and financial planning where such information is material.

Recommended disclosure: Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

In developing our strategy, the risks and opportunities were identified based on short-term (< 5 years), medium-term (5-15 years) and long-term (>15 years) periods.

Materiality of climate risks

Risk description	Business impact	Time horizon
Transitional		
Exposure to carbon tax in key markets and sectors	Increase in operational costs	Medium term
Increase in the use of low-carbon technology including electric vehicles	The reduced demand for fossil fuel may result in fewer new oil & gas projects, although Lamprell’s oil & gas division is focused in the Middle East region, where we do anticipate oil & gas opportunities to continue for the foreseeable future through our partners Saudi Aramco and ADNOC	Medium term
Increased demand for low-carbon/net zero technology within the energy market	Reduced revenue for the Digital business unit if it cannot meet the technological needs of the energy market	Medium term
Poor ESG ratings from rating agencies	Difficulty in securing funding and or increase in lending rate from financial stakeholders	Medium term
Shift in investors interest from fossil fuel to green energy	Less funding from investors for oil & gas business	Short term
Cost for implementing initiatives towards net zero by 2050	Initial increase in cost for renewable energy initiatives, prior to savings realised through associated operational overhead reductions	Medium term
Physical		
Disruption of material transportation routes due to extreme weather events	Delay in project execution and delivery leading to liquidated damages	Medium term
Overseas extreme weather events such as floods and storms affecting suppliers	Increase in project execution cost due to impacts to project material suppliers	Medium term
Extreme weather events such as flood, storm, heat and humidity within Lamprell’s facilities	Loss of productivity as a result of the temporary closure of our facilities	Medium term

Materiality of climate opportunities

Focus Areas	Business impact	Time horizon
Opportunities		
Energy efficiency	Reduce operational costs through energy efficiency of operational assets such as compressors, buildings etc.	Short term
Renewable energy	Reduce 100% dependency on electricity grid for source of power by deploying solar panels within our facilities	Short term
Switch to biodiesel/natural gas	Reduce emissions from diesel consumption with the use of biodiesel and natural gas	Short term
Provision of low-carbon solutions	Increased revenue from Renewables and Digital business units	Short term
Explore new energy markets such as carbon capture, utilisation and storage, hydrogen, waste to energy	Increased revenue from Renewables business unit	Medium term

Strategy continued

Recommended disclosure: Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.

Our operations may be impacted positively or negatively by government-signed agreements within the locations in which we operate, which intend to control or limit carbon emissions. For instance, the recent net zero commitments made by the UAE and KSA. In addition, the shift in consumer preference to low-carbon solutions may have an effect upon our medium-term oil & gas bid pipeline. It is important that we remain positioned to be part of a sustainable future and understand the opportunities embedded within any risks. Our ‘Lamprell reimagined’ strategy is structured to realise these.

Our immediate business strategy is to decarbonise our operations, starting with energy efficiency. We will be switching to renewable energy where possible and extending these practices to our value chain through a robust supplier sustainability engagement programme. In the medium term, we aim to be a leading digital solution provider to the energy market, and in the long term, we plan to ensure sustainable business continuity through innovative business solutions and strategic plans driven by our Board and executive leadership.

A business continuity plan has been developed for all our operations which addresses physical risks that we are vulnerable to, such as storms, heat, and extremely high humidity. The Board validates the strategy annually to ensure it remains relevant and resilient.

Climate risks and opportunities may impact on our revenues and capital expenditures; therefore, our financial planning process, such as forecasting, revenue planning, capital and operating cost planning and expenditure, have incorporated these into our short-term budgeting process, where required.

Recommended disclosure: Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We conducted climate scenario analysis in accordance with TCFD recommendations which requires selecting a minimum of two scenarios. We selected Sustainable Development Scenario (SDS), a well below 2°C pathway and Stated Policies Pathway (STEPS) from the

International Energy Agency (IEA) for Transition risks and Representative Concentration Pathway (RCP) 8.5 for Physical risks. The climate scenario analysis was used as a tool in assessing the long-term business impacts from transition and physical risks. Understanding these risks and opportunities, and incorporating the material ones into our enterprise risk management register where they are reviewed quarterly by the Board and executive management team, ensures the long-term resilience of the business.

The timeframe for the climate scenario analysis extends to 2050 under both pathways SDS and STEPS, covering our domestic operations within the UAE. For the scenario analysis, we made the assumptions as noted below.

SDS: We assumed that in this period up until 2050, there is universal access to affordable, reliable, and sustainable energy services, and substantial action is being taken to combat climate change by the international community. A carbon price of USD 44 per tonne of CO₂e was assumed based on a proposal from the Carbon Border Adjustment Mechanism.

STEPS: We assumed this scenario reflects current policy settings, which are less ambitious, and therefore the impact from physical risks will potentially manifest more.

The risks were screened and prioritised qualitatively using our existing enterprise risk management process. Our analysis shows that without any concrete action, both pathways present potential financial risks to Lamprell. The Board and Executive leadership are aware of these financial risks and can mitigate them by developing counter-measures for the financial impact. The financial risks do not require a change in our business model but can be managed based on formulated counter-measures.

The most significant impact from transition risks under the SDS scenario is on our oil & gas business when the global oil demand is reduced by 47% by 2050 compared to 2020, based on the 2021 IEA report. In contrast, under STEPS, there is a 15% surge in demand in the same period. The most important part of our medium and long-term strategy for the Oil & Gas business unit will be to provide digital solutions to assets within the oil & gas market and redefine how work is done. Lamprell’s Digital business unit will have a key role in supporting our journey.

Risk management

TCFD recommendation

Disclose how the organisation identifies, assesses and manages climate-related risks is material.

Recommended disclosure: Describe the organisation’s processes for identifying and assessing climate-related risks.

All business risks, including climate risks, are identified, assessed, managed and monitored per our corporate risk management process using both bottom-up and top-down approaches =>> 47. A matrix of risk likelihood versus impact in both qualitative and quantitative terms is used to analyse and communicate risk within Lamprell.

Recommended disclosure: Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.

The Sustainability Committee is responsible for monitoring and assessing climate change related risks and opportunities and cascading those relevant to the corporate risk management team.

Functional and executive leadership reviews these risks quarterly. Executive leadership also monitors action plans implemented to mitigate risk at the enterprise level, ensuring that these are appropriately dealt with before reporting to the Audit and Risk Committee on a biannual basis.

Recommended disclosure: Describe the organisation’s processes for managing climate-related risks.

Climate change is considered an emerging risk with potential impacts from evolving policies, regulations, taxes and enhanced disclosure requirements. As such, it is closely monitored. Our material climate risks are transition based such as carbon tax exposure, increase in electric vehicle penetration and demand for low-carbon/net zero emissions technology. The physical risks are mainly extreme weather events locally and overseas affecting our supply chain. These were identified during our climate scenario analysis.

Metrics and targets

TCFD recommendation
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended disclosure: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets.

Key climate-related risks and opportunities – metrics and targets

Metrics	Targets	2021 progress
Environment		
GHG emissions	30% reduction in CO ₂ e emissions intensity by 2025 from 2015 baseline data	17%
Water use intensity	20% reduction in water use intensity by 2025 from 2015 baseline data	17%
Supplier engagement	Engage 100% of our Tier 1 (high environmental impact) suppliers on efficient and effective environmental management by 2023	5%
Hazardous waste intensity	90% reduction in hazardous waste intensity by 2025 from 2015 baseline data	88%
Waste diversion	95% waste diversion from all our operational facilities within the UAE by 2025	91%
Renewable energy	7% of electricity supply from renewable sources by 2025	0%

Recommended disclosure: Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas emissions, and the related risks.

Category	2017	2018	2019	2020	2021
Operational energy consumption (kWh)					
Operational energy consumed for activities within scope 1 & 2 (diesel and electricity)	67,535,209	54,116,986	27,922,183	37,778,165	62,149,717
GHG emissions					
Gross emissions scope 1 (MT CO ₂ e)	24,850	14,490	7,171	12,965	28,536
Gross emissions scope 1 intensity revenue (MT CO ₂ e/USD revenue (million))	67.09	61.9	27.54	38.29	84.43
Gross emissions scope 2 (MT CO ₂ e) – Location based	6,457	3,803	8,977	9,866	12,424
Gross emissions scope 2 intensity revenue (MT CO ₂ e/USD revenue (million))	17.43	16.25	34.47	29.14	36.76
Scope 3 emissions (MT CO ₂ e)	3,731	3,042	3,755	3,473	3,887
Gross emissions scope 3 intensity revenue (MT CO ₂ e/USD revenue (million))	10	13	14.42	10.3	10
Fuel and energy related activities (MT CO ₂ e)	2,015.3	1,187	2,290	2,428	3,036.3
Waste generated in operations (MT CO ₂ e)	595.06	395	206	792.3	795.9
Business travel (MT CO ₂ e)	1,121	1,460	1,259	252.2	54.7

The scope 3 parameters shown above are currently calculated as part of Lamprell’s GHG reporting framework. Parameters not presently included but under consideration include purchased goods and services, capital goods, upstream transportation and employee commuting. We define our GHG reporting boundary using the operational control approach, per the Streamlined Energy and Carbon Reporting requirements and Greenhouse Gas Protocol.

Social

3 key employee engagement platforms: ‘Chat with the Chair’, Employee Welfare Committee and our newly launched Workforce Assembly

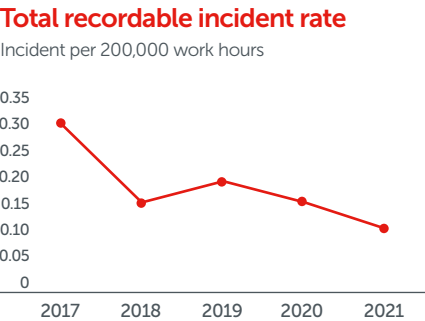
5 target candidates to be recruited via Don Bosco Mondo Foundation

20 separate wellness sessions held during 2021, supported by our local partners, including SmartLife Foundation and many hospital providers

Safety performance
2021 delivered the best safety performance in the Company’s history with a TRIR of 0.10 across all business units. By utilising robust risk management and safety planning processes, we identify and mitigate safety risks and ensure our projects’ safe and successful execution. Lamprell’s safety objectives are set annually and tracked through leading and lagging KPIs, which are communicated to our stakeholders monthly. Engagement with our clients and subcontractors is a fundamental element of Lamprell’s safety management system. We regularly involve them in operational safety processes to ensure that everyone goes home safely.

In 2021, we maintained our ISO 45001 certification, which is fundamental to our ability to bid on energy projects with international clients. An element of the ISO certification includes conducting thorough audits of safety standards inside our operations and that of our supply chain partners.

Continual improvements to how Lamprell engages with its workforce was a cornerstone in achieving our safety performance this year. This included an increased focus on practical safety behaviour training, site safety inspections and regular management walkthroughs across our facilities and projects.



Our key priorities for 2021	Our key achievements for 2021	Focus for 2022
Investment in people development	- An average of four days of training per employee in LATC - The introduction of new training programmes, including basic and advanced English language courses and Microsoft Office training for supervisory personnel	- Expand English language training programme to a broader group of employees - Develop core skills competency training programmes for production engineering and supervisory personnel
Labour rights and relations	- Increased employee engagement - Workforce Assembly set up, with the first meeting in February 2022 set to discuss: (a) training and upskilling; (b) gender balance and how this can be improved; (c) Company culture and (d) digital enhancements - Employee Welfare Committee met three times in 2021 ‘Chat with the Chair’ for high-potential employees - Continued collaboration with SmartLife, resulting in SmartReading, SmartWellness, SmartComputer and SmartFinance programmes being made available to our yard workforce with around 100 employees successfully participating to completion	- Embed Employee Workforce Assembly into the culture of the business - Consolidate all human rights issues and matters under a single, stand-alone human rights policy for the Lamprell Group and its supply chain
Diversity and inclusion	Renewed our collaboration with Don Bosco Mondo Foundation, which supports disadvantaged youth worldwide by providing welding training opportunities	Hire up to five candidates in year one via Don Bosco Mondo, training and employing them in Lamprell

Sustainability | Social continued

Health and well-being

More than ever before, during the pandemic, we have been conscious of the many inevitable challenges faced by employees based on their individual and personal circumstances. This, in turn, has taken a toll on the mental well-being and resilience of many. Throughout the year, a holistic approach towards wellness was adopted to support employee mental well-being while keeping varied individual priorities and challenges in mind. This included an increased focus on our regular programmes of physical, emotional, financial, social and self-development initiatives. We integrated these into an overall employee well-being and development programme with 20 separate events held across the year supported by many of our regular partners, including local hospitals and SmartLife Foundation. Over 220 yard workers participated in various SmartLife initiatives, around 1,000 attended the Dubai Expo, and around 1,400 of all employees opted for free flu vaccinations. One of our most popular events was in relation to emotional and mental well-being, attracting more than 250 participants virtually.

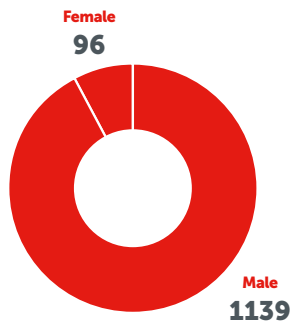
Training and development

The foundation of successful yard operations is LATC which has, in 2021, seen another busy year. We ask our staff to be curious about their daily activities, in order to identify better or more efficient ways of completing tasks. From our side, we offer training and development opportunities for employees wanting to progress both in technical and soft skills. We've trained our employees, our Saudi interns, and many of our third-party labour supply providers. During 2021 we continued to make significant improvements in assessing our technical trades through LATC. With English as our main language of operation, our full-time English language tutor has made great strides since his appointment in 2020 and has developed detailed learning and assessment modules for our yard employees.

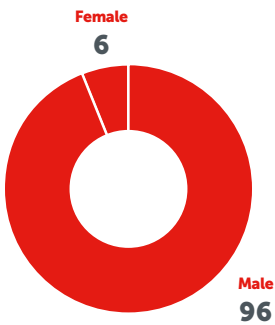


Gender*

Administrative employees

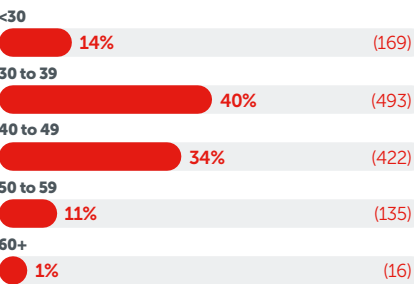


Managerial employees

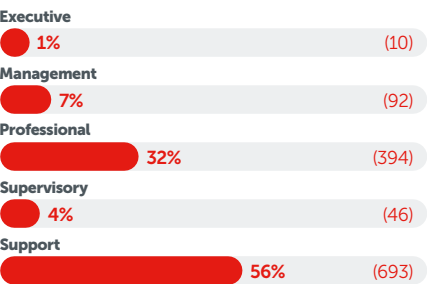


* With fabrication and construction being a core part of our business, we work in a very male-dominated industry in the Middle East. Our Diversity and Inclusion Policy sets out our philosophy in this regard and we are constantly aiming to make in-roads to address gender balance. We will always recruit the best candidate for the job.

Age profile of admin employees



Designation profile of admin employees



Celebrating our COVID-19 heroes

During the world's ongoing battle against COVID-19 in 2021, there have been millions of unsung heroes working tirelessly to keep everybody safe. Everyone in Lamprell has played their part and continues to do so. However, we celebrated an outstanding achievement for our camp bosses, who were recognised for an award under 'Honouring the Excellence of COVID-19 Heroes' through a SmartLife Foundation initiative in association with ICAI Dubai. From around 250 entries, our team were appreciated with a COVID-19 heroes award. Overcoming their own concerns, they were there 24/7 for around 4,000 employees, helping to keep them supported and safe. A video dedicated to this initiative can be found on our website: www.lamprell.com/media-centre/videos.



Supporting our local talent

'Lamprell through the Lens' is our annual calendar photography competition which moved into its third edition in 2021. Every employee in the business is invited to participate in what has become a hugely popular event. We moved completely online in 2020 to ensure our competition credentials continue to be environmentally friendly and sustainable. Winning images are celebrated and displayed throughout the year via our computer desktop environment, and published in *Lamprelltimes*. Samal Mohamad Sidhik was our 2021 overall winner with his image (pictured) aptly named "tough times don't last, tough teams do." Celebrating his win, he was awarded the prize of a personal laptop with pre-installed windows and office applications.

Talent and succession

Having the right people in the right place at the right time is fundamental to what we do; we need high-quality frontline workers constructing our projects and being led by a strong project management team. Succession planning deep dives were held twice during the year with functional leaders to ensure the talent pipeline has remained current and reflects the evolving nature of our employees' aspirations. We've actively advertised all our vacant positions internally, allowing us to have valuable conversations with employees to understand more about their aspirations. We are passionate about promoting from within the organisation where we can. Our succession planning efforts also extended to the Board where we saw the appointments of Motassim Al Maashouq ==> 55 and Jean Marc Lechene ==> 55 whose respective expertise is aligned with our strategic objectives.

Our core values

With the world continuing to be 'stress-tested' through dealing with a global pandemic, the importance of our values has continued to shine through. We have asked our employees to go the extra mile, whether working inside our facilities to keep our projects on track or working from home where that is possible. We've applauded teams going above and beyond to keep our people safe and our operations on track, particularly those involved in the COVID-19 management protocols: camp bosses who care for our circa 4,000 yard employees, our medical team, our catering crews and our asset management team. They have all worked long hours to protect our people, and we thank them all for their sacrifices and efforts.

Governance

Committed to the highest standards of integrity

With a robust values framework, Lamprell's culture and purpose is built around mutual trust and respect amongst all our stakeholders; employees, customers, suppliers, investors and the communities in which we work. We never underestimate our responsibilities and take our commitment seriously, investing in our people, processes and products to ensure that we continue to live up to our values.

We are proud of our values => 8, and they are the mirror for our behaviours, reflecting everything that we stand for – past, present and future. With 2021 being the fiftieth year of the United Arab Emirates, we reflect on the wise words of the UAE's founding father, the late Sheikh Zayed: "A nation without a past is a nation without a present or a future." That is exactly how we interpret our values, respectfully, transparently, and they continually serve as building blocks to ensure we can always do better. They sit comfortably alongside our uncompromising commitment to safety and ethical business practices.

Ethical conduct, underpinned by robust compliance and good governance, is integral to our ESG framework's governance pillar. Strong business ethics is one issue that is highly important to our stakeholders.

In 2021 we made sure the governance section of our website was more visible to our multiple stakeholder groups, supported by the many policies we have in place.

100%

admin employees received anti-bribery and corruption training

0

discrimination cases raised

9

key governance policies are now on live our website for all our stakeholders to access



Good governance is living our values. Integrity; doing the right thing because it's the right thing to do

The transfer of scrap and waste products out of our yards is significant and, in many instances, of high value. Making sure such items are properly accounted for in terms of inventory management, weight, and thus monetary value is crucial for both Lamprell and the third party handling the disposal. In 2021 an alert employee brought to our attention that they had observed untoward practices taking place in this area for personal gain. The compliance team undertook a detailed investigation which concluded in disciplinary warnings, lost employment and changes to our scrap management procedure. Through our 'Speaking Up' channels, we encourage everyone who works for us or alongside us to report anything they consider to be unusual. We will always investigate. We will always do the right thing.

Our key priorities for 2021

- Refresh Board composition to align with strategy and increase diversity
- Business continuity planning preparedness
- Anti-bribery and corruption awareness campaign
- Enhance awareness of the 'Speaking Up' facility

Our key achievements for 2021

- Appointment of two new independent NEDs, with Saudi and renewables expertise
- All admin employees completed TRACE certified training programme
- All functional areas have detailed business continuity plans in place
- 12 'Speaking Up' cases investigated and concluded in 2021
- Updated governance section on our website to make it more prominent and user-friendly

Focus for 2022

- Continue evolution of Board composition towards strategy
- Training exercise to stress-test business continuity plans
- Extend anti-bribery and corruption training to include all yard employees and refresh again for all admin staff
- Focused communications campaign for 'Speaking Up' channels

Compliance with sections 414CA and 414CB of the 2006 Companies Act

Our governance structures are transparent and effective, along with our wider-reaching controls and standards. These include our Code of Business Conduct, Modern Slavery and Human Trafficking Policy statements, HSES framework and Social Investment guidelines. These influence and guide the decisions we make and the actions we take.

Environmental matters

We are determined to operate responsibly to protect the environment. We assess the impact of our activities and how it affects others. We seek ways to improve and make a positive contribution and set meaningful environmental targets which meet and often exceed regulatory expectations, improving our positive impact.

Related policies

- Code of Business Conduct
- HSES Policy

➤ See more on => 30

Social matters

We recognise the importance of education, particularly in the areas of science, technology, engineering and mathematics. This is the foundation of any social investment we make, whether through local not-for-profit NGOs, as with our SmartLife engagement, or other established institutions such as the Don Bosco Mondo Foundation.

Related policies

- ESG initiatives
- Diversity and Inclusion Policy/Statement
- Code of Business Conduct
- Social Investment Philosophy

➤ See more on => 37

Employees

As we continue to evolve in support of the energy transition, our people need to be adaptable and forward-thinking. We endeavour to recruit, train and reward to organise our business optimally and cost-efficiently.

Related policies

- HR Manual
- Competitive remuneration policies and practices
- Code of Business Conduct
- Share Dealing Code

➤ See more on => 37

Anti-bribery and corruption

We have zero tolerance for bribery, corruption and other forms of financial crime. We require those who deliver services to us or act on our behalf to abide by our Code and meet the requirements of specific business ethics and compliance clauses in their contracts. Before awarding contracts, we conduct risk-based third-party due diligence to assess risks related to ownership structure, anti-bribery and corruption, human rights and labour conditions.

Related policies

- Anti-Bribery and Corruption Policy
- Speaking Up
- Anti-Bribery and Corruption framework

➤ See more on => 40 and 68

Human rights

We focus on areas where human rights are critical to how we work and where we see the highest risk for potential impact: labour rights and supply chains. Our approach applies to all our employees and contractors.

Related policies

- Modern Slavery and Human Trafficking Policy
- Speaking Up
- Code of Business Conduct
- HR Manual

➤ See more on => 29

Funding future growth



COVID-19 and low margin projects affected our financial performance and put significant pressure on our liquidity.

Tony Wright
Chief Financial Officer

Revenue (USD m)
388.8
2020: 338.6

Net (loss)/profit (USD m)
(60.0)
2020: (53.4)

Adjusted EBITDA* (USD m)
(19.9)
2020: 3.9

Net cash* (USD m)
53.0
2020: 112.4

* see page 150 to 151 for definition of APMs

Liquidity update

2021 presented major challenges across our supply chain and, although Lamprell continued to deliver operationally, additional costs associated with COVID-19 disruptions significantly affected our financial performance. In 2021, the Group was successful in securing a USD 45 million working capital facility for the delivery of the two IMI rig contracts and raising USD 30.1 million before expenses through a placing of shares. This assisted with some of the working capital requirements on our legacy low margin projects but in order to continue to meet its obligations to customers and creditors, and deliver its strategic capital expenditure programme, the Group total funding requirement was previously estimated to be in the range USD of 120-150 million. Of that amount, the Group was required to meet funding obligations of USD 95 million by the end of July 2022. Over the past 18 months, the Group has been focused on a number of financing options in order to meet this funding requirement, including asset monetisation, project-specific financing, hybrid facilities and additional equity. However, none of the funding alternatives set out above were capable of delivering a solution to the urgent and severe liquidity constraints within the time required. As a result and in order to avoid implementing alternatives which seek to protect the interests of financial creditors, commercial counterparties and employees at the cost of no value being attributed to the existing equity, on 21 July 2022 the Board recommended an offer for Lamprell’s entire issued and to be issued share capital, from Thunderball. The offer included a Bridge Loan Facility allowing Lamprell to resolve the immediate liquidity pressure and continue to deliver its transformational yard capex programme. See going concern section opposite for further details of the Offer and Bridge Loan Facility.

Revenues

In 2021 the Group generated USD 388.8 million in revenues, delivering a 15% increase compared to the previous year and a third year of continuous revenue growth (2020: USD 338.6 million). Throughout the year we experienced a number of significant impacts on productivity and cost as we worked around lockdowns and continuous COVID-19 restrictions. Much of our labour is deployed from India, where the emergence of the Delta variant affected workforce availability early in the year. Ongoing self-isolation requirements further impacted our ability to deploy staff effectively in the UAE and caused significant disruptions to our supply chain. Lamprell continued to manage these disruptions effectively; however, reduced productivity and rephasing of work have impacted revenue recognition and profitability in 2021. Revenues from the Renewables business unit, which focused on the Seagreen project, amounted to USD 141.3 million. The Oil & Gas business unit, with contribution from the two IMI new build jackup rigs, two Saudi Aramco

LTA projects, as well as our operations and maintenance business and rig refurbishment, generated USD 247.5 million in revenues. Total new contract awards during the year amounted to USD 135 million and we closed the period with a backlog of USD 342.9 million.

Margin performance

The Group remains focused on cost discipline following the significant overhead reduction programme in 2020. Overheads for the year amount to USD 69.0 million of which USD 35.5 million pertains to general and administrative expenses and the balance attributable to direct overheads included in cost of sales. In 2021, much of the temporary COVID-19 cost cutting measures, including remuneration reductions introduced in 2020, also remained in place. Nonetheless, our margin performance was affected by loss of productivity and additional costs associated with COVID-19 measures, as well as low margin contribution from ongoing major projects in the Oil & Gas business unit. We report a gross loss of USD 0.8 million for the year (2020: gross profit of USD 14.6 million), with a negative adjusted EBITDA from continuing operations of USD 19.9 million.

Finance cost

In Q4 2021, the Group secured a USD 45 million working capital facility for the delivery of the two IMI rigs and subsequently raised USD 30.1 million through a placing of shares. Net finance cost (excluding interest expense on leases) for the full year 2021 amounted to USD 2.1 million (2020: USD 1.4 million).

Net loss

Net loss for the year ended 31 December 2021 was USD 60.0 million (2020: loss of USD 53.4 million). The loss is driven by the low revenue levels which did not generate sufficient margin contribution to cover the Group’s overhead of USD 69.0 million and our share of loss of investments accounted for using the equity method of USD 17.0 million. The diluted loss per share for the year was 16.98 US cents (2020: diluted loss per share 15.63 US cents).

Capital expenditure

We continued to make incremental investment in our yard with a particular focus on improving throughput and efficiencies in serial renewables fabrication. Capital expenditure in 2021 was USD 13.3 million (2020: USD 14.2 million) and is largely attributable to the construction of a proprietary lifting frame and the additional yard taken in Hamriyah. Investments in digital amounted to USD 1.8 million. The Group did not make any equity contributions to the IMI joint venture in 2021. To date, Lamprell has invested USD 85 million of the USD 140 million committed.

Cash flow and liquidity

The Group’s net cash flow from operating activities for the year ended 31 December

Income statement

(\$m, unless stated otherwise)	FY 2021	FY 2020
Revenue	388.8	338.6
Renewables	141.3	150.3
Oil & Gas	247.5	188.3
Adjusted EBITDA	(19.9)	3.9
Adjusted EBITDA margin	(5.1%)	1.2%
Loss from continuing operations after income tax	(60.0)	(53.4)
Balance sheet (\$m)		
Net cash as at 31 December	53.0*	81.1**
Net assets	128.8	211.4

* Restricted cash USD 47 million.
** 30 June 2021.

2021 reflected a net outflow of USD 56.1 million which was driven by the substantial working capital draw, as well as delays in certification of variations and resolution of claims, on ongoing projects. Prior to working capital movements and the payment of employees’ end-of-service benefits, the Group’s net cash outflow was USD 11.9 million. Cash, together with bank, term and margin deposits, decreased by USD 40.5 million to USD 72.8 million, of which USD 47 million is cash restricted in project bonds and guarantees.

Balance sheet

Net cash at 31 December 2021 was USD 53 million, of which USD 6 million is unrestricted. The Group’s total current assets at 31 December 2021 were USD 244.4 million (31 December 2020: USD 286.4 million). Trade and other receivables decreased to USD 59.4 million (31 December 2020: USD 73.9 million). Contract assets increased to USD 99.4 million (31 December 2020: USD 85.4 million) and this is attributable to contract work in progress on ongoing projects. Trade and other payables increased by USD 100.9 million to USD 171.8 million as the Group continued deferral of creditor payments in view of the liquidity challenges summarised in the going concern Note 2.1. Shareholders’ equity reduced to USD 128.8 million (31 December 2020: USD 160.4 million).

Going concern

The Group’s consolidated financial statements have been prepared on a going concern basis as further discussed in Note 2.1. In performing their assessment of going concern, the Directors have considered the forecast cashflows for the Group for the 15 months to 31 October 2023 which include the key assumptions detailed below.

Balance sheet recapitalisation

In 2021, the Group launched a balance sheet recapitalisation programme to fulfil its near-term working capital needs and to meet medium term strategic objectives with the intention of completing a new funding arrangement of USD 120 -150 million by the end of Q3 2021. In order to temporarily address the most immediate capital requirements, the Group entered a USD 45 million Export Credit Agency (“ECA”) backed

revolving trade loan facility (“ECI Facility”) with two regional banks in October 2021 and raised gross proceeds of approximately USD 30.1 million through a placing of new Lamprell shares. The Group intended to secure further capital, in the form of a second working capital facility of USD 45 million by the end of Q1 2022, with additional funding to be put in place by the end of H1 2022. Accordingly, during H1 2022 the Directors continued to explore a number of potential financing and strategic options, including equity financing, debt financing, the potential sale of the Group’s oil & gas business, asset monetisation and project-specific financing with a view to delivering the required funding by the end of H1 2022 in line with the Group’s working capital requirements. Despite significant efforts by the Group to secure this additional finance, prior to the developments outlined below these discussions had not resulted in new financing for the Group. As a result, the Group now faces urgent and severe liquidity constraints and in the absence of reaching an immediate alternative funding solution, the Group will not be able to meet its funding obligations.

Recommended Cash Offer for Lamprell plc (“the Offer”)

On 21 July 2022, the Board of Directors of the Company and the Board of Directors of Thunderball announced a recommended all-cash offer of 9p per share to be made by Thunderball for the Company’s issued share capital. The Offer includes provision of a secured USD 145 million Bridge Loan Facility on the terms and conditions summarised below.

Bridge Loan Facility

On 21 July 2022, the Group entered into the bridge loan facility agreement (the “Bridge Loan Facility Agreement”) with Maverick Investment Holding Ltd (“Maverick”), a company under the control of a member of the AlSayed family, and AlGihaz Holding Closed Joint-Stock Company (“AlGihaz”). Pursuant to this Maverick and AlGihaz each agreed to make available a total loan facility of up to USD 145 million to the Group. The Bridge Loan Facility is available for drawdown in tranches, of which USD 85 million has already been drawn down and a further USD 10 million has been requested and is expected to be paid on or around 8 August 2022. Further amounts of USD 35 million and USD

15 million are forecast to be drawn down at the end of August and September 2022 respectively. The Bridge Loan Facility is secured on the majority of the Group's assets. The Bridge Loan Facility is being made available (i) to repay the ECI Facility described above in full, which occurred on 4 August 2022; and (ii) to fund expenditures projected to fall due after 21 July 2022, in accordance with a schedule of expenditures agreed between the parties. The Bridge Loan Facility is repayable on the earlier of (i) the date falling three months after the date on which the Offer becomes wholly unconditional; or (ii) the date falling three months after the date on which the Offer lapses or is withdrawn. Interest will accrue at the rate of 12 per cent per annum. The Directors believe the Offer and Bridge Loan Facility are the only viable funding solutions available to the Group and as a result this forms the basis of the forecast cash flows used in performing their assessment of going concern. The key assumptions are detailed below:

- **The Offer proceeds to completion:** The Offer is subject to more than 50 per cent of shareholders approving the Offer. Based on the current shareholdings of Thunderball, which in aggregate represent approximately 45.18% of the Company's issued share capital, and irrevocable undertakings by certain other shareholders to vote in favour of the Offer representing an additional 4.82% of issued share capital, the Directors have forecast that the Offer will be accepted by the Shareholders. The Offer is subject to certain additional conditions precedent which are considered usual and customary for this type of transaction.
- **Sufficiency of the Bridge Loan Facility:** The Directors have assumed that the Bridge Loan Facility will be timely paid following draw-down requests and sufficient to cover the funding requirements for the time required to conclude the Offer. After repayment of the ECI facility, USD 101 million of the Bridge Loan Facility remains to pay the Group's other creditors, which amounted to USD 176 million as of 30 June 2022, and to partially meet the ongoing funding requirements of the Group. A significant proportion of the Group's creditors at 30 June 2022 were many months overdue and, whilst it is anticipated that the Bridge Loan Facility will enable a number of these to be settled in the period prior to the completion of the Offer, the Directors expect payment to certain overdue key suppliers on the IMI Rigs projects (who were owed USD 51 million at 30 June 2022) will need to be extended in line with the expected timing of milestone receipts on these projects in late 2022 and early 2023. The Directors have assumed that the Group will be able to achieve this based on its track record of doing so, but it's ability to do this is critical and dependent on the reaction of the key suppliers as the payables are unsecured and contractual credit terms are exceeded, which is outside

the Group's control. The level of creditor deferral in the period prior to completion of the Offer is also dependent on the outcome of contract claims and the extent of new contract awards as discussed below.

- **Post completion funding:** The Directors do not have visibility of Thunderball's plans for the business after the Offer is completed, including the extent and terms of any funding that will be provided post completion. The intentions statement in the 21 July announcement indicates that Thunderball is aware that Lamprell must be recapitalised and that this would be most effectively undertaken after the Company's shares are de-listed such that Lamprell can execute its strategy, with appropriate support, capital and assistance from Thunderball. The Directors have therefore assumed that upon conclusion of the Offer, Thunderball continues to support the business, and in particular:
 - that Thunderball will extend or waive the repayment of the Bridge Loan Facility as the Group will be unable to repay the loan when it falls due (which is forecast to be in December 2022).
 - that significant additional funding will be provided by Thunderball during the 15 months to October 2023 in order that the business may continue to trade. The level and timing of funding required will depend on a number of factors, including the outcome of Thunderball's review of the business, successful execution of the Group's ongoing contracts, the speed with which they are required to settle overdue creditors, and (as discussed below) the outcome of contract claims and extent of new contract awards, but may be up to approximately USD 100 million.
- **Contract claims:** The Directors assume that settlement of contract claims on certain major contracts will result in significant cash inflows in the forecast period. These are not yet agreed and the amount and timing of such settlements is not wholly within the control of the Directors.
- **New contract awards:** The Directors assume conversion of a portion of the bid pipeline in line with the expected timing of awards, including achieving similar historical levels of revenue for the contracting services and rig refurbishment businesses. These contract awards are not committed and there is therefore some uncertainty as to their commencement.

In preparing the forecasts, the Directors have further considered broader economic factors including the ongoing pandemic, conflict in Ukraine and the effects of climate change. Technological improvements or innovations that support the transition to a lower carbon economy, and customer preferences or regulatory incentives that alter fuel or power choices, could impact demand for oil & gas.

Depending on the nature and speed of any such changes and our response, these changes could increase costs, reduce our profitability, reduce demand for certain products, limit our access to new opportunities, require us to write down certain assets or curtail or cease certain operations, and affect investor sentiment, our access to capital markets, our competitiveness and financial performance. On the contrary, these risks provide a significant opportunity to our Renewables segment which would benefit from the increased demand and accelerated award of projects to meet the net zero emission targets. If the Offer does not proceed and the Bridge Loan Facility falls due for repayment within its current terms, there can be no guarantee that the Group will be able to implement any alternative funding in the available timeframe. In such an event, the Directors believe that the Group will be unable to meet its financial commitments as they fall due and consequently will be unable to continue to operate as a going concern resulting in the appointment of receivers, liquidators or administrators. Accordingly, the Directors consider that the Offer represents the only executable funding solution available to the Group given that Thunderball has procured the Bridge Loan Facility and there is no present viable alternative. The Directors believe that: (1) the risk that the Offer does not complete; (2) the requirement for significant levels of ongoing creditor deferral during the period prior to the completion of the Offer; and (3) the lack of visibility of Thunderball's plans for the business after the Offer is completed, all of which depend on factors outside management's control, constitute in aggregate a material uncertainty that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Dividend

The Group made progress in delivering its strategy in 2021, however, due to the current financing requirements coupled with prevailing COVID-19 uncertainties, the Directors do not recommend the payment of a dividend for the period in relation to financial year ending 31 December 2021. The Directors will continue to review this position in light of market conditions and Group performance at the relevant time.

Tony Wright
Chief Financial Officer

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over an appropriate period. The Directors have previously determined that a period of three years was the appropriate viability assessment period, for the following reasons:

- the Board considers the Group's forecast projections over a three-year period
- the strategic review covers a period with visibility on likely prospects for the coming two to three years
- most major projects undertaken by the Group last for up to two years meaning that the Company has a reasonable ability to evaluate its likely backlog for a period of two to three years
- the long-term incentive awards for management are structured around a three-year performance period

Given the acute liquidity challenges faced by the Group and the material uncertainty surrounding the successful and timely execution of the assumptions as detailed in the going concern statement detailed opposite (most notably the recommended offer to acquire the Company and the implementation of the Bridge Loan Facility), in assessing viability the Directors are not able to form a reasonable expectation that the Group and Company will have the ability to continue in operation and meet its liabilities as they fall due beyond the going concern period. Therefore the Directors have concluded that it is necessary to shorten the viability assessment period to October 2023, to align to the going concern period. While it is not possible for the Directors to form a reasonable assessment of the Company's longer-term ability to continue in operation, the Directors believe in the quality and attractiveness of the Company's and Group's capabilities and credentials to take advantage of the strong fundamentals in their addressable markets in the coming years.

In coming to that belief, the Board has considered and regularly reviews the Group's exposure to a variety of risks ==> 48, and related controls and mitigating actions. Lamprell's strategy and business model ==> 8 are central to an understanding of its future prospects and mitigation of risks. Its business model has proven to be resilient in previous project cycles but it remains under severe pressure due to circumstances at the macro and micro level. The global markets are challenging in light of the potential impact of the increased inflation rates and higher supply chain costs, both of which may have a detrimental effect on the broader economy and capital investment decisions by clients. Specific to Lamprell, the Directors believe the offer and Bridge Loan Facility ==> 43 are the only viable funding solutions available to the Group and as a result this forms the basis to resolve the immediate funding obligations and severe liquidity demands of the business. The Directors recognise that future assessment and assumptions are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. As such, they have considered the realistic availability and likely effectiveness of mitigating actions, some of which are severe, that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows which includes the following assumptions:

- the recommended offer to acquire the Company will be accepted by our shareholders and the Bridge Loan Facility will be timely drawn and sufficient to cover the Group's operational requirements
- on conclusion of the offer, while the Directors do not have visibility of the acquiror's post-completion funding for the Group, it is expected that the acquiror will extend or waive the repayment terms of the bridge loan facility and/or will provide such additional capital as may be needed by the business

- payment to certain key suppliers on the IMI rigs will need to be extended in line with the expected timing of the final milestone payments for the rigs
- a portion of the bid pipeline is converted in line with the expected timing of awards assumed in the forecast cash flows

Further details of these and other key assumptions are included in the going concern statement opposite. The Board has considered the risk mitigation strategies for each of the above assumptions as well as downside sensitivity cases and has concluded that these actions would be inadequate without the offer proceeding to successful completion. If the offer does not proceed to completion and the Bridge Loan Facility falls due for repayment within its current terms, there can be no guarantee that the Group will be able to implement alternatives in the available timeframe and, the Group would be unable to continue to operate as a going concern, resulting in the appointment of liquidators or administrators, as appropriate. Accordingly, the Directors consider that completion of the offer represents the only executable funding solution available to the Group and that is a fundamental assumption for the continuing viability of the Company and the Group.

Post balance sheet events

See Note 41 on ==> 149 for events that took place post the balance sheet date.

Principal risks	Base assumption	Downside scenario
Ability to finance business	Offer to acquire Company is successful and funding provided	Offer to acquire Company is unsuccessful; funding not provided
Economic conditions	Strong fundamentals in addressable markets	Market conditions do not improve
Counterparty risk	Short-term extended credit terms by key suppliers	Prolonged extended credit terms
Project execution	Projects executed as planned	No reasonably plausible financial exposure has been modelled

Our approach to risk management

Lamprell continued its commitment to risk management throughout 2021. Identifying and managing risks and opportunities is key to the successful delivery of our strategy. We operate in challenging environments and understand that risk management is an inherent part of our business.

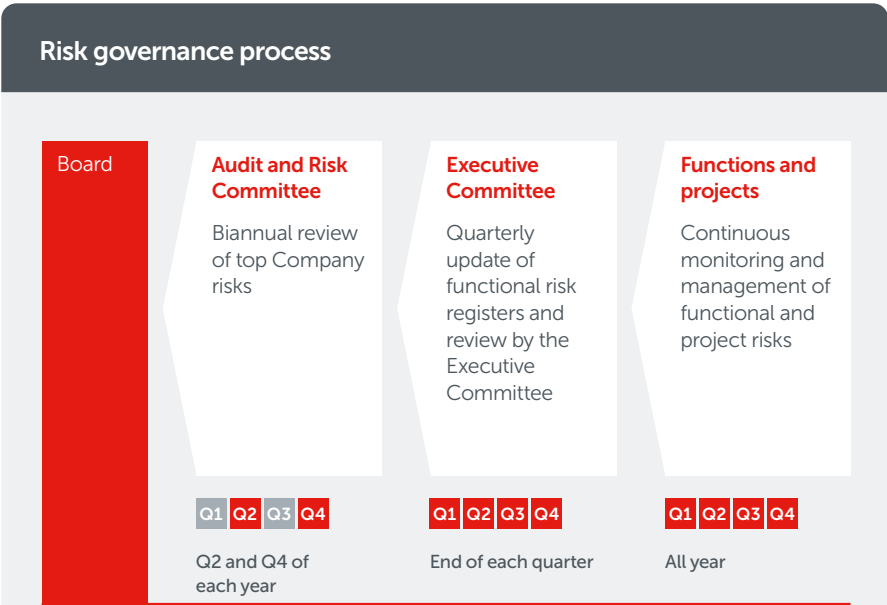
Our approach to risk management

Lamprell maintained its approach to holding quarterly risk reviews across the departments and the Executive Committee to highlight and interrogate the range of risks that the Group faces and ensure cross-department management and mitigation actions. The latest update highlighted 91 risks across the Group which are being monitored by management. The Audit and Risk Committee is updated on a biannual basis and asked to challenge the management’s views on risks.

The project teams perform risk management within Lamprell across the three business units: Renewables, Oil & Gas, and Digital. They produce biweekly reviews of all project risks and monitor them for mitigation, quantification and communication. With the formal emergence of the three business units, project teams can build on the established project proposal, start-up, and lifecycle risks to better understand the risks that each unit faces within its industry while collaborating to ensure risks are learned from across the Group. The respective risk champions analyse the project risks within each team. Feedback to the department heads allows for the inclusion of recurring or high-level risks to be fed into the quarterly corporate review of business risks.

Our risk management framework and process

Lamprell operates under a risk management framework mandated by the Board. The framework uses two key procedures: (i) the project-level risk management procedure, which includes proposals and lifecycle project risk management; and (ii) a corporate management procedure. Each department is governed by the risk management procedure, which ensures that departments are aware of the business objectives and risks which can impact them. Acting as a focal point for all risk management assessments, we have a commercial and risk management department that monitors the framework’s effectiveness to ensure it remains fit for purpose. Lamprell’s internal audit department independently audits the implementation of



the framework. Lamprell’s risk management process closely aligns with the ISO 31000 risk management methodology.

In the initial stages of the risk management process, efforts are made to understand the context, scope of work or activity upon which the risk assessment is based to focus on risk identification. Identified risks are analysed in terms of probability of occurrence and impact, and on a gross pre-mitigation and a net post-mitigation basis. Possible risk treatments are then evaluated depending on the severity of the risk, and detailed risk response plans are developed where necessary. Finally, risk registers are monitored and reviewed regularly, with functional and project risk profiles being reported to management regularly.

Risk management as a business improvement tool

Risk management is an ongoing process and allows Lamprell to develop and learn continually to ensure the ability to meet our 2022 business objectives.

Building on the 2018 overhaul of the processes used for risk management within Lamprell, the procedures and implementation processes are reviewed by internal audit to ensure best practice and continued correct implementation, so Lamprell remains competitive within our strategic markets.

Continual learning is evidenced in renewable projects from East Anglia One, Moray East, and Seagreen, all of which are used to ensure competitiveness in future bids. Oil & gas projects awarded to Lamprell on the Saudi Aramco LTA utilised the best practice of associated recent risks from the renewables projects and the extensive catalogue of oil & gas project risks available from Lamprell’s long history in that sector. Our Digital business unit =>> 18 has begun its risk management learning journey and will continue to develop its list of business risks, building on learnings from the risks to the Group’s IT framework and systems.

Lamprell’s approach to risk management is decentralised. As with all aspects of good governance, risk management and internal control effectiveness depend heavily on the individuals responsible for operating the systems.

The commercial risk management department continually trains existing and newly-hired Lamprell employees on the importance and practical elements of risk management. Hence, Lamprell continues its strong showing as an organisation that proactively tackles project risks, and evolves to identify and manage new risks to the business.



Opportunities

As part of regular reporting on risks, our teams also consider opportunities. The opportunity aspects of project risks help to deliver on margin expectations and/or operational enhancements on ongoing projects, as well as providing additional value to our clients. Our Digital business unit has been looking at using robotic welding to improve efficiencies and safety standards; this is an ongoing process and in the meantime we have worked with a new supplier, Welmax, to deploy automated linear welding for some of the products on the Seagreen project. This has been proven to be effective and to save costs, so we are looking to use similar technologies on other projects; we have also worked with the supplier to improve the methods for using such technologies in a symbiotic way. Another major opportunity for Lamprell is the migration of our IT environment across to the Injazat cloud-based systems – this is a work in progress but allows Lamprell not only to benefit from Injazat’s leading-edge expertise in the digital space and the latest security measures to protect its data but also to strengthen the business relationship with a strategic partner.

Emerging risks

In last year’s report, the impact of the COVID-19 virus and financial pressures on Lamprell’s supply chain was evident; these risks have continued to impact the Group through 2021; as the global pandemic continues in differing waves, the impact and mitigation of these risks are set out on the following pages.

Climate change remains and increases in importance as an ever-growing impact on the business; Lamprell’s environmental team continued to work on sustainability matters, with increased volume due to our increasing presence in the renewables market. Companies will need to demonstrate their energy transition and associated strategies to remain competitive and socially acceptable to customers. With the expectation of increased and accelerated changes in international energy policies, legislation, regulations and minimum expectations when invited to bid on future opportunities, it is crucial we adjust our sustainability strategy =>> 28 accordingly.

The funding requirements of the Lamprell Group have been and remain a top risk that require a recapitalisation of the balance sheet. The 2021 equity raise and new debt facility =>> 42 have mitigated some of the liquidity pressures on the business but the Group required an urgent USD 120-150 million injection to restrengthen its balance sheet to meet its immediate working capital and capex

plans. In light of the challenging equity markets and the acute liquidity pressure, there was insufficient support from existing shareholders for this option and so the Board recommended to accept a combined all cash offer to acquire the entire issued and to be issued share capital of the Company from two major shareholders. Without an agreement on an equity-based financing solution, and mindful of the acute liquidity needs of the Group, the Board views this offer as a viable pathway to resolve the immediate funding obligations and severe liquidity demands of the business.

With the upward trends in our addressable markets and the recent major awards by NOCs in the Middle East, we have started to experience a drain on our resources as employees join other companies for increased compensation amounts. Lamprell has a skilled workforce and as such its employees are in high demand from our competitors. This drain on resources may threaten our ability to win or execute new projects unless we can match remuneration packages. As a minimum initial step and recognising this risk, our Board has decided to remove the COVID-19 deduction by 1 June 2022.

The above resourcing risk is just one example of potential inflationary pressures that we are seeing in the market; others include workforce compensation expectations, commodity prices (which have escalated significantly in the last 18 months, notably steel prices) and especially in the availability of transportation vessels and subcontractor yardspace. All of these are likely to increase the cost base for Lamprell which may make us less competitive or unable to provide the necessary resources to execute new projects at the predicted margins. We are already taking steps to mitigate this risk by engaging with our global supply chain and seeking to build strategic relationships.

Finally, the most recent emerging risk is the ongoing conflict between Russia and Ukraine. While Lamprell does not have any business connection with either country, this conflict could have knock-on consequences for the wider supply chain, pushing up commodity prices and/or causing delays in deliveries. It has already caused oil & gas prices to spike dramatically over the course of a matter of a few weeks in late February/early March 2022 and, if this volatility continues, this may cause customers to delay project awards until the market stabilises. In the worst case where the conflict spills over into other countries where Lamprell does have business relationships, this could jeopardise our supply chain for our ongoing or future projects.

Principal risks

Principal risks and uncertainties

Lamprell faces various risks, which change depending on market factors. Our principal list of risks follows. They are primarily in alignment with the previous risk profiles, which includes the principal risks that Lamprell is exposed to and considered the most significant due to their likelihood, magnitude of potential consequence, and nature.

Risk impact and likelihood

- High
- Medium
- Low

Risk	Risk description	Mitigation	Link to strategy
1. Ability to finance business			
Inability to fund implementation of our strategic objectives. Risk impact Strategy: Business model: Risk likelihood: Risk owner Chief Financial Officer Risk change from last year Increased	Successful implementation of business goals depends on a reasonable level of working capital, and there has been a reduction in our net assets due to recent losses.	- The Group was not successful in raising new debt or equity in H1 2022 but received an all cash offer for all issued and to be issued share capital - Successful capital raise through new USD 45 million debt facility and equity raise of USD 30.1 million in Q4 2021 - Agreed USD 145 million bridge financing package with potential acquirors to provide funding during period of completion of transaction	Funding options in the oil & gas market are becoming more limited, funding for renewables projects looks more promising ==> 10 .
2. Ability to win work			
Failure to provide reliable, on-time, competitive solutions for new projects. Risk impact Strategy: Business model: Risk likelihood: Risk owner Vice President of Business Development Risk change from last year Unchanged	Our potential inability to offer a competitive product or service could negatively affect our reputation amongst current and target clients. We are dependent on a relatively small number of contracts at any given time. Our ability to retain current clients and compete successfully depends on providing on-time, low-cost, high-quality products and services. If we fail to do so technically and commercially, we will not win new awards. Success in contract awards is also threatened by COVID-19 and by our balance sheet, which could constrain the supply chain or restrict our operations.	- Reorganised our business to align with customer needs and energy transition - The bid pipeline expanded into new geographies ==> 5 - An experienced and customer-focused BD team targets our key clients and markets - We use benchmarking data and estimating tools to provide competitive market pricing - Restrengthen balance sheet through new capital and a controlled overhead cost base - Agreed USD 145 million bridge financing package with potential acquirors to provide funding during period of completion of transaction - Signed reservation agreement for Moray West project, to give better visibility on future backlog	Opportunities in our key markets are targeted by multiple competitive bidders.
3. Economic conditions			
Energy price volatility, market uncertainties, and COVID-19 could cancel bid pipeline prospects. Risk impact Strategy: Business model: Risk likelihood: Risk owner Vice President of Business Development Risk change from last year Unchanged	While energy prices have recovered, there continue to be delays in project awards by clients due to market uncertainties, concerns over viability of contractors and increases in commodity prices (driven most recently by the conflict in Ukraine). The threat of COVID-19 also continues to impact the broader market. Such instability leads to clients reassessing how and when to sanction new capital projects. A more recent development is the risk around climate change, where clients may not award projects to companies without a clear strategy for dealing with this risk.	- Apparent capacity crunch in available yardspace improves Lamprell’s prospects - Bid pipeline of USD 7.9 billion covers a diversified portfolio and has increased significantly in the rapidly-growing renewables sector ==> 10 - Our experienced Business Development team, with strong capabilities and a broad network, are sourcing targeted oil & gas opportunities in the UAE and Saudi Arabia, where capital expenditure is continuing ==> 14 - Client engagement activities have given clients reassurance on Lamprell’s future viability and ability to commit to new projects - Strategic partnerships expand our offerings and diversification of territories - Announcement of Lamprell’s net zero carbon target and action plan	Demand for our products and services underpins the entire business.

Risk	Risk description	Mitigation	Link to strategy
4. Counterparty risk			
The entire supply chain is under pressure due to challenging market conditions and resourcing constraints, amplified by the pandemic impact. Risk impact Strategy: Business model: Risk likelihood: Risk owner Chief Financial Officer Risk change from last year Increased	Clients may impose onerous payment terms or even stop payments for various reasons. This may result in Lamprell suffering losses or reduced revenues. Lamprell would need to fund the working capital from its own balance sheet, which requires new financing or be at risk of disputes with suppliers who are exposed to liquidity issues. The entire supply chain is under immense pressure, and there is an increased risk of companies taking on contracts at poor margins or not delivering to the required standards. This risk is heightened in a market where all parties are working to conserve cash, as Lamprell is doing by deferring payments to supply chain partners.	- Take on projects with reputable and financially sound counterparties based on reasonable and balanced contract terms - Negotiated extended credit payment terms with major suppliers, to reduce the near-term cash requirements - Enhanced due diligence on counterparties to assess the project and financial risks - Request clients and suppliers to provide financial security guarantees for new projects - Enforce contract terms through proactive contract management - Regular project reviews to highlight counterparty risks, risks of delayed invoice payments and cashflow forecasts - Proactively work through project schedule issues in collaboration with clients and suppliers	Supply chain partners depend on regular work and timely payment for working capital on existing projects.
5. Project execution			
Failure to deliver projects on time and on budget, as per contract requirements, due to poor performance, lack of resources or external factors such as COVID-19. Risk impact Strategy: Business model: Risk likelihood: Risk owner Operations Risk change from last year Unchanged	Failure to execute, manage, and deliver a project following contractual terms and conditions may expose us to additional costs, damage to reputation, losses, or reduced revenues. This is particularly relevant as we diversify into new markets and product offerings where other execution risks arise. This extends to effective subcontract management where we have experienced challenges on previous projects and where we are at risk before our clients due to failures by subcontractors. This may also negatively impact our reputation with clients and the broader stakeholder base.	- Stakeholder engagement to understand better clients’ needs and supply chain’s available resources and capabilities - All new prospects undergo a robust risk assessment during the bidding phase - Continuous improvement cycle to feed all lessons learned from previous projects into new bids and/or execution of new projects - Regular toolbox talks to yard labour, drawing attention to key aspects of their day-to-day working lives and how to improve performance - Implement an extensive series of high-quality self-help measures to contain/respond to the COVID-19 threat - Training of employees is a cornerstone of sustainability objectives ==> 38 to maintain high standards of safety, quality and execution	Our clients expect delivery of high-quality, on-time products and services.
6. Cyber threats			
IT systems could be disrupted by successful cyberattacks or outdated infrastructure. Risk impact Strategy: Business model: Risk likelihood: Risk owner Chief Financial Officer Risk change from last year Unchanged	Our business and operations both rely heavily on our IT network and systems, including our enterprise resource planning system and engineering design software provided by third parties. These could fail to operate effectively or be subject to disruption/ cyberattacks (which is heightened while the conflict in Ukraine continues in light of the known Russian use of cyberwarfare against foreign companies); there are also inherent disruption risks as IT infrastructure becomes outdated and/or we migrate some IT systems to the cloud. Without an effective, updated and efficient IT environment and systems, we would not be able to execute our projects and could suffer reputational and financial damage.	- Migration of many of our IT systems to Inajazat service provider with access to the latest cyber detection and protection technologies - Annual IT security training and awareness campaigns about information security/cyber threats for all employees - Regular upgrades to our IT security software and internal controls, reinforcing layers of protection and segregation of duties - Our data is micro-segmented and stored on the cloud, which helps to contain any attacks - A leading service provider, Oracle, runs enterprise resource planning software - Penetration testing and phishing exercises run to highlight potential weaknesses and ensure that employees are alert to cyber risks	Digitalisation aims to improve efficiency and generate new revenues.

Principal risks continued

Risk	Risk description	Mitigation	Link to strategy
7. Contractual commitments			
Onerous contract terms delay or prevent the execution of a project. Risk impact Strategy:  Business model:  Risk likelihood:  Risk owner General Counsel Risk change from last year Unchanged	Over the last few years, contractual terms have progressed to be favourable to clients, meaning that we may be obliged to take on additional risk under a contract that historically may have been negotiated away. Similarly, contracts with strategic partners may contain terms which are unbalanced but are necessary in order to establish the binding relationship. If we then fail to mitigate any of these contractual liabilities in other ways properly, it may lead to us incurring additional costs or losses, which could affect our overall financial performance.	• Active risk identification, mitigation and management throughout project lifecycles from the initial bid, through project handover and until completion • Risk analyses include a Monte Carlo assessment and this factors into project contingencies • Weekly and monthly project review meetings are held with management for effective oversight and constructive challenges on project management decisions • Use of mitigation or risk management strategies, such as insurance, guarantees and/ or flow down of liabilities to the supply chain • Lessons learned procedure aims to avoid repeats of any identified inefficiencies	Strategic objectives must adapt to reflect market conditions and client expectations around contracts.
8. Third-party alliances			
Poor relationship management or weak corporate governance with business partners. Risk impact Strategy:  Business model:  Risk likelihood:  Risk owner Executive Committee Risk change from last year Unchanged	To conduct business in certain jurisdictions, we rely on key relationships with local partners, agents or our partners in joint ventures and consortia. If we are unable to work collaboratively or manage these relationships poorly, or our partners are unable to provide adequate support to our business, this could leave us exposed to additional contractual and/or execution liability or make our operations in certain jurisdictions uncompetitive. This is particularly relevant for the IMI joint venture where there may be different drivers for each of the partners and execution of the LTA projects where we will be heavily reliant on our installation partner.	• Business partners are chosen based on a due diligence exercise to understand their capabilities, culture and goals, to ensure alignment on strategic objectives • Regular reports to the Board on all proposed and current joint ventures/consortia, assessing progress against our objectives • We work to build and maintain strong partner relations at the management level • Agreements are drafted and negotiated based on an agreed set of principles, describing the strategic goals, and may include exit provisions where appropriate • We may obtain advice from external expert advisors, either during contract negotiation or as alliances are being built	To move up the value chain, we need to rely on our partners to provide complementary offerings.
9. Failure to invest			
Returns from the business require initial capital investment. Risk impact Strategy:  Business model:  Risk likelihood:  Risk owner Executive Committee Risk change from last year Unchanged	To fund its reorganised business structure and stay competitive on new and existing projects, the Group has to spend additional capital funds improving its yard processes, layout, upgrading IT infrastructure/operating systems, funding joint ventures and investing in its digital initiatives. This includes the investment on the new production line, to improve throughput in serial renewables projects. The Group may not be sufficiently competitive to win new projects or achieve the necessary margins to improve overall profitability to the required level without investing in itself.	• Board recommended to accept a combined all cash offer to acquire the Company – offer is a viable pathway to resolve the immediate funding obligations and severe liquidity demands of the business • Already deploying certain digital initiatives in our yards as a proof of concept ==>> 21 • In Q4 2021, the Board approved initial capital investment into the renewables production line which will increase capacity and throughput in our renewables projects • All investments are linked directly to the Company’s strategy and visible/actual projects • A phased approach to investing is taken where possible to minimise immediate exposure • Linking with strategic partners like Injazat and Saudi Aramco de-risks the potential opportunities	The strategic objectives are dependent on making a return from capital employed.

Risk	Risk description	Mitigation	Link to strategy
10. Increasing scarcity of skilled personnel			
Skilled and experienced personnel are required to run the business, build relationships and execute projects. Risk impact Strategy:  Business model:  Risk likelihood:  Risk owner Executive Committee Risk change from last year New	We may face significant challenges in attracting and retaining sufficient numbers of skilled personnel including Directors, management or in the yards, meaning that it may not be possible to bring in or keep the right person with the right skills at the right time for a particular project or role. This includes the risk of having insufficient competent resources to successfully prepare bids and execute projects. Any of these issues could severely impact strategy implementation and project execution.	• Market Lamprell as employer of choice because of competitive pay, positive welfare culture and opportunities for growth • Regular engagement with workforce to understand concerns and factor these into decisions • Appropriate management incentives • Succession planning and career development to promote from within and reward high performers • Regular market reviews by Human Resources Director to understand market trends, with guidance from Nominations and Governance Committee • Manpower planning gives improved visibility on future yard workforce requirements • ‘Future fit’ assessment by VPs to focus attention on timing of business-critical appointments	Lamprell’s workforce is its most valuable asset and experienced people are required to drive the three business units forward.

Climate-related risks

Link to strategy:
See more details around climate-related risks with cross-references to the TCFD disclosures in the Sustainability Report ==>> **28**.

Climate change remains and increases in importance as an ever-growing impact on the business; it does not pose an immediate risk to our business model and as such sits outside of the above-mentioned principal risks and uncertainties. However, this is a potentially broad-ranging and long-term risk which could impact Lamprell in a number of different ways. Accordingly, Lamprell’s team continues to work on sustainability matters and in particular understand the impact of climate change on our assets and our involvement in the renewables industry where we are seeing increased volume due to our expanding presence. Companies will need to demonstrate their energy transition and associated strategies to remain competitive and socially acceptable to customers. With the expectation of increased and accelerated changes in international energy policies, legislation, regulations and minimum expectations when invited to bid on future opportunities, it is crucial we adjust our sustainability strategy.

Introduction by the Chair to corporate governance



Maintaining high standards of corporate governance and ensuring that the management of our business continues to be aligned with our purpose, strategy and values proved to be more important than ever last year.

John Malcolm
Chair

Dear Shareholders

On behalf of the Board, I am pleased to present the Company's corporate governance report for the year ended 31 December 2021, which will be my last report as your Chair. One of the significant aspects of my role as Chair is to ensure that our Group's governance is robust and enables the Company to progress towards its strategic goals. The Board plays a critical role in ensuring that every part of our Group conducts its business in a manner that is consistent with the highest standards of corporate governance. A sound corporate governance framework is key to ensuring sustainable long-term success; the Board must operate effectively as it works to address the near-term challenges and implements a solid foundation for implementing the 'Lamprell reimagined' strategy ==> 4 that we launched at the beginning of 2021.

Strong governance supports strategic progress

2021 has been characterised by significant strategic progress and a focus on dealing with the increasingly acute liquidity issues facing the Group. The world in which we live is changing rapidly, and COVID-19 has served to accelerate the energy transition towards the renewables sector. It has also presented us with operational and governance challenges. During the year, the Board has engaged with shareholders and other key stakeholders to gauge their views of the updated strategy. Following receipt of positive feedback, the Board has overseen initial steps to implement it, including a dramatic expansion in our renewables bid pipeline, both in quantum and also in scopes now including floating offshore wind. At the end of the year, we made the initial investment into a renewables production line in our Hamriyah facility which will transform our ability to improve throughput and efficiencies, diversify our fabrication capability beyond jacket foundations and significantly increase our annual revenue generation and margin performance.

We also approved the new digital joint venture, AiFlux ==> 20, where Lamprell's track record in heavy industry will complement the digital expertise of Injazat, as we look to establish a new business that will build digital products and services to improve efficiencies in Lamprell's current business and also service its clients. I was delighted to see that our former COO, Hani El Kurd, moved into the chief executive role at AiFlux – his passion for this project and knowledge of the construction of major, complex projects for the energy industry will surely help to ensure the success of the venture.

Your Board continues to believe that the Oil & Gas business unit will continue play a significant part in generating value for our shareholders but, to achieve this, it needs to be more closely aligned with our key customers in the Middle East. We have previously made a major financial commitment with our participation in the IMI joint venture in the Kingdom of Saudi Arabia and we have been working with our partners in Saudi Arabia to determine the optimal way to move the centre of gravity for our oil & gas unit to the Kingdom. Lamprell has applied to participate in various Saudi Aramco programmes which facilitate the establishment of local businesses and would make it easier for us to operate the business. Lamprell won its first two major projects with Saudi Arabia in Q1 2021, and we are targeting further contract awards, which will be made easier with a more localised presence and access to these programmes.

Responding to liquidity challenges

Last year was not without its challenges, and the first among these was the increasingly acute cash constraints. Following several years of losses and with current projects at low margins, this has negatively impacted our balance sheet and put – and has continued to put – the business under severe pressure. While the team has worked hard to manage cashflows, such constraints have inevitably obliged the Board to make some difficult decisions, most obviously being the continuing imposition of the 25% deduction on many employees' salaries. In light of the apparent upward trend in both the oil & gas and the renewables industries, the knock-on consequence of this decision has placed pressure on our resources, both in terms of holding on to our skilled personnel and hiring new people for the planned new awards. It is for this reason that the Board approved the discontinuance of the COVID-19 deduction as from 1 June 2022.

Responding to these significant cash concerns, we took steps to strengthen the Company's balance sheet and improve the business's liquidity position. In Q4 2021, we successfully secured a USD 45 million working capital facility to deliver the two IMI rigs in line with project working capital requirements. We also successfully raised USD 30.1 million through an oversubscribed placing of shares. We continued to pursue a number of financing and strategic options as a means to meet the Company's USD 120-150 million funding target. In the absence of adequate debt finance solutions, we consulted extensively with the major shareholders to gauge their support for an equity raise but, in light of the challenging equity markets and our acute liquidity pressures, this option did not receive sufficient support. The Company then received a combined all cash offer to acquire the Company from two of largest shareholders and, in particular taking account of the above factors, the Board views this offer as a viable pathway to resolve the immediate funding obligations and severe liquidity demands of the business. On 21 July 2022, we announced the terms of a recommended cash offer to be made by Thunderball Investments Limited to acquire the issued and to be issued share capital of Lamprell plc, details of which are set out on our website. The offer included a USD 145 million bridge financing loan which is critical to address the immediate working capital requirements of the Group.

Board changes

Last year we planned to refresh the composition of the Board to be further aligned with our strategy, and I was delighted to welcome Motassim Al Maashouq and Jean Marc Lechene to join the Board as Non-Executive Directors in September and December 2021 respectively. Motassim has extensive experience in the global energy industry and Saudi Arabia in particular; Jean Marc is a seasoned renewables executive with a deep understanding of the drivers for this industry. In addition, James Dewar stepped down from the Board in December 2021, for personal reasons. I appreciate his valuable contribution during his four years on the Board, particularly in his role as Chair of the Audit and Risk Committee, and I wish him all the best for the future. With James' departure, this means that we do not have an individual on the Committee who has recent and relevant financial experience, contrary to Provision 24; however in light of the above-mentioned recommended offer to acquire the Company, the Board has suspended the process to find a replacement Chair of the Audit and Risk Committee. Similarly, recognising that I have served the recommended maximum of nine years on the Board in May 2022, the Board has determined that it is in the best interests of the Company for me to remain as Chair and a Director until the acquisition process has completed and a replacement Chair is appointed.

Sustainability

Good progress has been made to articulate our sustainability ambitions, including forming the Sustainability Committee and implementing various measures which demonstrate how the Group is making ESG part of our everyday working lives ==> 28. As announced in this Annual Report, we are taking that a step further with clear, net zero carbon targets. Our strategy and business model ==> 8 aim to deliver sustainable growth for all stakeholders, including the communities we support, and that includes making decisions that limit any negative contribution to climate change. It will take many years to achieve this target, and you can read more about our journey towards our net zero greenhouse gas emissions on ==> 32.

Looking ahead

At the start of the year, the Board's priorities for 2022 had been focused around the implementation of the 'Lamprell reimagined' strategy, succession planning and, most importantly, restrengthening of the Company's balance sheet. However, events have overtaken these priorities, with the receipt of the offer to acquire the entire issued and to be issued share capital of the Company and the Board's recommendation to accept the same. The Board has noted the strong fundamentals in the renewables and oil & gas markets and remains confident of the Group's ability to benefit from the available opportunities in the coming years, based on our track record and the funding strategy through the recommended offer.

It has been a privilege to serve as your Chair, and I would like to thank my fellow Directors and all my Lamprell colleagues for their contributions and support. I am proud of what we have achieved during my tenure, particularly the realigning of the business with the energy transition. I look forward to following the Company's progress over the years ahead.

John Malcolm
Non-Executive Chair

7 August 2022

Our purpose

The Company's purpose is to provide best-in-class project services and solutions for the energy industry

Our core values

Our core values are at the heart of all of Lamprell's activities

Safety

We deliver world-class safety performance and leave nothing to chance so everyone goes home safely.

Fiscal responsibility

Because every employee influences our costs, we are all accountable to ensure that we achieve the most cost-effective solutions.

Integrity

We conduct our business honestly, with professional integrity, fairness and transparency, and we are open and ethical in our day-to-day dealings with all stakeholders.

Accountability

We deliver what we say we will.

Teamwork

We strive to work together with our stakeholders and believe great teams can achieve incredible things

Board of Directors



1. John Malcolm
Non-Executive Chair
Appointed: May 2013

Key strengths: strong leadership background in energy businesses, particularly the Middle East; experienced in renewables.

Experience: After 25 years with Shell, John Malcolm retired in 2010 to become an independent consultant to the energy industries. During his tenure at Shell, he held several senior positions, including Managing Director for Petroleum Development Oman. Between 2015-2019 he worked at Oman Oil Co. Exploration and Production as Executive Managing Director. John is a Chartered Engineer with the UK Engineering Council and has a PhD in Process Control Systems from Heriot-Watt University, which he obtained in 1975.

3. Tony Wright
Chief Financial Officer
Appointed: August 2015

Key strengths: solid financial acumen and experience with contracting companies and in a listed environment; particularly in the Middle East.

Experience: Tony Wright joined Lamprell in January 2013 as Vice President of Finance. In November 2014, he stepped into the role of Deputy CFO, followed by a promotion to Chief Financial Officer in August 2015. Mr Wright is a qualified chartered certified accountant with over 15 years' experience working in the oil & gas and construction industries. From 2010 Mr Wright worked with Leighton Holdings Group in Malaysia and the UAE, and thereafter with the Habtoor Leighton Group. Prior to joining Leighton, he spent five years as Group CFO with Dubai-based oilfield EPC firm Global Process Systems. When in the UK, Tony held senior finance positions with Input/Output Inc. and the Expro Group.

External appointments: Director/owner of DTTW Ltd.

2. Christopher McDonald
Chief Executive Officer
Appointed: October 2016

Key strengths: strong focus on business development, strategy and innovation; highly capable in the implementation of strategic Company goals.

Experience: Christopher McDonald has nearly 30 years of experience in the energy industry. Before joining Lamprell, he held the position of Executive Vice President with Petrofac. From 2007 to 2010, Christopher co-founded and helped to run a boutique private equity firm in London. Prior to that, he spent 18 years with Halliburton/KBR, starting his career in engineering and then a sales function before becoming Vice President with responsibility for the KBR Development Co. and the KBR/JGC gas alliance. During that time, he served on the board of MW Kellogg Ltd. Christopher has a Bachelor's degree in Mechanical Engineering from Cornell University.

4. Debra Valentine
Senior Independent Director
Appointed: August 2015

Key strengths: a leader in legal and compliance matters, risk management, in corporate and regulatory context; expert in public companies.

Experience: Debra Valentine has experience in heavy industries, leading government relations, governance, risk and legal functions across global jurisdictions. She also has expertise in competition and anti-trust issues. Ms Valentine worked at United Technologies Corporation and as a partner with the law firm O'Melveny and Myers. She also served as general counsel at the US Federal Trade Commission from 1997 until 2001. Most recently, she was Group Executive, Legal and Regulatory Affairs for Rio Tinto. Ms Valentine has an AB magna cum laude from Princeton University, and a JD from Yale University. She is the Board Chair for the Touchstones Discussion Project and a member of the Council on Foreign Relations and the American Law Institute.

5. Mel Fitzgerald
Non-Executive Director
Appointed: August 2015

Key strengths: proven track record in a C-suite role for EPCI companies in the energy sector; deep knowledge of risk management in operations.

Experience: Mel Fitzgerald has over 30 years' experience in the energy industry. He served as CEO and Board Director at Subsea 7 for seven years until 2012 and has a Bachelor of Engineering from the University of Ireland and an MBA from the University of Kingston. Mel is also a chartered engineer. In July 2015, he was awarded an honorary doctorate in Business Administration (HonDBA) by Robert Gordon University in Aberdeen to recognise his contribution to the UK oil & gas industry.

External appointments: Director/shareholder of Cathx Ocean; Director of Control Cutter.

7. Jean Marc Lechene
Non-Executive Director
Appointed: December 2021

Key strengths: solid renewables background with strong knowledge of European markets, and specifically wind turbine structures.

Experience: Jean Marc Lechene has 40 years' international experience with deep expertise in the renewables industry. In his last executive role as COO of Vestas, one of the global leaders in wind turbines, he oversaw various processes within a global footprint covering Europe, US, China, India and Brazil. Prior to Vestas, Jean Marc held senior management roles at Michelin and Lafarge. Jean Marc has extensive international business experience, from strategy to operations to change management. Jean Marc graduated from Ecole de Mines Paris in 1981 with an MSc in Engineering and holds an MBA from INSEAD.

External appointments: Non-Executive Chair, Norican Group A/S; Non-Executive Chair, Tresu A/S; Non-Executive Independent Director Velux A/S; Head of the advisory board of Baettr GmbH; Non-Executive Director for McPhy Limited.

6. Motassim Al Maashouq
Non-Executive Director
Appointed: September 2021

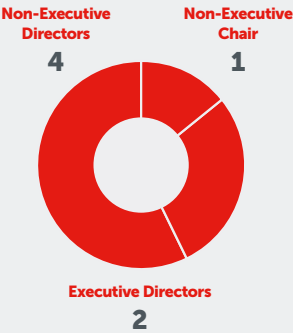
Key strengths: expert in Saudi market, Saudi Aramco and extensive experience of debt and equity capital markets.

Experience: Motassim Al Maashouq has over 35 years' experience in the energy sector with a career forged in Saudi Aramco and its international joint ventures. Prior to retiring from Saudi Aramco in 2020, Motassim held key corporate positions, including Vice President of New Business Development; Vice President of Corporate Planning; Group Treasurer, and led the company team preparing for the IPO. Motassim was also the President and CEO for Petrolube in Saudi Arabia and Petron Corporation in the Philippines. He holds an MA in Area Studies (Economics, Politics and Law) from the University of London's School of Oriental and African Studies.

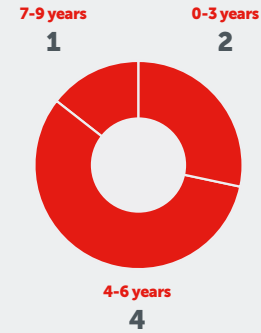
External appointments: Director at Al Borg Company.

Board diversity

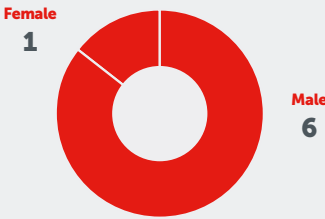
Composition



Tenure



Gender



Experience



Nationality



- Committee Chair (* interim basis)
- A Audit and Risk Committee
- R Remuneration and Development Committee
- N Nomination and Governance Committee

Report on corporate governance continued

Board leadership and Company purpose

Compliance with the Code

This statement of compliance summarises how the Company has implemented the principles and provisions of the 2018 UK Corporate Governance Code (the “Code”). The Code is available at www.frc.org.uk. The Board considers that the Group has complied in all material respects with the principles and provisions of the Code during 2021 except as specifically identified in this report.

1. Board leadership and Company purpose

 See more on ==> 58

A. Board’s role

The Directors are collectively responsible for the strategic direction of the Company, which is implemented within a robust governance framework. We believe the strategy will create value for shareholders, provide rewarding careers for employees and will benefit the wider stakeholder group, including the communities and environments Lamprell operates in. A formal schedule of matters reserved for the Board sets out the structure under which the Board manages its responsibilities and discharges or delegates its authority. The key focus of the Board’s activities during the year is described on ==> 59.

B. Purpose and culture

The Board takes a leading role in assessing and monitoring culture in the business, to ensure that workforce policies, practices and behaviours are aligned with the Group’s purpose, values, and strategy ==> 10, 14 and 18.

C. Resources and controls

The Board works closely with the CEO and CFO to ensure that the business has the necessary resources in place to meet the strategic objectives and to measure performance against them. There is a framework of prudent and effective controls that enable risks to be assessed and managed; information about our risk management structure can be found on ==> 46.

D. Stakeholder engagement

Shareholders are a key stakeholder group, and the Board seeks to obtain feedback and understand their views throughout the year. We have a robust plan for identifying and engaging with our key stakeholder groups ==> 25; however we spend most time trying to understand the views of our employee workforce, through regular Employee Welfare Committee Forums and via ‘Chats with the Chair’ ==> 26. In addition, our Board chose an alternative arrangement for engagement with the workforce other than as proposed in the Code (Provision 5), instead using direct Non-Executive Director participation in the Employee Welfare Forum as a means to hear employee concerns and feed their views back to the Board.

E. Workforce policies and practice

We review and approve all enterprise-wide policies, such as the anti-bribery and speaking up policies. This is crucial given the international nature of our business. The multilingual, secure speaking up hotline allows any employee to report ethical breaches, irregularities or simply concerns on a confidential basis without any fear of recrimination.

2. Division of responsibilities

 See more on ==> 62

F. The role of the Chair

John Malcolm is the Board Chair, and he works closely with the CEO to set the agenda for Board meetings, focusing on strategy, performance, risk management, culture and key stakeholders. He shapes the culture in the boardroom and promotes openness, challenge and debate from all attendees. The Chair represents the Company in discussions with certain major shareholders and, as a member of the Nominations and Governance Committee, has been a key contributor to driving succession planning. The Chair is responsible for overall Board effectiveness, and he was independent on the date of his appointment.

G. Composition of the Board

The Board aims to refresh its membership on a regular and phased basis to bring relevant experience and independence to the Board while at the same time aiming to provide continuity and stability. The capabilities and experience of the two new Non-Executive Directors, Motassim Al Maashouq and Jean Marc Lechene, are highly complementary with the skillset of the existing Directors towards achieving the Company’s strategic goals.

H. Role of Non-Executive Directors

The Non-Executive Directors ensure an effective and independent counterbalance to executive management on the Board. The Senior Independent Director is Debra Valentine, who is available to shareholders and acts as a sounding board for the Chair and as an intermediary for the other Directors with the Chair. The role includes responsibility for the Chair’s appraisal.

Letters of appointment for Non-Executive Directors do not set out a fixed time commitment for Board attendance and duties but give an indication of the likely time required. It is anticipated that the time required by Directors will fluctuate depending on the demands of the Group and other events.

I. Role of the Company Secretary

The Company Secretary is secretary to the Board and all Committees and ensures that all members receive accurate and timely information via a secure and electronic portal. Directors have access to the advice of the Group Company Secretary and independent professional advice at the expense of the Group. The role is an important channel for Board and Committee communications and a link between the Board and management. The appointment and removal of the Company Secretary are matters reserved to the whole Board.

3. Composition, succession and evaluation

 See more on ==> 64

J. Appointments to the Board

The Nominations and Governance Committee leads a formal, rigorous and transparent process for any new Board appointments, which would typically also draw on the expertise of external search consultants. The Committee is chaired by Mel Fitzgerald and comprises only Non-Executive Directors, including the Chair. In 2021, two Non-Executive Directors were appointed to the Board, following an extensive market search using the services of Spencer Stuart, based on the needs of the Company and taking account of the Company’s Diversity and Inclusion Policy. In addition, last year James Dewar stepped down after four years on the Board. For more details on the 2021 activities of the Committee ==> 66.

K. Skills, experience and knowledge of the Board and its Committees

The Board’s composition will continue to evolve to ensure that the Group has the appropriate experience and skills to support its strategy and operations. Full details of the Board evaluation can be found in the Nominations and Governance Committee Report ==> 66. However with the departure of James Dewar in December 2021, the Audit & Risk Committee has been lacking a member with recent and relevant financial experience, which is a departure from Provision 24 of the Code, with the process to address this suspended as a result of the recent offer to acquire the Company.

L. Board evaluation process

The Board considered using an external firm to facilitate our annual Board performance evaluation process but, particularly given COVID-19, concluded that its internally-driven evaluation process, conducted under the stewardship of the Nomination and Governance Committee, continues to be effective, delivers useful insights and helps the Board to improve its performance. Full details are available ==> 64.

4. Audit, risk and internal control

 See more on ==> 68

M. Internal and external audit

The Audit and Risk Committee, comprising four independent Non-Executive Directors, monitors the independence and effectiveness of the Company’s external auditor and its internal audit function and receives regular reports from both. They help to provide assurance to management and the Board on the effectiveness and integrity of the Group’s internal control framework and procedures. Refer to the Committee’s Report ==> 70 for details of its responsibilities and activities during the year.

N. Fair, balanced and understandable assessment

The Board takes responsibility to ensure that the Group’s position and prospects are assessed and presented in a fair, balanced and understandable manner, both within the Annual Report and Accounts and all publicly available financial information.

O. Risk management and internal control framework

In accordance with our schedule of matters reserved for the Board and the Code, the Board has primary responsibility for the effectiveness of the Group’s internal controls and risk management systems and has delegated administration and monitoring to the Audit and Risk Committee. See ==> 68 for further information.

5. Remuneration

 See more on ==> 72

P. Remuneration policies and practices

Our Remuneration Policy sets out a remuneration structure and incentives which reward fairly and responsibly with a clear link to corporate and individual performance. The policy is designed to promote sustainable performance by offering remuneration packages that are designed to enable the recruitment, retention and motivation of high-calibre Directors and senior management. In setting the Remuneration Policy, the Remuneration and Development Committee considers the levels of remuneration for the wider employee population, policies and practice in the UAE and also those in the wider market. Shareholders approved the Remuneration Policy at the 2021 AGM, albeit by a lower percentage than we would have liked, and this is available on the Group’s website www.lamprell.com.

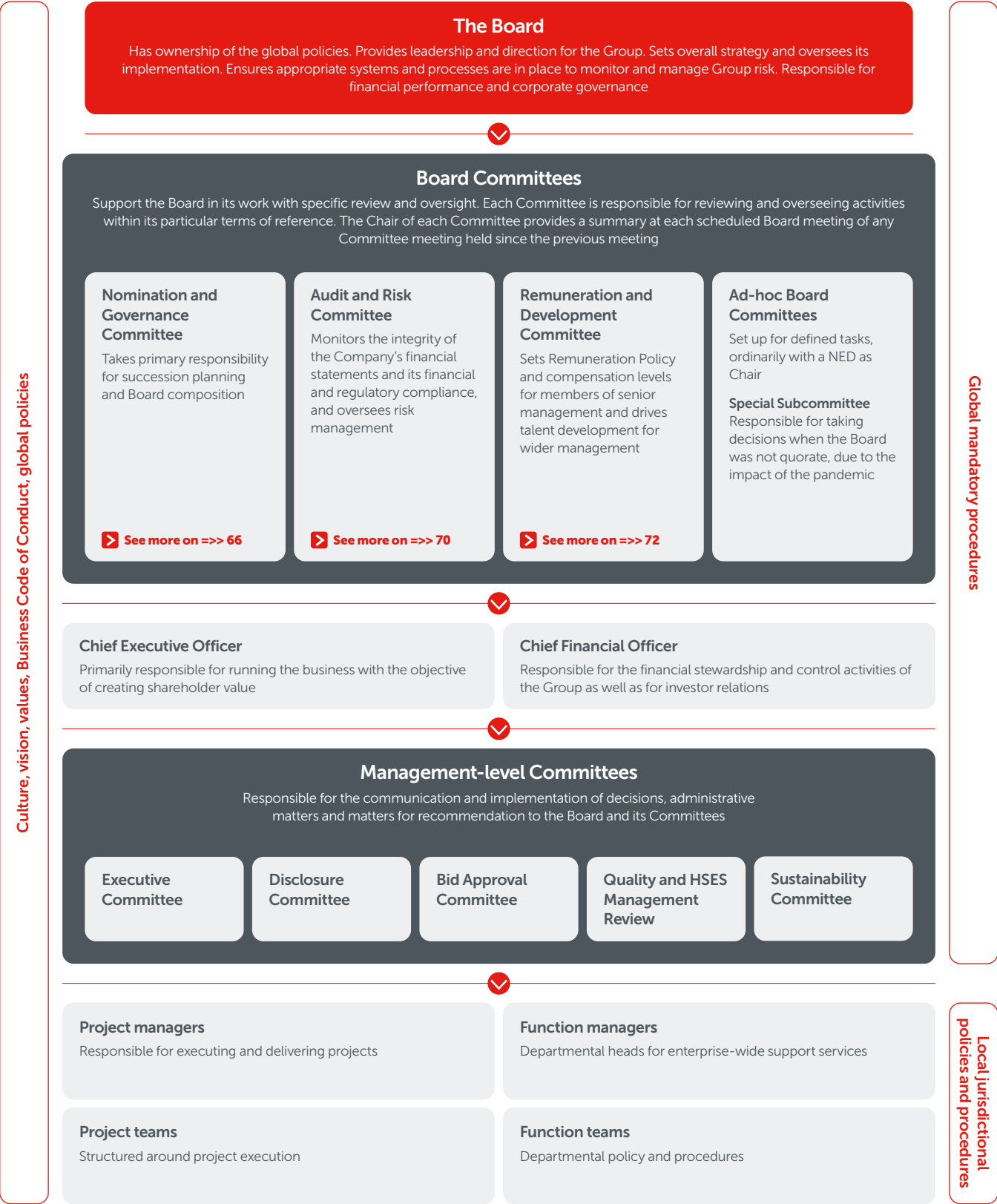
Q. Procedure for developing the Remuneration Policy

The Remuneration and Development Committee is responsible for determining the remuneration of the Executive Directors, Chair and senior management. Executive remuneration is set with regard to the wider workforce and through market benchmarking. Refer to the detailed Remuneration Policy ==> 74 for details.

R. Exercising independent judgement

The Remuneration and Development Committee is composed of four independent Non-Executive Directors who seek independent advice from FIT Remuneration and Ashursts LLP on remuneration issues. It determines compensation outcomes by assessing performance against defined criteria, as set out in the Remuneration and Development Committee report ==> 72.

Governance structure



What the Board did in 2021

Section 172 factors

The Code anticipates that we will take the considerations set out in Section 172 of the UK Companies Act 2006 into account when making decisions. While this law does not directly apply to the Company as an Isle of Man company, we believe that our decisions and actions should at all times aim to promote the longer-term success of the Company, for the benefit of its members and stakeholders as a whole:

- At the start of 2021, we approved the launch of the 'Lamprell reimagined' strategy, which will have long-term consequences as it has aligned the Group to the energy transition. It has opened Lamprell to significant future opportunities across our three business units of Renewables, Oil & Gas and Digital. The Group is now in the process of implementing the strategy.
- We are focused on the interests of our employees as a key stakeholder group, and so we created the Workforce Assembly as a means to hear their views on key issues such as the measures to protect them against COVID-19 and the remuneration levels in the employment marketplace, which are starting to pick up.
- Lamprell is a key player in the supply chain for the energy industry, and we aim to foster long-standing relationships with our customers, suppliers and all business partners. We receive frequent updates from management on the status of ongoing projects and bids for new awards, as well as developments in our supply chain.
- With the move towards renewable energy sources, we have seen our bid pipeline for offshore windfarm projects grow to USD4.6 billion and calculate our performance against defined environmental measures while reporting against them.
- We set the tone from the top, whereby all Lamprell personnel, including Directors, are expected to conduct our business responsibly and honestly, make carefully considered decisions, and be accountable for them.
- Finally, we listen to the views of our shareholders and strive to communicate effectively on the future plans for the business, which resulted in the successful completion of the oversubscribed equity raise in Q4 2021.

How we function as a Board

Our Board is composed of highly skilled individuals who bring a range of skills and corporate experience to the table ==> 54. Our role is to lead and direct the Group, promote its long-term sustainable success, generate value for shareholders, and contribute to wider society. We have a structured calendar for the year, ensuring that we have enough time to consider all relevant matters, either at the Board level or by the principal Committees ==> 60. At each Board meeting, we set aside sufficient time for Committee chairs to report on their discussions, put forward recommendations that require approval, and take action. Similarly, we will make decisions arising from proposals from management based on comprehensive reports that take account of the relevant risks and stakeholders' views.

We encountered similar problems in 2021 as we had done in 2020 due to COVID-19, such that there were no Board meetings in person last year, but we meet regularly through virtual Microsoft Teams meetings, either as a Board or as the Special Subcommittee (where necessary to meet the quorum requirements in the Company's Articles of Association which limits the number of Directors who could be present when located in the United Kingdom). With James Dewar stepping down in late 2021, the membership of the Special Subcommittee has been updated to comprise John Malcolm, Debra Valentine, Christopher McDonald and Tony Wright.

As a group, the Directors speak frequently between meetings and John Malcolm and Christopher McDonald speak at least weekly to ensure a strong relationship and good understanding of progress on key matters between the Chair and the CEO.

We structure the Board agenda between standing agenda items, governance requirements and areas of operational and strategic focus. Here are some of the key focus areas and activities during the year.

Aligning the business with the energy transition

Our governance role:
The Board reviews the implementation of the Group's strategy and the actions required to ensure the business becomes profitable and sustainable for the future.

- What we did in 2021**
- Launched 'Lamprell reimagined', reviewed progress and refined it during two strategy sessions later in the year
 - Established the AiFlux joint venture, led by our former COO, to deliver digital offerings
 - Received regular updates from the CEO on the bid pipeline and industry-wide conditions to test and seek assurance that we were focused on the right opportunities
 - Refreshed the Board composition to welcome new Directors with expertise in Saudi Arabia and renewables projects
 - Approved the first stage of an investment for a new renewables production line at our main UAE facility, aimed at increasing revenue generation and improving margin performance

Improving our financial position

Our governance role:
We are accountable for ensuring that the Group's financial statements are fair, balanced and understandable.

- What we did in 2021**
- Oversaw management's efforts to manage cashflows and to complete the 2021 capital raise through a mix of debt and equity
 - Considered the impact of COVID-19 and market conditions on the financial performance and prospects of the Group at each meeting
 - Worked closely with Deloitte around significant judgments, impairment reviews and the going concern assessment, to test the ongoing liquidity position of the business
 - Continued to apply the 25% deduction on fees and salaries for Directors and management to assist with liquidity and align with market dynamics
 - Received presentations from our corporate brokers regarding market views on available refinancing options

Driving the ESG agenda

Our governance role:
We listen to the views of all stakeholders, factor them into the decisions that we take and oversee the implementation of any resulting actions.

- What we did in 2021**
- Monitored safety performance to deliver TRIR of 0.10, a historic low
 - Received reports from Mel Fitzgerald as the Non-Executive Director participating in regular workforce engagement activities
 - Discussed feedback from meetings between major shareholders and the Chair, CEO and CFO, particularly in the lead-up to the equity raise in H2 2021
 - ESG strategy enhanced to ensure full disclosure and reporting against the TCFD recommendations in FY2022 and to create action plan around proposed net zero carbon target
 - Assessed the enterprise risks facing the Group through the lens of the ongoing impact of COVID-19

Stakeholder engagement

Key shareholder activities

Q1

- Trading update meetings

Q2

- 2020 full year results roadshow

Q3

- Trading update meetings
- Canaccord annual growth conference
- Remuneration consultation with shareholders
- Annual General Meeting

Q4

- 2021 half year results roadshow
- Engagement with investors ahead of the capital raise
- Extraordinary General Meeting
- Fearnleys renewables conference
- Jefferies offshore wind contractor summit

Having learned from 2020, we were able to engage more effectively with our various stakeholders despite the ongoing impact of COVID-19. We recognise that a strong communication plan and working to understand stakeholder drivers is a cornerstone for a robust decision-making process and the long-term success of Lamprell.

Our culture plays a central role in both our strategy implementation and how we engage with our stakeholders. We source information by way of various cultural indicators, which provides us with feedback on the effectiveness of our communications. Above all, we expect our employees to act with integrity, be curious about issues they face, and aim for the highest performance that they can deliver. We seek to understand the state of our culture through annual performance evaluations, and we address poor behaviours by making employees accountable for their actions.

Our employees

We use a number of initiatives to engage with the workforce, with regular Director participation in the Employee Welfare Committee forum. Last year, we helped to kick off the Workforce Assembly as a means for staff to voice major issues about the business and the Sustainability Committee, which is focused on taking practical actions to promote the long-term success of the Group. We ramped up the number of ‘Chats with the Chair’ whereby high-potential employees engaged directly with John Malcolm, our Board Chair, and the other Non-Executive Directors, helping to create a sustainable talent pipeline within the business. While all the activities were conducted virtually due to COVID-19, we hope these engagement activities will be more frequent and in person during 2022.

Our management team has a corporate communications department that manages the engagement channels within Lamprell to maximise the reach of any key messages across the organisation. We publish an internal newsletter called *Lamprelltimes*. We have an internal communications network called LamprellConnect, which provides all employees with information on the business and is a repository for key materials and an automated way to manage employment matters such as leave and working hours.

Our CEO held a series of virtual town hall meetings after the release of the financial results and reported to the other Directors any key feedback from employees. We consider the town halls and similar virtual gatherings to be an effective way to update employees on key developments affecting the business, especially around the business’s strategy and financing. Understandably, given the impact of the pandemic on our business and the resulting decision in mid-2020 to reduce the fees, salaries and allowances for our Board, senior management and some of our professional staff by up to 25% to conserve cash, these were the items of particular interest in the Q&A sessions. Similarly, we have listened to our employees and the wider market feedback on this issue. Market conditions are changing quickly, and as such, there is increasing competition for high-quality workers. With that in mind, we decided in early 2022 to lift the salary deduction by 1 June 2022, as a means to ensure that we retain our skilled and experience personnel. We also regularly communicate the numbers of employees with COVID-19 or in isolation as close contacts – this helps the workforce understand the severity of the issue and help combat it during our daily working lives.

Our investor community

We worked closely with our investor community in 2021, particularly around the time of the release of our 2020 financial statements and our AGM, and in the lead-up to the completion of the equity raise in Q4 2021. Our Executive Directors lead the investor relations activities with support from a dedicated investor relations team, including our brokers, Investec Bank plc, and our financial PR advisors, Tulchan. Our CFO provides regular updates on investor feedback to us and shares the equity analyst reports, which help us better understand shareholder views and build them in our decisions. These activities were particularly important as we sought to understand the likely support from shareholders for the capital raise, and we were pleased to note that it was over subscribed.

Led by Debra Valentine as Chair of the Remuneration and Development Committee, we have taken steps to engage with shareholders and understand their concerns on remuneration matters following the 28% dissenting vote against resolutions 2, 18 and 19 at the 2021 AGM. We are conscious of the fact that this is the second year in a row that we have had votes of more than 20% against certain remuneration-related resolutions. However, we also note that the investors voting against the resolutions were different in 2021 compared to 2020, and their drivers were also different. In both cases, we have taken on board the views of all dissenting shareholders and will factor this into the execution of our Remuneration Policy and practices. Further details are available in the Directors’ Remuneration Report =>> 75, in applying Principle D and satisfying Provision 4 of the Code.

As at 7 August 2022, being the latest practicable date before publication, the significant interests in the voting rights of the Company’s issued ordinary shares, based on the last request for confirmation as to the beneficial ownership of voting rights in the Company (at or above 5%), were as follows:

Name of major shareholder	Voting rights attaching to issued ordinary shares	% of total voting rights
Lamprell Holdings Limited	119,432,291	28.93%
Blofeld Investment Management	105,268,485	25.50%
AlGihaz	81,239,482	19.68%

Lamprell Holdings Limited and its ultimate owner, Steven Lamprell, are considered as ‘controlling shareholders’ for the purposes of the UK Listing Rules and so were required to enter into an agreement with the Company to ensure compliance with the independence provisions set out in the Listing Rules (Controlling Shareholder Agreement). This agreement regulates the ongoing relationship between the Company and these controlling shareholders and represents a key component of the Company’s corporate governance structure. The Company has complied with the independence and all other provisions in the Controlling Shareholder Agreement. So far as the Company is aware, the controlling shareholders have also complied with the agreement’s independence and all other provisions.

Our lenders

We have experienced severe liquidity issues for the last 12-18 months for a variety of reasons, and so we have focused on ways to improve our financial position and strengthen the balance sheet. Therefore, we were pleased to sign a USD 45 million revolving trade loan facility with two of our key lenders, First Abu Dhabi Bank and Emirates Development Bank. The facility has helped with the working capital requirements of the two IMI newbuild jackup rigs currently under construction at the Group’s Hamriyah yard.

Cultural indicators

People

- training data
- staff turnover/attrition
- employee engagement activities
- exit interviews

Health and safety

- total recordable incident rate
- safety walks and results
- COVID-19 infection and quarantine data
- health, safety and well-being initiatives

Ethics and integrity

- business Code of Conduct
- internal audit reports
- annual certifications of compliance
- speaking up statistics

Clients and suppliers

- due diligence exercises
- customer feedback reports
- client/supplier audits
- quality performance

Sustainability

- greenhouse gas emissions
- waste reduction
- water efficiency measures
- local sustainability initiatives

Our Board

Segregation of duties

We have a clear division of responsibilities between the leadership of our Board, which is overseen by the Chair, and the leadership of our business, which is managed by the CEO.

Board Chair

Key responsibilities

- provides effective leadership for the Board, sets each meeting agenda focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability
- shapes the culture in the boardroom to promote open debate, effective contribution and challenge
- responsible for ensuring effectiveness in the Executive/Non-Executive relationship, including meetings solely with the NEDs
- ensures effective communication with key stakeholders, for Directors to understand their views on governance and performance against strategy
- responsible for ensuring effective Board governance and maintaining high ethical standards
- fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom

Chief Executive Officer

Key responsibilities

- leads day-to-day management of the Group, including the execution of its strategic objectives, its business plans and setting attainable goals and priorities
- acts as primary conduit for communications with the shareholders and other key stakeholder groups, including investors, clients and government agencies
- chairs the Executive Committee and leads the management team in running the Group’s business and managing its enterprise and business risks
- leads the processes for communicating with, and listening to, the workforce
- develops proposals and recommendations for consideration by the Board on all key matters on a timely basis
- responsible for cultivating relationships with major JV partners
- develops Group policies for approval by the Board and ensures implementation

Chief Financial Officer

Key responsibilities

- responsible for the financial stewardship and control activities of the Group
- ensures effective financial reporting, processes and controls are in place
- recommends the annual budget and long-term financial plan to the Board
- oversees investor relations activities for the Company
- develops and implements the Group’s finance strategy and funding
- maintains relationships with lenders and corporate brokers
- responsible for the delivery of IT strategies and plans

Non-Executive Directors

Key responsibilities

- ensure an effective counterbalance to executive management on the Board
- support executive management while providing constructive challenge and rigour to all recommendations presented to the Board, based on their experience and expertise
- review the integrity of financial information, controls and risk management processes
- review the succession plans for the Board and key members of senior management
- contribute to the development of and monitor the progress of the strategy implementation
- bring sound judgement and objectivity to the Board’s decision-making process
- set the Remuneration Policy and packages for senior executives and the Chair

Senior Independent Director

Key responsibilities

- supports the Chair in the delivery of objectives and acts as a sounding board
- acts as an alternative contact for shareholders, providing a means of raising concerns other than with the Chair or senior management
- appraises the Chair’s performance annually
- acts as an intermediary for the other Directors

Company Secretary

Key responsibilities

- acts as Secretary to the Board and its Committees
- operates as a channel for Board-level communications and a link between the Board and management
- advises the Board on legal and corporate governance matters and supports the Board in applying the Code and complying with UK listing obligations
- ensures that all materials are delivered in a timely and confidential manner to assist with effective decision-making
- facilitates the Board evaluation, induction and development processes

Board meetings and attendance in 2021

At the date of publication, the Board has seven Directors comprising the Chair, four independent Non-Executive Directors and two Executive Directors; their biographies are available on =>> 54. Similar to 2020, the Board was unable to meet in person due to COVID-19, and all meetings were held by video conference. The Special Subcommittee, with a limited number of Directors required to formally approve matters, was again used in certain instances. When certain Directors were ineligible to participate in meetings due to their UK location, they were invited to observe in order to keep updated on key developments and deliberations. On every occasion, full papers were distributed in advance for review. Management team members will often attend parts of a Board meeting to deliver presentations on certain operational or business matters. Each Director gains an in-depth understanding of business-critical matters as well as the direct views of the presenting managers which supplement the views of the Executive Directors.

No. in brackets shows meetings in which the Director was eligible to participate

Name of Director	Board meetings attended	Special Subcommittee meetings attended	Acting in capacity as observer	Strategy sessions attended
John Malcolm	8 (8)	N/A	N/A	2 (2)
Christopher McDonald	8 (8)	2 (2)	N/A	2 (2)
Tony Wright	8 (8)	2 (2)	N/A	2 (2)
Motassim Al Maashouq*	3 (3)	N/A	N/A	1 (1)
Jean Marc Lechene**	N/A	N/A	N/A	N/A
Debra Valentine	8 (8)	2 (2)	N/A	2 (2)
Mel Fitzgerald	7 (7)	N/A	1	2 (2)
James Dewar***	6 (7)	1 (2)	1	1 (2)

* Motassim Al Maashouq joined the Board on 14 September 2021.
** Jean Marc Lechene joined the Board on 9 December 2021.
*** James Dewar stepped down from the Board on 9 December 2021.

Role of the Committees

The Company currently has four principal Board Committees – the Audit and Risk Committee, the Nomination and Governance Committee, the Remuneration and Development Committee and a Special Subcommittee to approve matters where there may be quorum concerns. In addition, Debra Valentine, as Senior Independent Director, was appointed to act as the Chair for a particular Board or Committee meeting in lieu of the presiding Chairperson, as a matter of due process. Each Committee oversees certain matters delegated to it by the Board in accordance with its terms of reference (which are available on the Company’s website) and each Committee Chair provides regular reports to the full Board in respect of the same. Similar to the Board meetings, members of the leadership team may present to a Committee on key agenda items within its purview, and this will be included in the Committee report to the Board, as a matter of good and transparent governance.

There is also a Disclosure Committee, comprising the CEO, CFO and Company Secretary, although, as per the schedule of matters reserved to the Board, key announcements will be considered and approved by the Directors, unless something is required to be released urgently in accordance with the Company’s regulatory disclosure requirements.

Roles and managing conflicts

Each role is clearly defined and is quite distinct, which ensures a continuing robust governance framework and a decision-making process that no single individual can dominate. There is an appropriate combination of Executive and Non-Executive Directors, such that no individual or small group of individuals dominates the decision-making process ==>> 62.

Throughout 2021 at least half of the Board (excluding the Chair) comprised independent NEDs as determined by the Board, by reference to Provision 10 of the Code. On the appointment of Motassim Al Maashouq, the Board considered his previous employment by Saudi Aramco but determined that this did not and would not materially interfere with the exercise of his independent judgement in respect of Company business. At the beginning of every

year, all independent NEDs (currently Debra Valentine, Motassim Al Maashouq, Jean Marc Lechene and Mel Fitzgerald) confirm their independence to the Company. The Board considers that each of them has been and continues to be independent.

Integrity is a core value for the Lamprell Group, and led by the Chair, each Director is expected to avoid any actual or potential conflict of interest. If such conflict was to arise, the Board would assess the possible impact and take appropriate and timely action per the following due process:

- any new Director is required to provide information on any conflicts of interest by means of a questionnaire prior to appointment
- Directors must comply with key integrity policies, notably the Business Code of Conduct, the Anti-Bribery and Corruption Policy, the Anti-Money Laundering Policy and the Speaking Up Policy
- conflicts are declared and addressed during Board meetings and noted in the minutes
- for potential conflicts arising between meetings, these are submitted to the Chair for consideration and determination, with advice from the Company Secretary

Last year, no conflicts of interest were noted from the Directors save that each Director was excluded from any decisions around his or her remuneration, and conflict management procedures were adhered to and operated effectively.

Overall effectiveness of the Board

Each year the Board reviews its effectiveness as required under the Code, both formally as part of the annual performance evaluation process ==>> 64 and also informally during each Board meeting as appropriate. A key finding from the formal evaluation review was that the Board should review its performance more regularly but nevertheless it concluded that it remains effective in its processes and performance.

Building our Board

Appointments to the Board

We had a busy 2021 with excellent progress in our Board succession plans, which had been flagged as a priority for several years. We welcomed Motassim Al Maashouq and Jean Marc Lechene as independent Non-Executive Directors in September and December 2021 respectively. Their extensive experience and expertise in the Middle East energy markets and offshore windfarms will complement our capabilities as we drive the strategy forward both in the near and long term. Both were appointed following a formal, rigorous and transparent process involving Spencer Stuart, leading external search consultants, and overseen by the Nomination and Governance Committee. We also use Eton Bridge Partners as specialist recruitment consultants, and neither Spencer Stuart nor Eton Bridge Partners has any other relationship with Lamprell or any individual Director. We anticipate further changes to the Board composition, as discussed below.

Gap analysis/scoping candidate requirements

The Committee does a gap analysis for the Board to identify the required capabilities and experience of potential new NEDs, taking into account the current composition and future business needs, to drive the Company's future success. Diversity is a critical factor in any decision.



Search process

Led by the Committee Chair with support from Spencer Stuart or Eton Bridge Partners and the Human Resources Director, the Committee considers the longlist of candidates and agrees a shortlist of candidates to interview.



Interviews

Out of the shortlisted candidates, ordinarily, all Directors will interview the candidate that is selected by the Committee as most likely to be appointed and will circulate feedback to the Committee.



Due diligence

Assuming that the candidate interviews well, the Company will complete various due diligence and regulatory formalities on the candidate and answer any requests for information that he/she might have.



New Director appointed

The Committee discusses the relative merits of each candidate based on the pre-agreed criteria and makes a recommendation to the Board, for approval of the appointment.

The challenge of onboarding during a pandemic

Recruiting and inducting personnel during the last year has proved to be an unusual experience. We want to make sure that all newly-appointed Directors are inducted quickly and efficiently into the Lamprell business based on a tailored induction programme. The pandemic has led us to reconsider how these processes can be conducted effectively. At a high level, this comprises of three parts: the provision of all relevant key documentation, including copies of the most recent strategy slides and various regulatory materials; one-to-one meetings with each of the members of the Executive Committee to understand their views on Lamprell and potential risks and opportunities facing the Group; and visits to the Group's main facilities in the UAE. Customarily there would have been face-to-face meetings. Instead, the induction plan was conducted via Microsoft Teams; both Motassim Al Maashouq and Jean Marc Lechene have undergone this process, but all meetings with the members of the Executive Committee have been virtual and to date Jean Marc has been unable to visit the UAE facilities. This has been unavoidable due to the pandemic but the visit remains a key component of any induction programme. It enables the Director to gain insights into the Group's operations and meet other personnel working at the facilities. We are aiming for Mr Lechene's to visit the facility and meet our workforce as early as possible in 2022.

Annual evaluation process

For 2021, we decided to continue using the internally driven evaluation process that we had used in recent years, due to cost drivers and the impact of COVID-19. As required by Provision 21, we considered whether or not to use an external firm to facilitate our annual Board performance evaluation process, but we were comfortable that the current process is effective, delivers useful insights and helps us to improve based on a review of our activities, performance and processes.

Under the direction of the Chair of the Nomination and Governance Committee, we asked the Company Secretary to collect feedback from each Director and certain key managers via an online questionnaire and then summarise the results in an aggregated and confidential report. He presented them to the Committee, which considered the results and made recommendations around steps for improvement to the Board, including the Board priorities for 2022. In addition, we had individual sessions with the Chair to discuss each Director's performance and any issues, and Debra Valentine, as the Senior Independent Director, conducted a similar review with the Chair on his performance. This was an opportunity for each Director to engage with the process and to discuss with the Chair whether any action was required to address development needs. It should be noted that Jean Marc Lechene was not asked to participate in the evaluation process as he joined the Board so late in the year.

We discussed the evaluation results in the Board meeting in January 2022, and there was a constructive and collaborative discussion around both the positives and the areas for improvement. There was very positive feedback about the changes to the Board composition where we had seen good progress and which was now well-aligned with our strategy. We also reviewed progress against our 2021 priorities and noted our significant achievements in areas such as measures to protect the health of our workforce against COVID-19 and refreshing the Board composition. Where we felt that there were areas which needed our attention, we built them into our 2022 priorities =>> 66. This includes rebuilding the Group's resources to enable the 'Lamprell reimagined' strategy and actioning our ESG priorities within the business, including adopting a net zero carbon target.

Diversity and Inclusion Policy

The Nomination and Governance Committee maintains its continuing emphasis on the richness of Lamprell's diversity and inclusivity, both of which are underpinned by our core values. It continues to focus on ways to improve the Company's gender diversity and has adopted a detailed Diversity and Inclusion Policy. This policy underpins our philosophy in the hiring of new talent, which is strictly based on merit and with the accompanying range of relevant skills and experience, regardless of background, age or gender.

Lamprell is committed to building and evolving the organisation's diversity as a long-term objective and thereby ensuring we have a dynamic and creative environment that contributes to our progress and sustainability. Diversity was a key component of the Board's strategy review, both in terms of the wider workforce and its own succession planning and broader Board composition.

Looking ahead as the Group grows and as new positions become available, our Diversity and Inclusion Policy statement commits the Group to:

- a culture that hires candidates on merit based on the most appropriate range of skills and experience for a role, and offers equal opportunities for all employees, regardless of gender, ethnic origin, background or physical abilities
- secure senior leadership commitment to the diversity agenda and to raising awareness about the benefits and richness of a diverse workforce
- continue to require our external recruitment consultants to discuss their diversity policies with the Group before taking on any specific Board or executive management search

- ensure that external consultants submit candidate shortlists reflecting an appropriate ethnic and gender balance, relative to the target recruitment market, for consideration by the Nomination and Governance Committee
- nurture a pipeline of high-potentials covering a broad representation across the diversity spectrum
- maintain at least one female Director on the Board and aim to increase gender diversity at the Board and management levels as opportunities become available
- an annual review by the Nomination and Governance Committee of its progress in complying with the best practice recommendations for gender diversity

In keeping with our values, we believe diversity brings multiple benefits for all the stakeholder groups we work with. We want our workforce to be connected and reflective of the many different areas in which we work. Keeping an open and receptive mind and bringing forward different ideas into a forward-thinking culture is what helps us innovate, mitigate our risks and support sustainable growth.

The annual evaluation helped each of the Directors to understand the Company's composition and diversity better, and in line with Principle L, demonstrated how members should work together to achieve the Company's strategic objectives and the Board's priorities effectively. Diversity and inclusion are integral to our culture at Lamprell. We promote meritocracy, openness, fairness and transparency. This supports the very fabric of our business.

Board priority	Observation	Actions to deliver on priority
Oversee the implementation of the 'Lamprell reimagined' strategy to ensure the business, its three business units and its objectives succeed, consistent with the macro energy transition	The 'Lamprell reimagined' strategy has been well received by stakeholders but the implementation process will take considerable time and effort to realise.	1. Appoint an external firm which is experienced in restructuring businesses to implement the three business units 2. Re-structure the business to address the severe liquidity constraints
Develop and action ESG priorities within the business, including adopting a net zero carbon target, ensuring the safety of the workforce during COVID-19, working to improve the Group's governance processes and providing direct support for implementation through the Sustainability Committee	Given the broader energy transition away from fossil fuels and the increasing reporting requirements, the Group has a responsibility to ensure that its ESG priorities are fit for purpose and will help to deliver improved value for all stakeholders in the business.	1. Build a detailed, long-term action plan to implement the net zero carbon target 2. Empower the Sustainability Committee to drive ESG priorities across the organisation
Develop closer relationships with key stakeholders (particularly investors, financial institutions, customers and business partners) in line with 'Lamprell reimagined' and the energy transition, and feed their views into the Board's decision-making	In order to successfully restrengthen the Company's balance sheet and to lead the business back to profitability, the Board needs to understand key drivers for all stakeholders and factor them into key decisions	1. Engage with stakeholders to allow access to additional funding for the business's immediate working capital needs and future capex plans 2. Collaborate with supply chain to bid competitively on new renewables tenders

Nomination and Governance Committee report

Committee membership and attendance

Member	Meetings attended (out of total)	Observer
Mel Fitzgerald Committee Chair and Non-Executive Director	4 (4)	0
John Malcolm Non-Executive Chair	1 (1)	3
Debra Valentine Senior Independent Director	4 (4)	0
Motassim Al Maashouq* Non-Executive Director	N/A	
Jean Marc Lechene* Non-Executive Director	N/A	

* Motassim Al Maashouq and Jean Marc Lechene were appointed to the Committee in January 2022.

Key responsibilities of the Committee

- Making recommendations to the Board regarding its succession planning, composition, skillsets and independence
- Driving improved diversity and inclusion policies throughout the Group
- Evaluating the impact of changes to the governance/regulatory environment
- Overseeing the annual Board performance evaluation process
- Overseeing the Group’s environmental and sustainability matters

2021 Committee activities

- Led the process for the appointment of the two new independent Non-Executive Directors and ensured that their expertise are aligned with the Company’s strategic plans
- Approved the terms of reference for the Sustainability Committee and ensured Director participation in its meetings
- Received presentations from the management team on environmental and sustainability matters in anticipation of the TCFD reporting requirements for FY2021
- Kicked off the process for replacing the Chair in consultation with Spencer Stuart

Priorities for 2022 (subject to the 21 July offer)

- Empower the Sustainability Committee to develop a detailed action plan to deliver on the net zero carbon target and monitor implementation of the same
- Ensure that the Company continues to report fully and properly against the TCFD recommendations
- Continue with changes to the Board composition, including the appointment of a new NED based on a recommendation from a major shareholder and a new Chair for the Audit and Risk Committee
- Ensure that the process for appointing a new Chair is completed in 2022



The Nomination and Governance Committee had a busy year as we were tasked to oversee progress in two key governance areas for the business. These included the changes to the Board composition, to align with ‘Lamprell reimagined’ and the broader energy transition, and our action plans in the field of sustainability. Climate change presents both a risk to our business and an opportunity given our track record in the renewables sector and the significant number of new tenders being run for new offshore windfarm projects. We also had to action these key initiatives while still having to contend with the ongoing impact of COVID-19 on our governance structure, so I am pleased to be able to report on the significant progress that has been made.

Aligning the Board with the energy transition

My colleagues on the Board are experienced business leaders who bring a wealth of knowledge from different sectors and countries. However, last year, we acknowledged that the Board composition needed to be broader in diversity and reflect the updated strategy. So we looked to build on the earlier gap analysis to appoint new Directors from a pool with greater diversity and having experience in renewables or digital projects. This would support our plans on the strategic, operational and sustainability issues which affect the Company today or may do so in the future.

After extensive reviews of potential candidates with our search consultants, we were pleased to see the arrival of Motassim Al Maashouq as an independent Non-Executive Director in September 2021. His extensive experience and expertise in the global energy industry and in Saudi Arabia will complement the current Board’s capabilities in driving the Company’s strategy forward both in the near and long term. In December 2021, the Company announced the appointment of Jean Marc Lechene as an independent Non-Executive Director. Jean Marc has 40 years’ international experience, from strategy to operations to change management, with deep expertise in the renewables industry, which the Directors believe will be valuable to the Group.

We have seen substantial progress in the make-up of the Board with the appointment of these two independent Non-Executive Directors. The Committee also recommended to the Board that they be appointed to all three principal Board Committees, which the Board approved in early 2022. We felt that this would give Motassim and Jean Marc maximum exposure to the various aspects of the business and the challenges that it is currently facing. It is important that they should get up to speed on the inner workings of the business quickly, as we implement our ‘renewables first’ approach to the ‘Lamprell reimagined’ strategy in 2022.

However, we cannot rest on our laurels, and there remains significant work to be done in refreshing the composition of the Board. With James Dewar stepping down in late 2021, the Board had intended to make other appointments and was already well-advanced in the process to look for a replacement Chair for the Audit and Risk Committee, as that Committee is lacking someone with recent and relevant financial experience. However, with the Board accepting the recent offer to acquire the issued and to be issued share capital of the Company, this process has been put on hold pending outcome of the offer process. In the meantime, Debra Valentine has agreed to step into the role on an interim basis, for the same reason.

Finally, the Chair’s tenure as a Board member reached nine years in May 2022 and in accordance with Provision 9 of the Code, John Malcolm would ordinarily be expecting to step down shortly while we sought a replacement Chair. However, much as with the process to replace the Chair for the Audit and Risk Committee, the search for a replacement Chair has also been delayed pending the outcome of the offer to acquire the Company by its two major shareholders =>> 44. We are content that John remains independent and he has agreed that in light of the offer process, he should remain in the role while that process is ongoing, to assist with a smooth and efficient handover, assuming that the acquisition is completed.

Responding to climate change

We had several presentations from our HSES management team as they updated the Committee on the agreed action plan for implementing the TCFD recommendations within the Group’s operations =>> 33 and the activities of the newly-established Sustainability Committee. As the Board’s representative on this new committee, I was able to see first-hand what it aims to achieve and to report to the Board on progress. The Committee has approved multiple sustainability initiatives in four sectors – Careers, Health, Environment and Social – and at each quarterly meeting, progress is measured by reference to performance goals and metrics. By way of example, on the social side, we have reactivated our relationship with Don Bosco Mondo, a foundation in India that supports disadvantaged youths worldwide. Lamprell has committed to employing at least five people from the foundation, and we expect to welcome individuals into the welder training academy during 2022.

Most recently, the Committee received a recommendation from the Sustainability Committee for Lamprell to adopt a ‘net zero carbon by 2050’ target. The Committee noted that this was in consistent with the energy transition and the broader direction of travel in the market but discussed how this would work in the near and longer term. Following this review, we endorsed the proposal for approval by the Board which was received in January 2022. There have been important sustainability developments for Lamprell in 2021. They demonstrate our commitment to respond to climate change in terms of how we operate and expand the business, how it could impact our projects, and how Lamprell is already taking action steps to reduce its environmental footprint for the better. We recognise however that this is a marathon and not a sprint, so there remains a great deal of work to be done in the coming years on this matter.

Ensuring the safety and well-being of our workforce

We have successfully managed the ongoing challenges of COVID-19 and taken measures to protect the well-being of our staff. We were hopeful in Q3 that we were starting to see the end of the pandemic but, with the arrival of the Omicron variant, we saw further spikes in cases which caused 1,200 people to be in quarantine at one point. However, the yards continued to operate throughout the period despite the impacts of these issues, albeit less efficiently. The Group made progress on all of its ongoing projects while demonstrating excellent safety performance as our TRIR for the year was 0.10, the best result in the Group’s history. The Committee received health and safety updates and was delighted with this incredible performance.

Pushing on into 2022

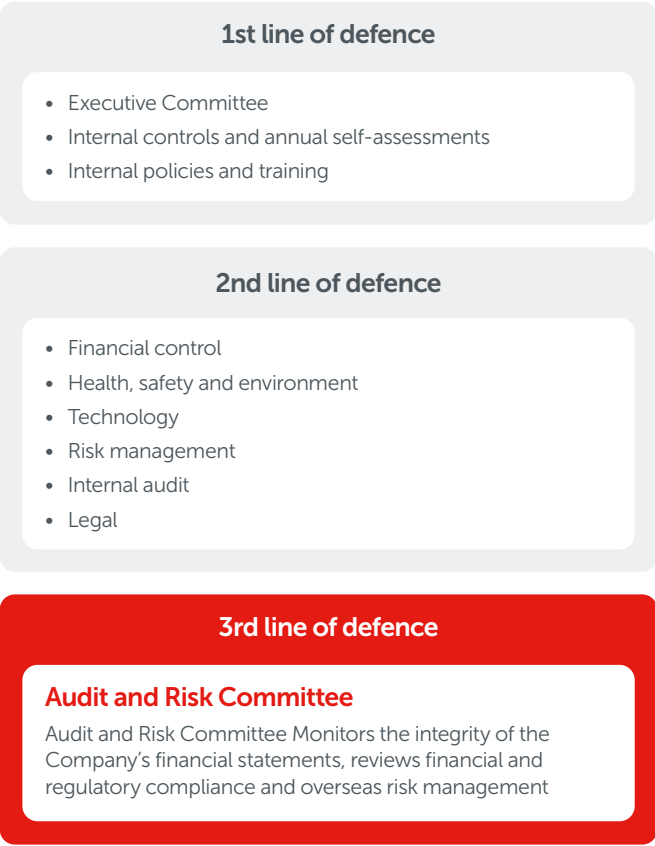
It is clear to me that as a Committee, in 2021, we made great strides in the key governance priorities delegated to us to oversee but also that this is a work in progress, in the same way that ‘Lamprell reimagined’ is a journey that will take several years to complete. We support the development of boardroom diversity while evaluating the balance of skills, experience, and independence necessary for our future succession planning and strategic goals. We will play our part to ensure that the team delivers on the Company’s ESG goals, all within a robust corporate governance framework. Strong corporate governance supports our continued strategy execution, business resilience and contribution to societies in which we operate.

Mel Fitzgerald
Chair of the Nomination and Governance Committee

Risk management, internal controls and audit work

The Audit and Risk Committee monitors the links between the Group’s activities around risk management, internal controls and internal and external audit work and ensures that these processes continue to be robust. For its part, the Board retains overall responsibility for ensuring that there are adequate procedures to manage risk, oversee the Group’s internal control framework, and determine the nature and extent of the principal risks the Company is willing to take to achieve its long-term strategic objectives.

We have seen direct consequences of failures in governance caused by the extreme pressure the supply chain is under, which has caused industry contractors and subcontractors to take on projects at very low margins and then fail to deliver as promised. We must ensure that Lamprell does not take on unnecessary risk or exposure, either as a contractor or customer, and the Committee acts as a line of defence against such a threat.



Management is responsible for establishing and maintaining adequate internal controls, and the Committee has responsibility for ensuring the effectiveness of these. Both are ably supported by Deloitte LLP, our external auditor, which tests a number of the Company’s key controls, and an internal audit function that assesses the effectiveness of the control framework and compliance by the Company’s workforce. The Group’s risk assessment process and how significant business risks are managed are areas of focus for the Committee. The Committee’s activity here was led primarily by the Group’s assessment of its principal and emerging risks and uncertainties ==>> 48.

Policies/procedures for overseeing the internal control framework

The Group has an internal control environment designed to protect the business from material risks which have been identified, based on the key features set out below.

Internal control framework key features

- Our strategy is defined by the Board and implemented by management
- A corporate culture and values which set high standards and are underpinned by Lamprell’s Business Code of Conduct
- Financial planning
- Policies and procedures which regulate the limitations of authority
- Oversight and approval of projects and/or contract awards
- Implementation and use of an integrated enterprise resource planning system, linking business functions and operations

The Audit and Risk Committee completed its review of the Group’s internal controls system’s effectiveness, including risk management, during the year and up to the date of this Annual Report. The review covered all material controls, including financial, operating and compliance. After refocusing the role of internal audit, the Committee confirmed that the system of internal control operated effectively for FY2021.

Key policies and procedures

Key policies and procedures aim to embed regulatory requirements into the daily lives of the Group’s workforce, including the Anti-Bribery and Corruption Policy, the Share Dealing Code, the Insider Dealing and Market Abuse Policy, the Disclosure Policy, the Modern Slavery and Human Trafficking Policy Statement, Anti-Money Laundering Policy and the Speaking Up Policy. Further details for each are available on the Company’s website.

We have a zero-tolerance approach concerning bribery and corruption, and we educate our employees and business partners on this to ensure that all our business is conducted honestly and ethically. If any concerns should arise, a multilingual, secure speaking up hotline allows staff members to report ethical breaches. The Audit and Risk Committee receives regular reports on any whistleblower investigations and shares these with our Board.

Policies/procedures for managing risk

Per Principles C and O of the Code, the Board has primary responsibility for the effectiveness of the Group’s internal controls and risk management systems. Each of the Directors acknowledges and accepts that the Board as a whole takes responsibility for risk management in line with the Code, and has reported on the nature and extent of the principal risks and uncertainties.

Still, our Board has delegated administration and monitoring risks to the Audit and Risk Committee. Enterprise risks pose the greatest threat to the Group and management updates the Committee on these risks biannually and during the process leading to the publication of the Annual Report. The day-to-day responsibility for developing and implementing the internal control and risk management procedures resides with the executive management team, which then reports on risk to the Committee.

The Group’s key governing document is the Department Risk Management Procedure which sets out the process for identifying, managing and then monitoring each risk or set of risks, on a department-by-department basis (facilitated by our commercial risk management function).

At various points in the year, risk owners – typically a member of the Executive Committee – presented a deep dive on individual enterprise risks, which the Committee had selected as representing a particularly topical or heightened risk to the business. In last year’s Annual Report, we highlighted various deep dives which were conducted around the turn of the year, with a particular focus on strategic aspects of the business, such as the execution of projects under the LTA programme within Saudi Arabia. Further deep dives were conducted later in 2021 around counterparty risk, both up and down the supply chain, the concern being – as highlighted above – that contractors and subcontractors have been forced to take on projects for which they may be under-resourced or incapable of executing technically, or at very low margins simply to continue operating. Lamprell represents an important cog in the supply chain machine, and we are equally at risk if other parts of the engine fail.

This two-way disclosure and monitoring system for enterprise risks provides the Directors with reasonable (but not absolute) assurance against material misstatements and losses. The results of this system can be seen in the information relating to the principal risks and uncertainties faced by the Group ==>> 48.

Reporting by Internal Audit (IA)

Lamprell has an IA function that provides assurance to management and the Board on the effectiveness and integrity of the Group’s internal control framework. There is regular communication between the Committee, Deloitte and IA to ensure alignment of objectives. Throughout 2021, IA conducted audits on the following areas: counterparty credit reviews of vendors; pricing and execution of projects under the LTA programme; implementation of non-destructive testing assurance procedure; review of critical vendor selection process and due diligence; yard labour recruitment processes. IA reports twice-yearly to the Committee on the results of the audits, which provides additional reassurance that the internal control framework continues to be effective.

IA also reports to the Committee regarding closeout of prior audit observations and asks for approval for the IA plan for 2022 based on an assessment of highlighted risk trends within the business and by reference to best practice. As with the Company’s external auditor, the Committee reviews the performance of the IA function regularly and remains satisfied with it. Similarly, at least twice per year, it meets with the IA Director, without executives present, to discuss any sensitive matters or concerns.

Insurance programme

Insurance is a risk mitigation measure, covering the Group against certain types of insurable risks normally associated with a contracting services provider to the energy industries, operating in challenging territories. The efficacy of the consolidated insurance policy is regularly stress-tested against market conditions and business requirements. The insurance market remains challenging, especially for professional indemnity and Directors’ and Officers’ liability insurances. The terms are tougher, and premiums have increased even further as insurers understand insured risks better. We worked closely with our insurance brokers to achieve the best results for renewed cover under our consolidated insurance programme.

Each year, the Board also reviews and approves the renewal of the Directors’ and Officers’ liability insurance cover to ensure that it is appropriate in light of the business’ circumstances, size, and risks. This is subject to the usual exclusions such as fraud or dishonesty by a Director.

External auditor

The Committee assisted the Board in discharging its responsibilities concerning monitoring the integrity of external and internal audits and controls, including advising on the reappointment and independence of external auditors and assessing the quality of their services. Twice in the year, the Committee assessed the external auditor’s performance, effectiveness, and independence. The Committee discussed its views directly with Deloitte based on the review and audit work they undertook regarding the interim and full-year financial statements, respectively. The Committee were satisfied with Deloitte’s effectiveness and, in making this assessment, it had due regard to their knowledge of the Group and their resourcing capabilities, length of service and independence. During each Committee meeting, the members set aside time to meet with Deloitte, without executives present, to discuss any sensitive matters or concerns.

Based on the Company’s Policy on Auditor Independence (available on our website), the Committee tested the independence and objectivity of our external auditor. Based on the policy, Deloitte may only provide non-audit services with the Committee’s approval under certain conditions and subject to financial limits to ensure that this does not compromise the integrity of their audit work. The policy is being updated to reflect the FRC’s guidance in the Revised Ethical Standard 2019 which establishes a “whitelist” of permitted non-audit services. The Committee noted that in 2021 Deloitte provided various non-audit services to the Company including reporting accountant services relating to the 2021 capital raise. The Committee and Deloitte considered these services to be appropriate due to their urgent nature and Deloitte obtained a derogation from the FRC to breach the usual 70% ratio. Accordingly it was noted that the non-audit services had a total value of USD 1,048,000 (2020: USD 289,000) compared to an annual audit fee including Group audit fees of USD 1,377,000 (2020: USD 1,037,000). Notwithstanding the level of non-audit fees, the Committee was satisfied that the objectivity and independence of the external auditor was safeguarded throughout 2021 and up to the date of signing the 2021 financial statements.

Audit and Risk Committee report

Committee membership and attendance

Member	Meetings attended (out of total)	Observer
Debra Valentine Senior Independent Director	3 (3)	0
Motassim Al Maashouq* Non-Executive Director	N/A	
Mel Fitzgerald Independent Non-Executive Director	1 (1)	2
Jean Marc Lechene* Non-Executive Director	N/A	

* Motassim Al Maashouq and Jean Marc Lechene were appointed to the Committee in January 2022.

Key responsibilities of the Committee

- Advise the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable
- Ensure the integrity of the Company’s financial performance announcements
- Make recommendations about the appointment and removal of the external auditor
- Monitor the performance, effectiveness and independence of the external and internal audit functions
- Ensure that the policies relating to the internal control framework, whistleblower complaints and the enterprise risk management system are effective

2021 Committee activities

- Oversaw efforts to forecast and manage liquidity through regular updates from management and monthly solvency reports
- Advised the Board on the financial statements for the Company and the quality of the disclosures in the Notes
- Tested the going concern statement and significant judgments in the financial model
- Advised the Board on the interim financial statements in the lead-up to the launch of the capital raise in Q4 2021
- Performed deep dives into key enterprise risks to ensure proper identification and mitigation ==>69
- Evaluated independence and effectiveness of the external and internal auditor ==>69
- Assessed the effectiveness of the Group’s enterprise risk management system and key risks to the business ==>69
- Received reports on speaking up cases

Priorities for 2022 (subject to the 21 July offer)

- Continue to monitor and test ongoing cashflow requirements and funding options of the business
- Focus in early 2022 for FY2021 reporting on TCFD including testing our assets for climate-related risks in the impairment review
- Assess the going concern and funding position, as well as the continuing impact of COVID-19 and significant judgements on the business and financial statements, taking note of the reports provided by the auditor
- Retender for external audit services for FY2022



Dear Shareholders

I am pleased to present the Committee’s report for the year ended 31 December 2021. The Directors’ responsibility statement in respect of the Annual Report can be found on ==> 89. The Committee has maintained its focus on the robustness of financial forecasts used by management in assessing going concern, viability and carrying value of assets and the associated disclosures. We tested management’s assumptions and judgements made in the preparation of the forecasts and the potential range of outcomes for each scenario, cognisant of the ongoing impact of COVID-19. We also challenged management’s annual review of the Group’s risks, especially regarding COVID-19.

We continued to play a key role within the Group’s governance framework to support the Board in matters relating to financial reporting, internal control and risk management. We have worked closely with our external auditor, Deloitte LLP, over the last 12 months to ensure that the interests of stakeholders are properly protected in relation to the Group’s financial reporting and internal control arrangements and to provide challenges to the decisions and approaches taken by management relating to the content and disclosures within the Company’s financial reports. The Code calls for the Board to ‘present a fair, balanced and understandable assessment of the Company’s position and prospects’ and the Board has performed that task with the support and advice of the Committee.

With the liquidity challenges faced by the Company in 2021 and into 2022, we spent considerable time evaluating the significant judgements (see table opposite) with the auditor. The Company’s going concern assessment was scrutinised heavily over a prolonged period in conjunction with our external auditor, and management has worked to address each of the assumptions in that statement. We were satisfied that the judgements made were reasonable and that appropriate disclosure had been included in the accounts although we also concluded that it was appropriate that the material uncertainty to the going concern statement should be included. This was despite the capital raise and debt facility that was successfully put in place in Q4 2021 for the reasons as detailed extensively earlier in this Annual Report ==> 42.

Provision of external audit services

Deloitte has been the Company’s auditor since 2016, and it is fair to say that there have been challenging times during that period, not least that COVID-19 has been in existence and impacting auditor and companies alike. Deloitte has advised us that the audit for the 2021 financial statements will be its final audit in this tenure as the Company’s auditor. We would like to thank Deloitte for their hard work and considerable support during their tenure as external auditors and especially during the unprecedented times of the last two years.

As disclosed in last year’s Annual Report, we had been planning to retender for an external audit contract as a matter of good governance and so, with Deloitte deciding not to continue as the Company’s auditor, we commenced the process for a formal and structured evaluation of potential audit firms at the end of 2021. The audit tender process has been ongoing but the decision around the appointment of a new auditor has been delayed due to the delay in issuing the 2021 financial statements and this Annual Report. In addition, with the recommended offer to acquire the Company in process ==> 61, it would be premature to appoint a new auditor until the outcome of that process has completed. Accordingly the Directors plan to recommend to the shareholders at the 2022 AGM that the appointment of a new auditor is based on the recommendation of the Audit and Risk Committee following completion of the audit tender.

Changes in Committee composition

In December 2021, James Dewar, the previous Committee Chair, decided to step down from the Board for personal reasons. With his departure, only Mel Fitzgerald and I remained as members of the Audit and Risk Committee. While we are experienced Non-Executive

Directors, we do not have the same level of financial expertise or experience that James Dewar had. As such, in early January 2022, the Board decided to appoint two new independent Non-Executive Directors – Motassim Al Maashouq and Jean Marc Lechene – to the Committee. This improved the levels of constructive challenge to financial and management reporting within the Group, particularly in light of Motassim’s extensive experience in financial forecasting and financial statements. In order to comply with the Corporate Governance code, the Board had commended a search process for a new Non-Executive Director with a pure finance background but, as noted in the report from the Nominations and Governance Committee, that process is on hold pending completion of the recommended offer process ==> 44.

Debra Valentine
Chair of the Audit and Risk Committee

Significant accounting judgements considered by the Committee during 2021

The Committee is responsible for considering the significant areas of complexity, management judgement and estimation concerning the financial statements. The table below describes how it has gained assurance that these have been appropriately addressed.

Areas of significant accounting judgement and estimation	How each was addressed by the Committee
Going concern basis of accounting (see also Note 2.1)	The Committee reviewed the appropriateness of the going concern basis of accounting, including the Company’s forecast cash flows and key assumptions disclosed in Note 2.1. The review confirmed the acute solvency challenges the business faces in the coming months and the need to recapitalise the business – see Chair’s statement ==> 2. The Committee noted that management was actively managing cash flows and some assumptions (notably the need for new funding) were outside the Company’s control. The Committee concluded that these represent a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. In arriving at this conclusion, the Committee also took into consideration the recent offer to acquire the Company as summarised in the viability statement ==> 45.
Revenue recognition and estimated cost to complete on major projects including onerous contracts (see also Note 4.1 and 4.2)	The Committee reviewed the reasonableness of judgements made regarding the cost to complete estimates, recognition of variation orders and contractual claims, and the adequacy of contingency provisions to mitigate specific project risks, particularly for onerous contract terms. It was satisfied that the judgements were reasonable, and in line with IFRS requirements and accounting policy.
Review of provisions (see also Note 4.1)	At each meeting, the Committee considered the appropriateness, adequacy and consistency of the approach by management in relation to material subjective provisions taken in respect of doubtful debts, contract accruals, project risks and warranty issues, and challenged as appropriate.
Impairment of PP&E and intangibles (see also Note 39)	Twice-yearly, the Committee evaluated the results of the impairment review of PP&E and intangibles, and the appropriateness of the assumptions given the challenging financial position of the Company. This included a review of the recoverable amount based on the fair value assumptions used by the independent valuer in determining the fair value less disposal costs of the Group’s assets. Consideration is also given as to how climate change could impact the recoverable amount (see Note 39). After discussion and input from management and Deloitte, it was satisfied that the assumptions and the disclosures in the year-end financial statements were appropriate.
Impairment of investments in subsidiaries	The Committee evaluated the results of the impairment review of the investments in subsidiaries included in the Company balance sheet. This included a review of the net asset value calculation of the subsidiaries used to determine the impairment. Based on this review, it was satisfied the disclosures in the financial statements were appropriate.

Remuneration and Development Committee report

Committee membership and attendance

Member	Meetings attended (out of total)	Observer
Debra Valentine Senior Independent Director	8 (8)	
Motassim Al Maashouq* Non-Executive Director	N/A	2
Mel Fitzgerald Independent Non-Executive Director	5 (5)	
Jean Marc Lechene* Non-Executive Director	N/A	

* Motassim Al Maashouq and Jean Marc Lechene were appointed to the Committee in January 2022.

Key responsibilities of the Committee

- Design the Company's Remuneration Policy
- Ensure compliance with the remuneration section of the Code
- Determine remuneration packages for the Chair and executive management, taking account of the Company's purpose, core values, market conditions and strategy
- Oversee remuneration levels across the wider workforce

2021 Committee activities

- Monitored the ongoing impact of COVID-19 on UK executive remuneration practices to ensure that the Company maintained broad alignment while recognising business performance
- Ensured that the Company maintained market-competitive, compliant and appropriate incentives that would drive achievement of strategic priorities and serve the long-term interests of our shareholders and stakeholders
- Maintained active oversight of executive performance, development and succession
- Assessed development initiatives for executive management and other key employees

Priorities for 2022 (subject to the 21 July offer)

- Develop and implement incentive plans that drive stretch performance and motivate Executive Directors and senior managers as we navigate the energy transition
- Identify and manage potential succession risks by continuing to implement effective senior leadership development programmes
- Ensure the process initiated in 2021 to link remuneration structures effectively to our 'Lamprell reimagined' strategy continues



Dear Shareholders

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2021. This year, our report has two sections: this introductory statement and our annual Directors' Remuneration Report that details how our Directors' Remuneration Policy was implemented in 2021. Our Directors' Remuneration Policy (as approved by shareholders at our 2021 AGM) is included as an appendix to the Directors' Remuneration Report for information.

Our 2021 AGM

As a first item, I would like to reassure all of our shareholders that the Remuneration and Development Committee was both disappointed and concerned that the resolutions to approve our 2021 Directors' Remuneration Policy and to renew our LTIP and Retention Shares Plan were each approved by only 71.6% of shareholder votes cast on the relevant resolutions at our 2021 AGM. These results were somewhat balanced by the positive 96.9% approval for our 2020 Directors' Remuneration Report, but nonetheless, these votes remain matters of concern.

To better understand the issues behind the 2021 AGM voting patterns and to gather broader views on pay at Lamprell, early in 2022, we initiated an "open agenda" listening exercise with our major shareholders and the leading proxy advisory firms to better understand their views on remuneration at Lamprell. This has proved a worthwhile exercise for the Committee.

We are very grateful for all of the feedback which we have received from shareholders, and we appreciate the continued willingness of many shareholders to support the broad direction being taken on senior executive pay at Lamprell.

As ever in any engagement exercise, our shareholders expressed a broad range of views. However, we were pleased that a majority of shareholders continued to appreciate the balance which we had sought between incentivisation and retention in 2021's Directors' Remuneration Policy.

Performance and reward in 2021

With regards to performance against our originally set 2021 STIP scorecard:

- our main profit metric (EBITDA) was not attained at the threshold level: this reflected several trading headwinds including COVID-19 impacts on supply chains and the impact on our workforce of UAE travel bans and extensive quarantine requirements.
- strong progress was, however, made on the future-focused metrics within our STIP scorecard:
 - our "backlog" measure which considers our forward orderbook was attained above expected stretch levels.
 - our strategic metrics based on attainment of priorities for 'Lamprell reimagined' were fully met.
- combined with good outcomes on personal metrics, the indicative scorecard outcome was accordingly 66.5% and 64.5% of maximum bonus for the CEO and CFO respectively.
- notwithstanding these formulaic outcomes, the Committee determined that in the overall circumstances the outcomes for 2021 STIP should be nil.

For the LTIP performance shares that were awarded in April 2019, with a three-year performance period ending 31 December 2021, Lamprell achieved threshold performance in the relative TSR metric measured against the FTSE World Oil & Gas group (25% weighting) but failed to achieve threshold performance in the other three metrics (relative TSR vs FTSE 250, cumulative EBITDA and backlog). Accordingly, only 5% of the total award vested and in line with this Christopher McDonald and Tony Wright will vest in 70,120 and 32,856 shares respectively on a date to be agreed upon following the publication of the Group's annual results.

Operation of our remuneration policy in 2022

With the announcement of the offer for the Company by Thunderball Investments Limited on 21 July 2022, the Committee determined that, should the offer proceed, it would be most appropriate for the measures and targets for the 2022 annual STIP and the form of 2022 long-term incentives to be determined by Thunderball Investments after conclusion of the offer process.

However, should Lamprell continue in its current ownership structure, our intention is to continue to operate our remuneration policy in 2022 in a way that is closely aligned with how our policy was applied in 2021. This will involve the continued operation of our STIP annual bonus and our LTIP at the levels approved by shareholders at our 2021 AGM. In both cases, the STIP and LTIP would be subject to appropriate performance metrics.

Any determinations to be made by the Committee in connection with the offer will be consistent with contractual obligations and our Directors' Remuneration Policy and will consider the relevant performance conditions prior to the completion of the transaction.

Concluding thoughts

The resolution which will be proposed at our 2022 AGM to approve the Directors' Remuneration Report is the normal annual advisory vote on such matters.

The Committee welcomes all input on remuneration, and if you have any comments or questions on any element of the Directors' Remuneration Report, please email us care of Alex Ridout, Group General Counsel and Company Secretary, at aridout@lamprell.com.

On behalf of the Board, I recommend the 2021 Directors' Remuneration Report to you.

Debra Valentine
Chair of the Remuneration and Development Committee

7 August 2022

Directors’ remuneration report

This report has been prepared in accordance with Part 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the UK’s Listing Rules, as well as applying the remuneration principles set out in the Code. The Directors’ Remuneration Report will be put to an advisory shareholder vote at the AGM. The information on ==>> 75 to 81, save where indicated, has been audited.

The Directors’ 2022 Remuneration Policy, as approved by the Company’s shareholders at the 2021 AGM, is included for information at Appendix 1 to this report but does not form part of the 2021 Directors’ Remuneration Report.

The Committee’s terms of reference are available for review on the Company’s website.

External advice received

During the year, the Committee received independent advice on remuneration matters from FIT Remuneration Consultants LLP. FIT did not provide other services to the Group during the year under review and there is no other connection between FIT and the Company or the Directors. The Committee also received independent advice from John Macdonald, the Company’s former Vice President (HR and Administration), who was engaged periodically to provide ongoing advice. The Committee considers Mr Macdonald’s advice to be independent and he has no other ongoing connection with the Company or Directors save as disclosed here. The Committee also consulted with the CEO, CFO and Non-Executive Chair (but not in relation to their own remuneration), as well as the Company Secretary (who acted as the secretary to the Committee), the Human Resources Director, as well as the Audit and Risk Committee in establishing incentive plan performance measures. FIT is a signatory to the Remuneration Consultants’ Code of Conduct and adheres to its voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the operating processes in place at FIT and is satisfied that the advice it receives is objective and independent. The fees paid to FIT during the year were GBP 91,417. The fees paid to John Macdonald in respect of Committee support during the year were AED 22,166. All external advisors’ fees were chargeable on the basis of time provided and, from 1 May 2020, the advisors agreed to a 25% reduction in standard fees in recognition of the COVID-19 related cost reduction measures throughout the Group.

Shareholder voting at AGM

At last year’s AGM held on 8 August 2021, the Directors’ Remuneration Report for 2020 and the Remuneration Policy received the following votes from shareholders:

	Remuneration Policy		Directors’ Remuneration Report	
	Total number of votes	% votes cast	Total number of votes	% votes cast
For	199,953,337	71.6	270,149,791	96.9
Against	79,492,499	28.4	8,509,240	3.1
Total votes cast (for and against)	279,445,836	100	278,659,031	100
Votes withheld ¹	5,298	–	792,103	–
Total votes cast (including votes withheld)	279,451,134	–	279,451,134	–

1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast ‘For’ and ‘Against’ a resolution.

As explained elsewhere ==>> 72, the Board sought to engage with representatives from major shareholders to understand their concerns resulting from the 28.4% dissenting vote against certain resolutions at the AGM. It is understood that these concerns related to the quantum of the one-off Restricted Stock award made in lieu of 2020 LTIPs which were not granted.

Implementation of the Remuneration Policy for 2022

The Committee is satisfied that the Directors’ Remuneration Policy is implemented in accordance with Provision 40 of the UK Corporate Governance Code as follows:

Clarity – Our policy is well-understood by our senior executive team and has been clearly articulated to our shareholders.

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.

Risk – Our policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via: (i) the balanced use of both annual incentives and LTIPs which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by shares in our incentive plans (together with in employment and post-cessation shareholding guidelines); and (iii) malus and clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The weighting towards the use of shares within our incentive plans means that actual pay outcomes are highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/‘at-risk’ pay, together with the structure of the Executive Directors’ service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to Lamprell’s culture through the use of metrics in both the annual bonus and LTIP that measure how we perform against key aspects of our strategy. This incentivises our leadership team to pursue initiatives which our Board believes will best deliver shareholder value in the long term and sustainable growth in both revenues and profits.

Base salary (unaudited)

In setting base salaries for 2022, the Committee continued to benchmark against external market data and internal alignment, as well as the overall market environment that has driven the continued need for overhead cost reductions. The substantive base salaries of the Executive Directors in 2022 will remain the same for the sixth successive year and also were subject to a temporary voluntary reduction of 25% from 1 April 2020 until 1 June 2022, as follows:

	Substantive base salary from 1 January 2021	Substantive base salary from 1 January 2022	Temporary voluntary base salary from 1 April 2020	Temporary % decrease until 1 June 2022
Christopher McDonald	USD 700,000	USD 700,000	USD 525,000	(25%)
Tony Wright	USD 410,000	USD 410,000	USD 307,500	(25%)

Allowances (unaudited)

Following a permanent 20% reduction in housing allowances on 1 January 2020, total allowances (excluding school fees) were subject to a further 25% temporary reduction effective 1 April 2020, which will continue to apply until 1 June 2022, subject to review.

STIP 2022 (unaudited)

For 2022, the STIP metrics will be determined by Thunderball Investments Limited should its offer for Lamprell proceed. Should Lamprell remain within the current ownership structure, the Committee will determine appropriate metrics and targets for the 2022 STIP which will be disclosed in the Directors’ Remuneration Report for 2022 in due course.

LTIP incentive awards (unaudited)

As disclosed in the Committee Chair’s letter introducing this report, no 2022 LTIP awards are being proposed at the current time due to the offer for Lamprell by Thunderball Investments Limited. Should Lamprell remain within the current ownership structure, the Committee will determine appropriate metrics and targets for 2022 LTIP awards which will be disclosed in the Directors’ Remuneration Report for 2022 in due course.

End-of-service gratuity (unaudited)

As required under UAE labour law, the Company contributes to the end-of-service gratuity fund on behalf of the Executive Directors, whereby the gratuity shall be 21 days’ base salary for each year of the first five years of employment and 30 days’ base salary for each additional year of employment thereafter, on the condition that the total gratuity does not exceed two years’ base salary. The gratuity is payable upon termination of employment. These contribution levels are the same for Directors and the entire workforce.

Directors’ contracts (unaudited)

The service contracts of both Executive Directors, Christopher McDonald and Tony Wright, are currently terminable subject to six months’ contractual notice in both cases.

Outside appointments (unaudited)

The Board allows Executive Directors to accept appropriate external, commercial NED appointments provided the aggregate commitment is compatible with their duties and does not cause a conflict of interest with the role of an Executive Director. Executive Directors may retain fees paid for these services, which will be subject to approval by the Board. The Executive Directors do not currently hold any outside appointments save as disclosed ==>> 54 and 55.

Fees for the Chair and NEDs (unaudited)

The Non-Executive Chair’s remuneration is determined by the Committee and the NEDs’ remuneration is determined by the Executive Directors and the Chair, all of which are based on the responsibility and time committed to the Group’s affairs and appropriate market comparisons. Individual NEDs do not take part in discussions regarding their own fees. NEDs receive no other benefits. As reported last year, Non-Executive Directors’ fees were subject to a 25% temporary reduction from 1 April 2020, subject to periodic review. This ended on 1 June 2022; a summary of the fees for 2022 are as follows:

	Substantive fee at 1 January 2021 £’000	Substantive fee at 1 January 2022 £’000	Temporary fee from 1 April 2020 £’000	Temporary % decrease until 1 June 2022
Non- Executive Chair	180	180	135	(25%)
Senior Independent Director	80	80	60	(25%)
Base fee	65	65	48.75	(25%)
Committee Chair fee	8	8	6	(25%)

Directors’ remuneration earned in 2021 (after COVID-19 reductions)

The table below summarises Directors’ remuneration received in 2021, after COVID-19 related reductions, with comparisons, where appropriate, to 2020.

	Base salary & fees ¹ USD’000		Benefits & allowances ² USD’000		End-of-service gratuity ³ USD’000		Total fixed pay USD’000		Short-term incentives ⁴ USD’000		Long-term incentives ⁵ USD’000		Total variable pay USD’000		Total remuneration USD’000	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Directors																
Christopher McDonald	525	569	181	190	50	47	756	806	0	521	25	136	25	657	781	1,463
Tony Wright	307	333	120	157	34	31	461	523	0	259	12	66	12	325	473	848
Non-Executive Directors																
John Malcolm	186	188													186	188
Debra Valentine	88	90													88	90
Mel Fitzgerald	75	76													75	76
James Dewar ⁶	75	76													75	76
Motassim Al Maashouq ⁷	20	–													20	–
Jean Marc Denis Lechene ⁸	4	–													4	–

1. All Directors’ pay is reported above in USD. Christopher McDonald’s pay is determined in USD and paid in AED. Tony Wright is remunerated in AED. Debra Valentine’s remuneration is determined in GBP and paid in USD. The remuneration of John Malcolm, Mel Fitzgerald and James Dewar is determined and paid in GBP. Motassim Al Maashouq’s remuneration is determined in GBP and paid in Saudi Riyals and Jean Marc Denis Lechene’s remuneration is determined in GBP and paid in Euro. These are then converted to USD using the rates of exchange applied in this report.

2. Benefits and allowances include, where appropriate, housing, private medical insurance, life insurance, club membership, the use of a company car, private fuel card, airfare tickets, children’s schooling and utility expenses. The table on the next page summarises the main benefits and allowances.

3. End-of-service gratuity is the provision accrued during the year. In accordance with the provisions of IAS 19, the present value of Directors’ end-of-service gratuity obligations under UAE labour law have been valued using the projected unit credit method, as at 31 December 2021 and 2020. Under this method an assessment has been made of a Director’s expected service with the Group and the expected base salary on the date of termination. As part of the valuation we have assumed an average base salary increment of 2% p.a. (2020: 2%). The expected liability on the date of termination has been discounted to its net present value using a discount rate of 2.3% p.a. (2020: 1.7% p.a). The end of service gratuity calculation was not impacted by the COVID-19 reductions.

4. Details of STIP payouts are provided on ==> 78.

5. As reported elsewhere ==> 79, the LTIP 2019 awards, with a performance period that ended on 31 December 2021, resulted in a vesting outcome whereby, on 4 April 2022, Christopher McDonald vested in 70,120 performance shares, at a vesting share price of £0.275 and an exchange rate of \$1.315/£1.00 delivering a value of USD 25,357. On the same basis, Tony Wright vested in 32,856 performance shares delivering a value of USD11,881. At the date of grant 5 April 2019, the face value of Mr McDonald’s vested shares was USD 52,518 and Mr Wright’s vested shares was USD 24,608 based on the share price of £0.57 and exchange rate of USD 1.314/£1.00.

6. James Dewar stepped down as a Director on 9 December 2021.

7. Motassim Al Maashouq was appointed to the Board on 14 September 2021.

8. Jean Marc Denis Lechene was appointed to the Board on 9 December 2021.

Summary of benefits and allowances (after COVID-19 reductions)

	Housing USD’000	Vehicle USD’000	Children’s education USD’000	Annual leave tickets USD’000	Medical and life insurance USD’000	Other USD’000	Total USD’000
Christopher McDonald	75	27	20	27	23	9	181
Tony Wright	63	16	–	19	14	8	120

Short-term incentive plan 2021: performance against targets

CEO and CFO

Metric	Weighting as % of maximum annual opportunity	Threshold (20% of max)	Stretch target (100% of max)	Actual performance	Pay-out outcome as % of maximum annual opportunity
EBITDA ¹	30%	USD 0	USD 11.2m	(USD 19.9m)	0%
Backlog ²	20%	USD 150m	USD 320m	USD 343m	20%
Strategic initiatives ³	30%		N/A	100%	30%
Personal goals – CEO	20%		N/A	82.5%	16.5%
Personal goals – CFO	20%		N/A	72.5%	14.5%

1. EBITDA targets were in the range of USD 0m (threshold) to USD 5.6m (target) and USD 11.2m (stretch).

2. Backlog targets were in the range of USD 150m (threshold) to USD 260m (target) and USD 320m (stretch).

3. Strategic initiatives (30% weighting) required attainment of three priorities linked to the pillars of ‘Lamprell reimaged’ (each 10% weighting)

- Digital: creation of the AiFlux joint venture with initial funding secured.
- Renewables: expansion of product offering to include monopile transition piece and floating.
- Oil & Gas: development of strategic detailed business plan to take account of Saudi pivot and improve profitability of the business unit.

Short-term incentive plan 2021

CEO

Personal goal	Weighting	Performance outcome	Payout outcome as a % of maximum
HSE (including COVID-19 mitigation measures)	25%	25%	5%
ESG metrics	15%	15%	3%
Financial	35%	22.5%	4.5%
Org and team development	25%	20%	4%

CFO

Personal goal	Weighting	Performance outcome	Payout outcome as a % of maximum
HSE (including COVID-19 mitigation measures)	20%	20%	4%
ESG metrics	20%	17.5%	3.5%
Financial	55%	30%	6%
Org and team development	5%	5%	1%

At target performance, the payouts for the CEO and CFO would have been at 50% of maximum and at threshold performance, the payouts would have been at 20% of maximum. The formulaic outcomes were 66.5% and 64.5% of maximum for the CEO and CFO respectively. However, the Committee determined that notwithstanding the formulaic outcomes, in the overall circumstances the outcomes for 2021 STIP should be nil.

Remuneration continued

Long-term incentive awards granted during the year

In lieu of the regular LTIP 2020 awards, which could not be made in early 2020 due to close periods, a one-off Restricted Stock Award was made in November 2021. As such, Christopher McDonald and Tony Wright were awarded 995,199 and 466,322 shares respectively at a face value of USD 525,000 and USD 246,000 respectively. In addition, the regular LTIP 2021 awards were made in November 2021. As such Christopher McDonald and Tony Wright were awarded 1,990,398 and 932,644 performance shares respectively at a face value of USD 1,050,000 and USD 492,000 respectively.

One-off restricted stock award

As reported last year and elsewhere =>> 73 , due to prolonged “close periods” caused by corporate activity in 2020, it was not possible to make the 2020 annual LTIP award to the CEO, CFO or other senior executives. Instead, a one-off Restricted Stock Award was made in November 2021 on the following basis:
Vesting at year three and a two-year post-vesting holding period for all vested shares (net of tax) to year five
CEO award at 75% of base salary (face value USD525,000) and CFO award at 60% of base salary (face value USD 246,000) (in both cases applying a 50% discount to new 2021 LTIP policy levels)
Vesting underpin – requires Remuneration and Development Committee to consider factors including: financial performance, enhancing environmental credentials, welfare and working culture, overall safety performance and whether vesting outcomes reflect windfall gains arising from the share prices used to calculate the numbers of shares subject to awards, before vesting can be confirmed.

Performance shares award

Performance condition	Weight	Threshold		Maximum		End measurement point
		% vesting	Performance	% vesting	Performance ¹	
Cum revenue	20%	20%	USD 1.75bn	100%	USD 2.25bn	31 December 2023
Cum profit	20%	20%	See Note 1	100%	See Note 1	31 December 2023
TSR relative to FTSE 250 Index	50%	20%	Median	100%	Upper quartile	31 December 2023
ESG – 2023 group revenues from renewables	10%	20%	USD 300m	100%	USD 450m	31 December 2023

Note 1: The Committee considers any disclosure of certain financial targets to be commercially sensitive; however, full retrospective disclosure of targets and performance against them will be disclosed at the end of the performance period.

LTIP 2021 awards are also subject to a vesting underpin for which the matters described above for Restricted Stock Awards will be considered. In addition, absolute TSR growth is required for the TSR element to vest.

Performance conditions for outstanding LTIPs

For the sake of completeness, the Company discloses the performance conditions which are attached to the awards of LTIP in the 2019 plan as set out below. As reported in the 2020 DRR, no LTIP awards were made under the regular Performance Share Plan in 2020.

LTIP 2019

Performance condition	Weight	Threshold		Maximum		End measurement point
		% vesting	Performance	% vesting	Performance	
TSR vs. FTSE World Oil Equipment and Services Index	25%	20	Median	100	Upper quintile	31 December 2021
TSR vs. FTSE 250 Index	25%	20	Median	100	Upper quintile	31 December 2021
Cumulative net profit	25%	20	(USD 80m)	100	USD 0	31 December 2021
Cumulative sales awards	25%	20	USD 2.0bn	100	USD 3.5bn	31 December 2021

The outcome of the performance conditions applicable to the 2019 LTIP awards is shown below:

Performance condition	Performance	% vesting
TSR vs. FTSE World Oil Equipment and Services Index	Median	20
TSR vs. FTSE 250 Index	Below Median	0
Cumulative net profit	(USD 301m)	0
Cumulative sales awards	USD 988m	0

Accordingly, the overall vesting outcome for the 2019 plan was 5% ==>> **74**.

Directors’ Interests in share plan awards

The Directors hold interests in long-term incentive awards under the Company’s incentive plans as at 31 December 2021 as set out below. Awards normally vest on the third anniversary of the date of grant of the awards, subject to any applicable performance conditions having been satisfied. Further details on the targets are set out above. The following table sets out the interests of the Executive Directors in relation to performance and retention shares:

Executive Directors	At 1 January 2021	Awarded in 2021	Date of vesting	Vested in 2021	Lapsed in 2021	At 31 December 2021
Christopher McDonald	2,204,044	2,985,597	28 Nov. 2024	0	641,316	4,548,325
Tony Wright	1,048,403	1,398,966	28 Nov. 2024	0	313,023	2,134,346

Directors’ Interests in ordinary shares

The Committee has adopted a formal policy requiring the Executive Directors to build and maintain, through the award of shares by the Company, a shareholding in the Company equivalent to 200% of base salary. Until such time as this threshold is achieved, there is a requirement for executives to retain the net proceeds of all vested share awards. Mr McDonald and Mr Wright have not currently achieved these guidelines. In accordance with the Listing Rules, the Company discloses the beneficial interests of the Directors in the share capital of the Company as at 31 December 2021 as set out below, as well as the changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2022 to 7 August 2022, being the last practicable date that the Company is able to report on Directors’ interests:

	Beneficially owned at 31 December 2020	Beneficially owned at 31 December 2021	Beneficially owned at 7 August 2022	Ordinary shares held at 31 December 2021	Ordinary shares held at 7 August 2022	Outstanding awards (retention only)	Outstanding awards (subject to conditions)	Share-holding as a % of base salary ¹	Share-holding requirement met?
Executive Directors									
Christopher McDonald	2,945,539	5,389,820	5,490,410	841,495	942,085	995,199	3,392,797	14.9%	No
Tony Wright	1,089,788	2,235,731	2,415,372	101,385	179,641	466,322	1,589,768	4.9%	No

Non-Executive Directors									
John Malcolm	–	100,000	100,000	100,000	100,000	–	–	–	–
Debra Valentine	–	75,000	75,000	75,000	75,000	–	–	–	–
Motassim Al Maashouq ²	–	–	–	–	–	–	–	–	–
Jean Marc Lechene ³	–	–	–	–	–	–	–	–	–
Mel Fitzgerald	11,700	111,700	111,700	111,700	111,700	–	–	–	–
James Dewar ⁴	40,000	50,000	50,000	50,000	50,000	–	–	–	–

1. Calculated at a share price of £0.09 and exchange rate of USD 1.23/£1.00.
2. Motassim Al Maashouq was appointed to the Board on 14 September 2021.
3. Jean Marc Lechene was appointed to the Board on 9 December 2021.
4. James Dewar stepped down from the Board on 9 December 2021.

Full details of the Directors’ shareholdings and share allocations are given in the Company’s Register of Directors’ Interests, which is available for inspection at the Company’s registered office during business hours.

Payments to former Directors

There were no payments made to former Directors during the year.

Payments for loss of office

There were no payments for loss of office during the year.

Remuneration continued

Percentage change in remuneration levels (unaudited)

The table below shows the movement in base salary, benefits and STIP (or equivalent) for the CEO and other Directors between the 2021 and 2020 financial years, compared to that for the average employee of the Group.

	CEO	All employees	CFO	Chair	SID	Other NEDs
Base salary/fees (after COVID-19 deduction) ¹	0.00%	See note 2	0.00%	0.00%	0.00%	0.00%
Benefits (after COVID-19 deduction) ³	0.00%	See note 2	0.00%	0.00%	0.00%	0.00%
STIP	See note 4	See note 5	See note 4	N/A	N/A	N/A
1. As reported elsewhere ==> 76, the base salaries and fees of the CEO, CFO, the Chair, SID and all NEDs were reduced temporarily by 25% effective 1 April 2020 and continue to be reduced going forward until 1 June 2022, subject to review. 2. The reductions described in note 1 above were applied in the same way to the ExCom, senior and middle management groups and, in the case of ExCom, senior and middle management, continue to apply until 1 June 2022, subject to review. The percentage changes for these groups, therefore, aligned with the CEO and other Directors. 3. As reported elsewhere ==> 76, benefits and allowances were subject to the same COVID-19 reductions as applied to base salaries, effective 1 April 2020, with an additional permanent 20% reduction in housing allowances from 1 January 2020. These reductions are reflected in the percentage changes for the CEO and CFO. For "All employees", the reductions described in note 2 above applied in the same way to benefits and allowances. 4. As reported elsewhere ==> 77, the CEO and CFO received a nil STIP 2021 payout, compared to payouts of USD 521,010 and USD 259,389 respectively in 2020. 5. STIP payouts for senior and middle management groups were broadly aligned with the levels and methodology applied to the CEO and CFO compared to payouts averaging 75% of maximum opportunity levels in 2020. For the wider workforce, priority has been given to reducing the temporary reductions and restoring full salaries.						

Relative importance of the spend on pay (unaudited)

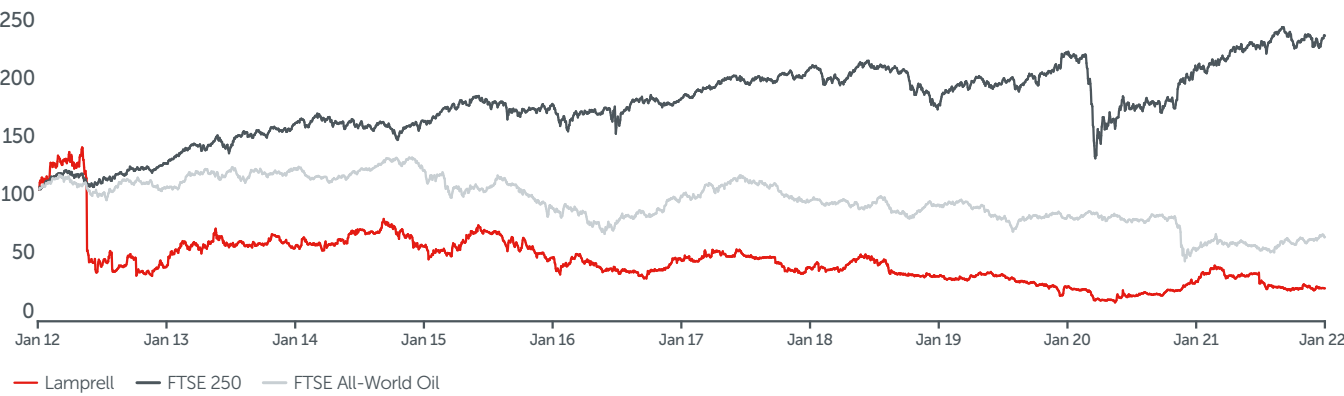
The table below shows the spend on staff costs in the financial year, compared to dividends and share buybacks (of which there were none):

	2021 USD'000	2020 USD'000	% change
Staff costs	136,639	123,575	+10.5%
Dividends	–	–	0.00%

Performance graph and CEO pay (unaudited)

The graph below shows the growth in value of a notional £100 invested in the Company compared to the FTSE World Oil Equipment and Services Index, which is used as the basis for one of the Company's LTIP metrics and the FTSE 250 Index, as a broad pan-sector comparator. The graph covers the time period 31 December 2011 to 31 December 2021.

Share price performance Jan 2012 to Jan 2022 (unaudited)



The total remuneration figures for the CEO during the last ten financial years are shown in the table below. Consistent with the calculation methodology for the single figure of total remuneration, the total remuneration figure includes the total STIP award based on that year's performance and the long-term incentive award based on the three-year performance period ending in the relevant year. The annual STIP payout and long-term incentive award vesting level as a percentage of the maximum opportunity are also shown for each year.

CEO remuneration table (unaudited)

	Year ending 31 December (USD'000)												
	2021	2020	2019	2018	2017	2016	2016	2015	2014	2013	2013	2012	2012
CEO	McDonald	McDonald	McDonald	McDonald	McDonald	McDonald ¹	Moffat ²	Moffat	Moffat	Moffat	Whitbread ³	Whitbread	McCue ⁴
Annual remuneration	781	1,463	1,014	1,285	1,564	262	891	1,349	1,716	1,652	1,504	352	2,739
Annual STIP %	0%	74.5%	0%	35.6%	20%	0%	0%	45%	91%	99%	0%	0%	0%
LTIP vesting %	5%	19.4%	3.8% ⁵	7.4% ⁵	0%	0%	100%	0%	0%	0%	0%	0%	100%

1. Christopher McDonald was appointed as CEO on 1 October 2016.
2. James Moffat was appointed as CEO on 1 March 2013 and stepped down on 30 September 2016.
3. Peter Whitbread was appointed as interim CEO on 4 October 2012 and his employment ceased on 30 June 2013.
4. Nigel McCue's employment ceased on 3 October 2012.
5. Vesting of shares granted in recruitment awards.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 7 August 2022.

Debra Valentine
Chair of the Remuneration and Development Committee

Appendix 1

The full policy as approved by shareholders at the 2021 AGM is available as part of the 2020 Directors’ Remuneration Report which is within the Company’s Annual Report for 2020 and can be found on the Company’s website at www.lamprell.com

The Appendix contains a summary of the policy as it will apply in 2022.

Directors’ Remuneration Policy

This part of the report sets out the Company Directors’ Remuneration Policy and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (“the DRR Regulations”). The Company intends to comply with the DRR Regulations as a matter of good practice, although as a non-UK incorporated quoted company, it is not strictly required to do so and is not subject to the technical consequences of non-compliance with the DRR Regulations. The Remuneration Policy also takes into account the principles of the UK Corporate Governance Code and the views of our major stakeholders. The Directors’ Remuneration Policy was put to a binding shareholders’ vote at the 2021 AGM.

Policy overview

The Remuneration and Development Committee is responsible, on behalf of the Board ==> 54, for establishing appropriate remuneration arrangements for the Chair, the Executive Directors and other senior management in the Group. Our Directors’ Remuneration Policy aims to drive continuous improvements in business performance and maximise shareholder value by offering remuneration packages that are designed to enable the recruitment, retention and motivation of high-calibre Executive Directors and senior management. In setting the Remuneration Policy, the Committee considers the Remuneration Policy and levels of remuneration for the wider employee population, policies and practice in the UAE and also those in the wider market. The Committee determines arrangements that are in the best interests of both the Group and its stakeholders, by taking into account the following general principles:

- To attract, retain and motivate the best talent without paying more than is necessary.
- To ensure total remuneration packages are simple and fair in design and valued by participants.
- To ensure that the fixed element of remuneration is determined broadly in line with market rates, taking account of individual performance, responsibilities and experience, and that a significant proportion of total remuneration is linked to performance-related incentives.
- To balance performance pay between achieving financial and non-financial targets and delivering sustainable stock market outperformance, thus creating a clear line of sight between performance, strategy and reward.
- To calibrate performance metrics so that performance is incrementally rewarded through stretching targets and executives are not inadvertently incentivised to take inappropriate business risks.
- To maintain the highest possible health and safety standards where any fatality that takes place in a facility operated by the Company or any of its subsidiaries may result in discretionary withdrawal of incentive eligibility.
- To provide a significant proportion of performance-linked pay in shares allowing senior management to build shareholdings in the business and thereby aligning management with shareholders’ interests and the Group’s longer-term performance.
- To maintain appropriate governance and risk management ==> 46 through the application of holding periods and clawback provisions on incentive plan awards.

Details of the shareholder-approved policy are set out in the table below.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Base salary	To attract, retain and motivate talented individuals who are critical to the Group’s success	Reviewed annually by the Committee or, if appropriate, in the event of a change in an individual’s position or responsibilities Base salary levels set by reference to competitive market rates, taking into account level of responsibility, individual performance, skills and experience, Group performance and the pay and conditions in the workforce	No prescribed minimum or maximum annual increase. The Committee is guided by market position, and the average increase for the workforce generally, and may recognise an increase due to, for example, assumed additional responsibilities or an increase in the scale or scope of the role	Company performance appraisal process
Benefits and allowances	To offer a market-competitive level of benefits to ensure the Executive Directors’ well-being and provide additional allowances in line with local market practice	Current benefits include a housing allowance, private medical/life insurance, use of a company car (or car allowance), fuel allowance, annual leave airfares, children’s education and utility expenses. Executive Directors will be eligible for other benefits introduced for the wider workforce on broadly similar terms, and at times additional benefits might be provided if the Committee decides payment of such benefits is appropriate and in line with emerging market practice	Actual value of benefits provided	None
Short-term incentive plan (STIP)	To reward the achievement of the Group’s annual financial and non-financial objectives linked to the delivery of the Group’s strategic plan	Normally payable in cash Performance targets are approved annually by the Committee. The Committee has the discretion to override the formulaic outturn of the incentive and determine the appropriate level of payout if it believes exceptional circumstances warrant it or if it is deemed necessary based on safety, environmental, social and governance considerations Clawback provisions apply for overpayments due to misstatement, error, negligence, fraud, serious misconduct or other adverse circumstances at the discretion of the Committee	Maximum opportunity of 100% of annual base salary for all Executive Directors	At least two-thirds of the annual incentive will be based on Group financial performance or other key strategic business metrics, with the remainder dependent on the achievement of individual performance objectives, to provide a rounded assessment of the Group and management’s performance The financial metrics incorporate an appropriate sliding scale against a challenging target. On each element, only 20% of the maximum target will pay out for achieving threshold performance, increasing pro-rata with 100% payout on the achievement of maximum stretch targets On-target performance produces no more than 50% of the maximum attainment for each metric
End-of-service gratuity ¹	To offer Executive Directors a retirement benefit as required under UAE labour law	The Company has no Group-wide pension scheme A lump sum cash payment is awarded following end of service, based on the length of service and final base salary in accordance with UAE labour law	Company contributions are limited to two years’ base salary by UAE labour law	None

1. The contribution rates for end-of-service gratuity benefit are the same for Directors and the workforce in general with the only variable relating to years of service, in accordance with UAE labour law.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Long-term incentive plan (LTIP)	To balance performance pay between the achievement of strong financial performance and delivering sustainable stock market outperformance To encourage share ownership and alignment with shareholder interests	Annual awards of conditional shares or nil (or nominal) cost options with vesting dependent on the achievement of performance conditions over a three-year period An additional mandatory holding period of two years will apply to all vested awards (net of tax) Performance targets and metrics are approved annually by the Committee The Committee has the discretion to override the formulaic outturn and scale back (potentially to zero) the vesting of any awards if it believes the results are not an accurate reflection of the Company's underlying performance Clawback provisions apply for overpayments due to error, misstatement, negligence, fraud, serious misconduct or other adverse circumstances at the discretion of the Committee Dividends may accrue during the vesting period and will typically be paid in shares at the time of vesting, to the extent that shares vest	Normal maximum opportunity of 150% of annual base salary for the CEO and 120% of annual base salary for other Executive Directors. Exceptional maximum opportunity of 250% of base salary	Performance is assessed against challenging independent financial metrics that may include relative or absolute TSR, EPS, cumulative EBITDA, cumulative sales awards and other equally challenging metrics On each element only 20% of an award will vest for achieving threshold performance, increasing and vesting pro-rata with full vesting for achieving maximum stretch performance targets
Share ownership guidelines	To further strengthen the long-term alignment between executives and shareholders	Executive Directors are required to retain the net proceeds of vested share awards which vest under the Group's discretionary share plans until the share ownership guidelines are reached Directors hired after 1 January 2019 will be required to hold the lower of shares to the value of 200% of annual base salary or their actual vested shareholding at the date of employment termination until the second anniversary of their separation from the Group	Expected to achieve 200% of annual base salary within five years	None
Non-Executive Directors' fees	Set to attract, retain and motivate talented individuals through the provision of market-competitive fees	Reviewed periodically by the Executive Directors and Chair (except for their own fee) or, if appropriate, in the event of a change in an individual's position or responsibilities Fee levels set by reference to market rates, taking into account the individual's experience, responsibility, time and travel commitments	No prescribed minimum or maximum annual increase. The Executive Directors and Chair are guided by market position but may recognise an increase in, for example, assumed additional responsibilities or in the scale or scope of the role	Annual evaluation of Board performance

Consideration of stakeholder views

The Company is committed to maintaining good communications with investors, its workforce and other stakeholders around remuneration matters. During 2021 the Board held active engagement forums with two key stakeholder groups: senior high-potential employees through ‘Chat with the Chair’ sessions and yard employees through employee welfare meetings. In these sessions the agenda allows for items of a broad nature to be raised, including remuneration, with the attending Board member/meeting participants. Where appropriate, employees are made aware of any proposed changes in Lamprell’s compensation structure and are reminded that salaries, which are clearly defined by grade/designation, are regularly benchmarked in the market through participation in market surveys. During the year, no matters were raised by employees that would have any impact on the Remuneration Policy. As part of the Company’s continued focus on employee engagement, it is establishing, in Q1 2022, an Employee Workforce Assembly that will be chaired by a management representative with a Board representative attending each meeting. The Committee also considers the AGM to be an opportunity to meet and communicate with investors and consider feedback received. This feedback, together with additional feedback from shareholder representative bodies more generally, is then considered as part of the Company’s annual review of its Remuneration Policy. In addition, as described in the Chair’s introductory letter ==> 73, early in 2022, the Board initiated an “open agenda” forum with major shareholders and proxy advisors as a result of the shareholder voting at the 2021 AGM. Details of the votes cast for and against the resolution to approve last year’s Directors’ Remuneration Report are set out in the Directors’ Remuneration Report ==> 74.

Performance metric selection

The STIP is based on key financial performance indicators ==> 22, to reflect how well the Group succeeded in managing its operations in the current fiscal year and by performance against individually determined strategic objectives and annual operational targets, including HSE. The LTIP performance measures reward significant long-term returns to shareholders and long-term financial growth. Targets take account of internal strategic planning and external market expectations for the Company, and are set to be appropriate to the economic outlook and risk factors ==> 46 prevailing at the time, ensuring that such targets remain challenging, while realistic enough to motivate and incentivise management. Only modest rewards are available for achieving threshold performance, with maximum rewards requiring substantial out performance of challenging strategic plans approved at the start of each year.

Discretion

In addition to the formulaic assessment of performance against the respective plan metrics, the Committee recognises its obligation to assess the appropriateness of the STIP and LTIP awards relative to the Company’s underlying business performance over the respective plans’ performance periods. When determining the final performance outcome under the LTIP, the Committee has discretion over the number of shares vesting considering other important internal or external factors. Any change to the formulaic outcome will be reported transparently. The Committee operates the incentive plans in accordance with their respective rules, the UK Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over several areas.

These include (but are not limited to) the following:

- Who participates
- The timing of the grant of award and/or payment
- The size of an award (up to plan/policy limits) and/or payment
- The result indicated by the relative TSR performance condition may be scaled back (potentially to zero) in the event that the Committee considers that financial performance has been unsatisfactory and/or the outcome has been distorted due to the TSR for the Company or any comparator company being considered abnormal
- The measurement of performance in the event of a change of control or reconstruction
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes and the treatment of leavers
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends)
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose
- The ability to cash-settle awards where payment in shares is impractical for legal or regulatory reasons
- The ability to disapply, in full or part, the post-employment shareholding requirements at the time of departure if the Committee believes it is in the best interests of the Company

In approving this Directors’ Remuneration Policy, shareholders give the Company authority to honour any commitments entered into with current or former Directors (such as the vesting or exercise of past share awards).

Relative pay and employment conditions in the Group

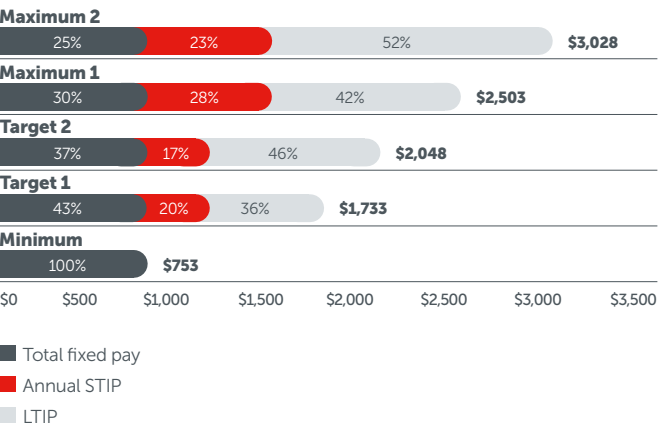
The Committee takes account of remuneration levels offered to the senior management team in the Group as well as remuneration of the wider employee population. When considering the Executive Directors’ remuneration structure and levels, the Committee reviews base salary and incentive arrangements across the Group to ensure that there is a coherent approach. Employees may be eligible to participate in an annual bonus arrangement and receive awards under the prevailing long-term incentive plans. Opportunities and performance metrics may vary by workforce level, with specific business metrics incorporated where possible. Executive and senior management maintain open channels of communication with the wider workforce so that employees are clear on the design of pay and incentive arrangements and the contribution required from them to achieve an appropriate share of any rewards. The Committee seeks to ensure that, when setting executive and senior management pay, overall business performance and market conditions have a broadly similar impact on salary reviews, bonus and incentive arrangements at all levels across the organisation. The differences that exist between executive and senior management remuneration and that of the general workforce are derived mainly from the need to incentivise executives around longer-term strategic goals which, in turn, places a greater proportion of executive pay at risk. Consultation about remuneration between executive management and the general workforce focuses on how at all levels, pay and reward are set by comparisons to industry peers and efforts to maintain equity across the same levels in the workforce, taking into account experience and performance. In light of the Code, the Committee has reviewed appropriate methods of facilitating consultation with the wider workforce and NEDs attend employee welfare consultative meetings on a rotational basis and meet regularly with high-potential employees.

Remuneration continued

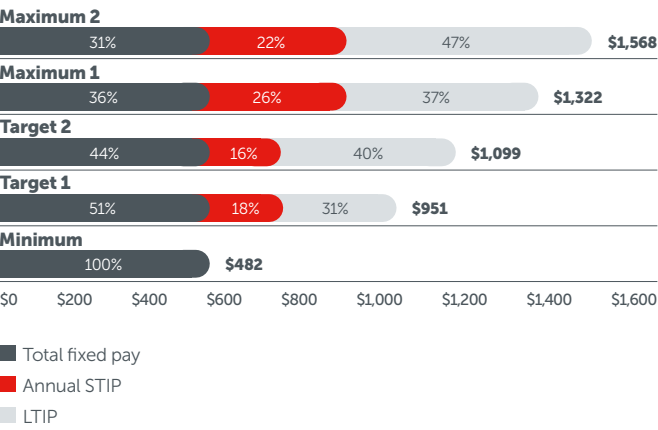
Remuneration scenarios for the Executive Directors

The charts below show an estimate of the potential range of remuneration payable for the Executive Directors in 2022 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a significant portion of the Executive Directors’ total remuneration at maximum performance. The charts reflect the substantive base salaries and benefits applicable in the absence of the COVID-19 related reductions that have applied since 1 April 2020 and which are expected to be reinstated on 1 June 2022, subject to review.

Chief Executive Officer Total remuneration (USD ‘000)



Chief Financial Officer Total remuneration (USD ‘000)



Assumptions:

- 1. Benefits are estimated based on the annualised value for the year ended 31 December 2021.
- 2. The end-of-service gratuity is estimated based on the accrual for the year ended 31 December 2021.
- 3. Minimum performance assumes no award is earned under the STIP and no vesting is achieved under the LTIP; at on-target, typically 50% of the maximum is earned under STIP and typically 60% vesting is achieved under the LTIP; and at maximum full vesting is achieved under both plans.
- 4. ‘Maximum 2’ and ‘Target 2’ reflect the estimated impact on the LTIP values of a 50% increase in share price.

Directors’ recruitment and promotions

When considering changes, the Committee balances the need to attract, retain and motivate Executive Directors and senior managers of the highest calibre by ensuring close alignment between the interests of shareholders and the individuals. If a new Executive Director was to be appointed, the Committee would seek to align the remuneration package with the approved Remuneration Policy, including discretion to award a STIP opportunity of up to 100% of base salary and an LTIP award of up to 150% for the CEO and 120% for other Executive Directors, with discretion, in exceptional circumstances, to grant an award of up to 250% of base salary to any Executive Director. Flexibility would be retained to set base salaries at the level necessary to facilitate the hiring of candidates of appropriate calibre in external markets. The Committee may also make, in respect of deferred remuneration forfeited on leaving a previous employer, payments or awards under the approved share plans or an award under Listing Rule 9.4.2. In terms of remuneration to compensate for forfeited awards, the Committee would look to replicate the arrangements being forfeited as closely as possible, and in doing so would take account of relevant factors including the nature of the remuneration, performance conditions and the time over which awards would have vested or been paid. For an internal appointment, any incentive amount awarded in respect of a prior role may be allowed to vest on its original terms or adjusted as relevant to take into account the appointment. Any other ongoing remuneration obligations existing prior to appointment may continue. The Committee may also agree that the Company will meet certain relocation and incidental expenses as appropriate. For the appointment of a new Non-Executive Chairperson or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy at that time.

Executive Directors’ service agreements and payments for loss of office

The Committee reviews the contractual terms of the service agreements to ensure these reflect best practice. The Executive Directors are employed on indefinite term service agreements, with no expiry date, that are terminable on up to a maximum of 12 months’ notice. In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case but not beyond the contractual entitlements. The Committee has the discretion to require notice to be worked or to make payment in lieu of notice or to place the Director on garden leave for the notice period. In case of payment in lieu or garden leave, base salary, benefits and end-of-service gratuity will be paid for the period of the notice served on garden leave or paid in lieu. The Committee also has the discretion to pay for outplacement services if it considers them appropriate and to settle legal fees or outstanding legal claims which it considers have a reasonable prospect of success. If the Committee believes it would be in shareholders’ interests, the Company may elect to make payments in three separate tranches: 50% within seven working days of the termination date; 25% three months after the termination date; and 25% six months after the termination date. The STIP may be payable in respect of the period of the incentive plan year worked by the Director. There is no provision for an amount in lieu of incentive payout to be payable for any part of the notice period not worked. In such circumstances, the incentive payout will be scaled back pro-rata for the period of the incentive year worked by the Director and will still be payable at the normal payment date.

Long-term incentives

Long-term incentives granted under the LTIP will be determined by the plan rules, which contain discretionary good leaver provisions for designated reasons (e.g. participants who leave early on account of injury, retirement, disability or ill health, or any other reason at the discretion of the Committee). In these circumstances, a participant’s awards will not be forfeited on cessation of employment and instead will vest on the normal vesting date. In exceptional circumstances, the Committee may decide that the participant’s award will vest early on the termination date. In either case, the extent to which the awards will vest depends on the extent to which the performance conditions have been satisfied and a pro-rata reduction of the awards will be applied by reference to the time of cessation (although the Committee has the discretion to disapply time pro-rating if the circumstances warrant it). In the case of death of the participant, the award will vest at that time, irrespective of whether or not any performance conditions have been satisfied, and the award will not be time pro-rated.

In the event of a change of control, all unvested awards under the long-term incentive arrangements would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The awards will, other than in exceptional circumstances, be scaled back pro-rata for the period of the incentive year worked by the Director (although the Committee has the discretion to disapply time pro-rating if the circumstances warrant it).

The principles stated opposite for long-term incentives regarding treatments on cessation of employment and on a change of control will also apply to awards of Restricted Stock made to Executive Directors, with the consideration of the underpin vesting condition for the Restricted Stock awards replacing consideration of the performance condition for LTIP awards where appropriate.

Service contracts for Executive Directors

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

Director	Date of contract
Tony Wright	13 August 2015
Christopher McDonald	2 August 2016

The service contracts are available for inspection during normal business hours at the Company’s registered office, and are available for inspection before and at the AGM. Remuneration payments under all service contracts are enforceable only insofar as they fall within a shareholder-approved Remuneration Policy.

Non-Executive Directors’ terms of engagement

Non-Executive Directors are engaged pursuant to letters of appointment which do not have fixed terms, but they are subject to re-election by the Company’s shareholders at intervals of not more than three years. John Malcolm, Debra Valentine and Mel Fitzgerald were re-elected at the 2021 AGM. All existing Directors will be proposed for election by the shareholders at the 2022 AGM.

Upon termination or resignation, NEDs are not entitled to compensation and no further fee is payable. Currently, four Non-Executive Directors are considered to be independent of the Company.

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

Non-Executive Director	Date of appointment
John Malcolm	27 May 2013
Mel Fitzgerald ¹	13 August 2015
Debra Valentine ¹	1 September 2015
Motassim Al Maashouq ¹	14 September 2021
Jean Marc Lechene ¹	9 December 2021
James Dewar ²	1 November 2017

- 1. Mel Fitzgerald, Debra Valentine, Motassim Al Maashouq and Jean Marc Lechene are considered to be independent Non-Executive Directors of the Company.
- 2. James Dewar was considered to be an independent Non-Executive Director and he stood down from the Board on 9 December 2021.

Directors’ report



We are committed to maintaining high standards of corporate governance and a culture of transparency and constructive dialogue, as they are fundamental to help navigate the business through the current challenges.

Alex Ridout
Company Secretary

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2021. This report has been prepared in accordance with applicable regulatory requirements, including Disclosure Guidance and Transparency Rule 4. This statutory information forms part of the Directors’ report by reference, and the other elements of the Directors’ report can be found elsewhere in the Strategic Report ==> 1 and the Corporate Governance Report ==> 52.

Memorandum and Articles of Association

The Company’s Memorandum of Association sets out the objectives and powers of the Company. The Articles of Association detail the rights attaching to each share class, the method by which the Company’s shares can be purchased or reissued and the provisions which apply to the holding of and voting at general meetings. The Articles also set out the rules relating to Directors (including their appointment, election, retirement, duties and powers). The shareholders approved an updated version of the Articles of Association which permitted hybrid AGMs and increased the issued share capital of the Company.

Annual general meetings (AGM)

As was the case in 2020, the 2021 AGM was conducted in a way such that the Company complied with the legal requirements to pass essential shareholder resolutions. Still, the meeting was purely functional and comprised only the formal votes without any business update, as well as limited physical Director attendance. There was a high level of proxy voting by shareholders, as recommended by the Board, and all resolutions were passed (for more details on the AGM results, please see www.lamprell.com). For resolutions 2, 18 and 19, more than 20% of votes cast were against the resolutions, and so the Board has complied with the Code by its disclosures on ==> 61.

Please see the Notice of Meeting which has been issued with this Annual Report and/or our website www.lamprell.com for further details on the 2022 AGM. As of the date of publication, it is expected that a similar structure as used in 2020 and 2021 will apply to this AGM. However the Board is monitoring the situation and may decide to revert to an in-person AGM if it is adjudged to be safe for physical attendance. Per the Code, all Directors will submit themselves for re-election at the 2022 AGM. Full details are set out in the Notice of Meeting, which will be published and posted to shareholders, and made available on our website in April 2022.

Capital structure and corporate authorities

Details of the authorised and issued share capital together with details of movements in share capital during the year are included in Note 26 to the financial statements. The Company has one class of shares in issue, ordinary shares of 5 pence each, all of which are fully paid. Each ordinary share in issue carries equal rights, including one vote per share on a poll at general meetings of the Company, subject to the terms of the Articles and applicable laws. There are no restrictions on the transfer of shares.

Details of the Company’s employee share schemes are disclosed in the Directors’ Remuneration Report ==> 74 and in Note 9 to the financial statements. The awards under the Lamprell plc Free Share Award Plan, Retention Share Plan and Long-Term Incentive Plan are granted at nil (or nominal) cost. Pursuant to the Company’s share schemes, the Employee Benefit Trust as at the year end held a total of 16,268 (2020: 16,268) ordinary shares of 5 pence, representing less than 0.01% (2020: < 0.01%) of the issued share capital. If another company takes control of the Company, the employee share schemes have set change of control provisions whereby, in certain circumstances and approved proportions, they are allowed to vest early or to be exchanged for awards of equivalent value in the acquiring company.

At the 2021 AGM, the shareholders approved the following authorities: (i) for the Company to make market purchases of up to 33,000,000 ordinary shares, representing approximately 10% of the Company’s then issued ordinary share capital; (ii) for the Directors to allot unissued shares up to a maximum nominal amount of £4,900,000 (representing approximately 30% of the Company’s current issued ordinary share capital) to existing shareholders; and (iii) for the Directors to issue equity securities of the Company for cash to persons other than existing shareholders, under certain conditions, up to an aggregate nominal value of £825,000 (representing approximately 5% of the current issued ordinary share capital).

These authorities will expire at the 2022 AGM, when new authorities will be sought from shareholders on similar terms. Details of the requested authorities are set out in the Notice of AGM, which accompanies this Annual Report.

	Granted		Outstanding	
	2021	2020	2021	2020 & prior
Lamprell plc Free Share Award Plan	Nil	Nil	Nil	Nil
Lamprell plc Retention Share Plan	7,301,300	Nil*	6,979,840	2,082,511
Lamprell plc Executive Share Option Plan	Nil	Nil	Nil	Nil
Lamprell plc Long-Term Incentive Plan	6,088,341	Nil*	5,880,701	4,291,344

* There were no awards of any incentives in 2020 due to the impact of COVID-19.

Contracts of significance

In 2017, the Group entered into a joint venture agreement for the establishment of a major new maritime yard in Saudi Arabia. This agreement commits the Company to invest up to USD 140 million in equity in this new yard over the course of the coming 5-6 years (of which approximately USD 86 million has already been invested) and includes certain provisions which could impact the Company’s fair market value upon a change of control in the Company. Details are available on the Company’s website and were approved by shareholders at the extraordinary general meeting in mid-2017.

Apart from the joint venture agreement and the Controlling Shareholder Agreement, the Company or Group does not have contractual or other arrangements which are significant to its business with any person.

Service agreements and letters of appointment

Executive Directors are employed under service contracts with termination notice periods of not more than 12 months. Non-Executive Directors are engaged pursuant to letters of appointment which do not have fixed terms, but they are subject to re-election by the Company’s shareholders at intervals of not more than three years. All existing Directors and any new Directors will be proposed for election by the shareholders at the 2022 AGM.

Going concern/viability

The Company’s business activities, together with the factors likely to affect its future development, performance and competitive position, are set out in the Strategic Report ==> 1. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review ==> 42.

The Group’s consolidated financial statements have been prepared on a going concern basis, although with a material uncertainty, as described in the Operational and Financial Review and further discussed in Note 2.1. The Directors have published their viability statement for the Company on ==> 45.

Directors’ responsibility statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted International Accounting Standards and IFRS as issued by the IASB and have also chosen to prepare the parent company financial statements under United Kingdom adopted International Accounting Standards. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance
- Make an assessment of the Company’s ability to continue as a going concern

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with United Kingdom International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 7 August 2022 and is signed on its behalf by:

Alex Ridout
Company Secretary

By order of the Board

Independent auditor's report to the members of Lamprell plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Lamprell plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRSs) as issued by the IASB;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 41.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted International Accounting Standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 15(b) to the financial statements, and the operation of the 70% fee cap in respect of non-audit services on page 69 of the annual report. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

3. Material uncertainty relating to going concern

We draw attention to note 2.1 in the financial statements, concerning the group's and parent company's ability to continue as a going concern. Whilst the directors consider that the Offer by Thunderball Investments Limited ("Thunderball") to acquire the entire issued and to be issued share capital of the parent company ("the Offer") and the provision of a Bridge Loan Facility (as described in note 2.1 to the financial statements) provide a realistic alternative to ceasing trading, the directors have identified events and conditions that indicate a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. The most significant factors that have led to this determination are:

- **Completion of the Offer:** The Offer is subject to the approval of more than 50 per cent of shareholders. Based on the current shareholdings of Thunderball and irrevocable undertakings by certain other shareholders to vote in favour of the Offer, the Directors have forecast that the Offer will be accepted by the shareholders.
- **Sufficiency of the Bridge Loan Facility:** The Directors have assumed that the Bridge Loan Facility will be timely drawn and sufficient to cover the funding requirements for the time required to conclude the Offer. After repayment of the ECI facility, USD 101 million of the Bridge Loan Facility will remain to pay the group's other creditors, which amounted to USD 176 million as of 30 June 2022, and to partially meet the ongoing funding requirements of the group. A significant proportion of the group's creditors at 30 June 2022 were many months overdue and, whilst it is anticipated the Bridge Loan Facility will enable a number of these to be settled in the period prior to the completion of the Offer, the Directors expect payment to certain overdue key suppliers on the IMI Rigs projects (who were owed USD 51 million at 30 June 2022) will need to be extended in line with the expected timing of milestone receipts on these projects in late 2022 and early 2023. The Directors have assumed that the group will be able to achieve this based on its track record of doing so, but its ability to do this is critical and dependent on the reaction of the key suppliers as the payables are unsecured and contractual credit terms are exceeded, which is outside the group's control. The level of creditor deferral in the period prior to completion of the Offer is also dependent on the outcome of contract claims and the extent of new contract awards as discussed below.
- **Post completion funding:** The Directors do not have visibility of Thunderball's plans for the business after the Offer is completed, including the extent and terms of any funding that will be required post completion. The Directors have taken into consideration the intentions statement in the 21 July 2022 Offer announcement by Thunderball and assumed that upon conclusion of the Offer, Thunderball continues to support the business, and in particular:
 - That Thunderball will extend or waive the repayment terms of the Bridge Loan Facility as the Group will be unable to repay the loan when it falls due (which is forecast to be in December 2022).
 - That significant additional funding will be provided by Thunderball during the 15 months to October 2023 in order that the business may continue to trade. The level and timing of funding will depend on a number of factors, as outlined further in note 2.1, but may be up to approximately USD 100 million.
- **Contract claims:** The Directors assume that settlement of contract claims on certain major contracts will result in significant cash inflows in the forecast period. These are not yet agreed and the amount and timing of such settlements is not wholly within the control of the Directors.

- **New contract awards:** The Directors assume conversion of a portion of the bid pipeline in line with the expected timing of awards, including achieving similar historical levels of revenue for the contracting services and rig refurbishment businesses. These contract awards are not committed and there is therefore some uncertainty as to their commencement

If the Offer does not proceed and the Bridge Loan Facility falls due for repayment within its current terms, there can be no guarantee that the group will be able to implement any alternative funding in the available timeframe. In such an event, the Directors believe that the group will be unable to meet its financial commitments as they fall due and consequently will be unable to continue to operate as a going concern resulting in the appointment of receivers, liquidators or administrators.

As stated in note 2.1, (1) the risk that the Offer does not complete; (2) the requirement for significant levels of ongoing creditor deferral during the period prior to the completion of the Offer; and (3) the lack of visibility of Thunderball's plans for the business after the Offer is completed, along with the other matters as set out in that note to the financial statements, indicate in aggregate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In performing their assessment of going concern, the Directors have considered forecast cash flows to 31 October 2023. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls relating to the going concern assessment;
- engaging in regular discussions with the directors and their advisers with regard to the status of negotiations in respect of the Offer and the Bridge Loan Facility and other financing options;
- reading the terms of the Offer from Thunderball, as set out in the announcement dated 21 July 2022, and obtaining an understanding of the current status of the conditions precedent to completion of this transaction;
- reading the Bridge Loan Facility agreement, and with the assistance of internal restructuring specialists, understanding the key terms of the Facility and any potential restrictions to its availability in the period prior to completion of the Offer;
- discussing the terms of the 2.7 Offer and the Bridge Finance Facility agreement with the company's external legal counsel, to understand the risk of the Offer not completing or the Facility not being available in the period prior to the Offer completion;
- agreeing cash received to date under the Bridge Finance Facility to bank, and obtaining and reading correspondence confirming the termination of the ECI Facility;
- with the assistance of internal restructuring specialists, challenging the appropriateness of the directors' key assumptions in the cash flow forecasts as described in Note 2.1 by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of downside sensitivity analyses. This included assessing the feasibility of mitigating actions within the directors' control;
- assessing and challenging key assumptions and mitigating actions planned, and in particular assessing the reasonableness of assumptions regarding payment of creditors, with reference to board reporting on the subject and comparing the current and forecast levels of stretch against industry and local averages;

- assessing and challenging the forecast timings of cash inflows and outflows associated with major ongoing contracts such as Seagreen and Industrial Maritime Services ("IMI") Rigs 1&2 and assessing the extent to which significant forecast cashflows in respect of settlement of claims are supported by the latest correspondence;
- evaluating and challenging the bid pipeline and the related future cash flows in the model, through inspection of bid documentation, communications with potential customers and holding discussions with the bid development team;
- challenging the level of cash flows in relation to recurring business by reviewing historical trends;
- with the assistance of internal modelling specialists, testing the mathematical accuracy and functionality of the model used to prepare the forecasts;
- understanding the process being followed to monitor the group's solvency, including reading the legal advice obtained by the directors;
- assessing the historical accuracy of forecasts prepared by the group;
- assessing the nature and extent of the directors' disclosure of these matters throughout the annual report and accounts; and
- considering whether completion of the Offer, the ability to continue deferring creditors in the period prior to completion and the assumption that Thunderball provide appropriate levels of funding post completion represent realistic alternatives to ceasing trading.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the group's and parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor’s report to the members of Lamprell plc continued

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Going concern (see material uncertainty relating to going concern section above); – IMI Rigs 1&2 – estimation of project revenues and costs; – Seagreen – estimation of project revenues and costs; and – Recoverability of non-current assets: property plant and equipment (PP&E). Within this report, key audit matters are identified as follows: ⓘ Newly identified ⚠ Increased level of risk ↔ Similar level of risk ✓ Decreased level of risk
Materiality	The materiality that we used for the group financial statements was USD 4.5 million, which equated to 1.2% of revenue. Our benchmark of revenue has remained consistent with the prior year.
Scoping	We performed full scope audit procedures on components comprising 99% of the group’s net assets and 99% of the group’s revenue.
Significant changes in our approach	Changes to key audit matters in the current year were: – Settlement was reached on the Moray East project in respect of the unapproved claims and liquidated damages and therefore this is no longer considered a key audit matter; and – Project delays on Seagreen have resulted in judgements around contract revenue recorded, treatment of variable consideration in respect of contract variations and claims and the estimated costs to complete, leading to this item being considered a new key audit matter.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. IMI Rigs 1&2 – Estimation of project revenues and costs ↔

Key audit matter description	The IMI Rigs 1&2 projects were contracted at lower than usual projected margins and since project commencement have been subject to delays. This exposes the group to the possibility of liquidated damages (“LDs”) being charged by the customer, as well as increases to the forecast cost to complete (and uncertainty associated with those costs) which, given the low levels of margin on the projects, could result in the contracts becoming onerous. No LDs have been provided for, despite delays in contract delivery to date, and a material level of claims income has been recognised despite it being only partially formally agreed by the customer. As forecast costs to complete would only need to increase by 3% to result in these two projects becoming onerous (i.e. loss making), we have also concluded that there is a potential fraud risk in this area. The directors have disclosed the recognition of variable consideration in respect of unapproved contract variations and claims and the decision not to record provisions for LDs as critical judgements in notes 4.1.1 and 4.1.2 respectively, and have included the cost to complete as a key source of estimation uncertainty in note 4.2.1. The accounting for IMI Rigs 1&2 was considered by the Audit and Risk Committee as set out on page 71.
How the scope of our audit responded to the key audit matter	We performed the following procedures in assessing revenue recognised, forecast costs to complete and estimation of potential LD claims: – obtained an understanding of relevant controls over the recognition of contract revenue, forecast costs and forecast margin (including through attending management’s project review meeting where project status, estimates and forecasts are discussed by finance and operational personnel); – read the original contracts and variations thereto, to assess the details of expected revenue, costs and critical dates of project deliverability milestones; – met with operational project management and senior management to understand contract performance and the risks, probability of the risks materialising and the quantification of these risks within forecast costs to complete for each project; – obtained claim documentation and other communications between the group, its immediate customer and the ultimate customer on the status of the projects during the period and after the period end up to the date of approval of the financial statements. With the assistance of internal capital project specialists we assessed the likelihood of unapproved contract claims being awarded as well as the nature of the impact of delay events on the project position, including with respect to LDs and the award of an extension of time in quantum and time; – assessed and independently recalculated the Risk and Opportunities schedule for the projects to test whether estimates are reasonable and supported by appropriate evidence; – agreed the costs to complete to supporting evidence and assessed the completeness and accuracy of the costs through analysis, inquiries, sub-contract agreements and detailed review of project management’s technical assessment papers and forecast schedules and actual costs incurred after the period end. As part of this work, we specifically considered the impact of delays experienced to date on costs to complete. Based on this, we recalculated the revenue and margin recognised for the period; – assessed the accounting treatment against the requirements of IFRS 15; and – considered the impact of COVID-19 on project execution and completion deadlines.
Key observations	Based on procedures performed we are satisfied that the revenue recognised, estimated costs to complete and the directors’ assessment of potential LDs for the IMI Rigs 1&2 projects are reasonable.

Independent auditor's report to the members of Lamprell plc continued

5. Key audit matters continued

5.2. Seagreen – Estimation of project revenues and costs ⓘ

Key audit matter description	The Seagreen project was substantially complete at year end with the remaining jackets being completed and delivered to the customer in early 2022. There is therefore limited estimation risk in relation to forecast costs to complete. However, the project was subject to delays which exposes the group to the possibility of LDs being payable. Negotiations with the customer in respect of both LDs and potential associated claims for additional variable consideration are ongoing. No LDs have been provided for and a material level of variable consideration in respect of unapproved contract claims has been recognised. The directors have disclosed the recognition of unapproved contract claims and the decision not to record provisions for LDs as critical judgements in notes 4.1.1 and 4.1.2 respectively. The accounting for Seagreen was considered by the Audit and Risk Committee as set out on page 71.
How the scope of our audit responded to the key audit matter	We performed the following procedures in assessing revenue recognised, forecast costs to complete and estimation of potential LD claims: – obtained an understanding of relevant controls over the recognition of contract revenue, forecast costs and forecast margin (including through attending management's project review meeting where project status, estimates and forecasts are discussed by finance and operational personnel); – read the original contracts and variations thereto, to assess the details of expected revenue, costs and critical dates of project deliverability milestones; – met with operational project management and senior management to understand contract performance and the risks, probability of the risks materialising and the quantification of these risks within forecast costs to complete; – obtained claim documentation and other communications between the group and the customer on the status of the project during the period and after the period end up to the date of approval of the financial statements. With the assistance of internal capital project specialists we assessed the likelihood of unapproved contract claims being awarded as well as the nature of the impact of delay events on the project position including with respect to LDs and the award of an extension of time in quantum and time; – met with the legal firm engaged by the group to understand their assessment on claim submissions and legal entitlement under the contract; – assessed and independently recalculated the Risk and Opportunities schedule for the projects to test whether estimates are reasonable and supported by appropriate evidence; – agreed the costs to complete to supporting evidence and assessed the completeness and accuracy of the costs through analysis, inquiries, sub-contract agreements and detailed review of project management's forecast schedules and actual costs incurred since the period end. As part of this work, we specifically considered the impact of delays experienced to date on costs to complete. Based on this, we recalculated the revenue and margin recognised for the period; – assessed the accounting treatment against the requirements of IFRS 15; and – considered the impact of COVID-19 on project execution and completion deadlines.
Key observations	The revenue recorded in the period includes an unapproved variation order with limited supporting documentation which we concluded does not comply with the requirements of IFRS 15. However the corresponding amount was not material and overall, based on the procedures performed, we are satisfied that the revenue recognised, estimated costs to complete and the directors' assessment of potential LDs for the Seagreen project are reasonable.

5.3. Recoverability of non-current assets: PP&E ⓘ

Key audit matter description	The group has property, plant and equipment 'PP&E' that is material to the group's balance sheet. Due to the low levels of activity, limited bidding success in the year and the decline in the share price, the Group identified impairment indicators for non-current assets in the United Arab Emirates ("UAE"). The directors performed an impairment assessment as at 31 December 2021, in accordance with IAS 36 <i>Impairment of assets</i>. As disclosed in note 39, where indicators exist, an impairment test is undertaken which requires the directors to estimate the recoverable amount of it's the group's assets, being the higher of the value in use ("VIU") and the fair value less costs of disposal ("FVLCD"). For the year end assessment, the directors assessed that FVLCD would be higher than VIU and accordingly estimated FVLCD of the PP&E with the assistance of external experts in the valuation of plant and equipment and real estate. Key assumptions in the valuations included assessment of the existence of an active market for the assets, and consideration and estimation of dismantling/installation costs. The directors have considered the potential impact of climate change on the valuation, in particular for the operating equipment which was valued based on depreciated replacement cost, and concluded it would not be material as explained in note 39. Based on the exercise completed by the directors, a net impairment reversal of USD 0.4 million (2020: an impairment loss of USD 3.3 million) has been recorded against PP&E during the year, comprising impairment charges of USD 3.2 million and impairment reversals of USD 3.6 million. The resultant carrying amount of PP&E at 31 December 2021 was USD 158.9 million (2020: USD 162.0 million). The impairment assessment was considered by the Audit and Risk Committee as set out on page 71.
How the scope of our audit responded to the key audit matter	We performed the following procedures on the FVLCD estimate: – obtained an understanding of the relevant controls around the valuation process, including their use of valuation experts; – with the assistance of internal valuation specialists, considered and challenged the methodology adopted by the group's valuation experts to derive the fair value of items of PP&E, including their assessment that an active market exists for sale of the items; – with internal valuation specialists, held discussions with the group's valuation experts and challenged assumptions included within the valuations of the PP&E assets; – together with internal valuation specialists, evaluated the competence, capabilities and objectivity of the group's valuation experts and the appropriateness of their work as audit evidence; – together with internal valuation specialists, challenged the group's valuation experts on the dismantling and installation costs that were required to be considered in the FVLCD exercise; – considered the effects of climate change on the valuation; and – considered the costs to dispose determined by the directors by benchmarking to industry standards and developed an estimate to determine if the group's valuation experts' conclusions fell within a reasonable range.
Key observations	Based on our work performed we consider the impairment charges and reversals and resultant carrying value of non-current assets recorded to be reasonable.

Independent auditor’s report to the members of Lamprell plc continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	USD 4.5 million (2020: USD 5 million)	USD 2.25 million (2020: USD 2.9 million)
Basis for determining materiality	The group materiality that we used in the current year was based on 1.2% of revenue. 2020 materiality was based on 1.5% of revenue.	The Parent Company materiality was determined based on 2% (2020: 3%) of parent company net assets
Rationale for the benchmark applied	Consistent with 2020 we have used revenue as an appropriate benchmark for materiality, given its relative stability compared to other potential benchmarks.	In our professional judgement we believe that use of net assets is appropriate for a holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2020: 70%) of group materiality	60% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors which led to the level of performance materiality in the current period: - our risk assessment and our assessment of the group's overall control environment; and - our past experience of the audit, including the value and quantum of corrected and uncorrected misstatements in prior periods and our expectation of the likelihood of misstatements recurring in the current period.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of USD 0.225 million (2020: USD 0.250 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment and assessing the risks of material misstatements at the group level.

The group audit team performed a full scope audit of the group’s UAE operations.

In addition, we engaged one component audit team, a non-DTTL firm, to perform a full scope audit on the group’s IMI associate in the Kingdom of Saudi Arabia (“KSA”).

In total our full scope audit work comprises 99% of the group’s revenue and 99% of net assets, which is consistent with the prior year.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group’s business and its financial statements. The directors have considered climate change as part of their risk assessment process. Their considerations in this area are set out in the Strategic Report, including the section on TCFD compliance on page 33 and the principal risks set out on page 48, as well as in note 4.3 of the financial statements.

As a part of our audit, we have obtained the group’s climate-related risk assessment and held discussions with management and the directors to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the group’s financial statements. As explained in note 4.3, the most significant impact on the financial statements was considered to be the risk that the energy transition could shorten useful economic lives in relation to property, plant and equipment (PP&E) and thereby adversely impact the annual depreciation charge or the estimates used for impairment calculations, especially for the operating equipment as the recoverable amount is based on depreciated replacement cost. However, the directors ultimately concluded that this did not represent a key source of estimation uncertainty, as explained further in note 4.3 and note 39 of the financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the group’s account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. In reaching this conclusion we considered the potential impact of climate change on the recoverability of PP&E, as noted in the related key audit matter in section 5.3 above. Our procedures were performed with the involvement of internal climate change and sustainability specialists and included reading disclosures in the Strategic Report including the TCFD statement, to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.3. Controls approach

We have obtained an understanding of the group’s system of internal controls and undertaken a combination of procedures, all of which are designed to target the group’s identified risks of material misstatement in the most effective manner possible. We tested controls for the following cycles: payroll and expenditure.

7.4. Working with other auditors

We issued the component auditor in KSA with referral instructions and received reporting on the results of their work. In addition to regular update calls to supervise and direct their work, a senior member of the group audit team performed a file review remotely in the absence of a visit to the KSA component auditor during the year, in light of travel restrictions due to the pandemic.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent auditor's report to the members of Lamprell plc continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including the component audit team in KSA and relevant internal specialists, including valuations, capital projects, pensions, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud, taking into consideration the severe liquidity constraints facing the group, and identified the greatest potential for fraud in the following areas:

estimation of project costs and revenue recognition in respect of the IMI Rigs 1&2 contracts and also the cash flow projections used for the going concern assessment. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Isle of Man Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. The key laws and regulations we considered in this context included Isle of Man and UAE Insolvency law, and the group's disclosure obligations under the UK Listing Rules.

11.2. Audit response to risks identified

As a result of performing the above, we identified IMI Rigs 1&2 – Estimation of project revenues and costs and going concern as key audit matters related to the potential risk of fraud. The key audit matters and material uncertainty relating to going concern sections of our report explain these matters in more detail and also describe the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 43;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 45;
- the directors' statement on fair, balanced and understandable set out on page 89;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 46;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 68; and
- the section describing the work of the Audit and Risk Committee set out on page 70.

14. Matters on which we are required to report by exception

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you if, in our opinion:

- we have not received all the information and explanations which to the best of our knowledge and belief, are necessary for our audit; or
- proper books of account have not been kept by the parent company; or
- the parent company financial statements are not in agreement with the books of account and returns; or
- certain disclosures of directors' loans and remuneration specified by law are not being complied with.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were initially appointed at the AGM in May 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ended 31 December 2016 to 31 December 2021. The 31 December 2021 audit will be our last year of engagement as the group's external auditor as detailed on page 70 of the Annual Report.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Isle of Man Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Paterson ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

7 August 2022

Consolidated income statement

for the year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
Revenue	6	388,808	338,623
Cost of sales	7	(389,561)	(324,073)
Gross (loss)/profit		(753)	14,550
Selling and distribution expenses	8	(239)	(298)
General and administrative expenses*	10	(35,531)	(47,215)
Other gains – net	13	687	1,009
Operating loss		(35,836)	(31,954)
Finance costs	12	(7,122)	(5,980)
Finance income	12	51	370
Finance costs – net		(7,071)	(5,610)
Share of loss of investments accounted for using the equity method – net	20	(17,013)	(15,697)
Loss before income tax		(59,920)	(53,261)
Income tax expense	40	(128)	(125)
Loss for the year		(60,048)	(53,386)
Loss per share attributable to the equity holders of the Company during the period	14		
Basic		(16.98)c	(15.63)c
Diluted		(16.98)c	(15.63)c

* General and administrative expenses include a net reversal of impairment losses of USD 0.5 million (31 December 2020: impairment charge USD 4.6 million) recognised in respect of property, plant and equipment as a result of year end assessments – refer Note 39.

The notes on pages 108 to 149 form an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
Loss for the year		(60,048)	(53,386)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit obligations	28	305	(1,676)
Share of other comprehensive loss of equity accounted investments	20	–	(352)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	27	(12)	43
Other comprehensive income/(loss) for the year		293	(1,985)
Total comprehensive loss for the year		(59,755)	(55,371)

The notes on pages 108 to 149 form an integral part of these financial statements.

Consolidated balance sheet

as at 31 December

	Notes	2021 USD'000	2020 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	158,835	162,024
Intangible assets		73	82
Investments accounted for using the equity method	20	40,950	55,888
Term and margin deposits	24	530	447
Total non-current assets		200,388	218,441
Current assets			
Inventories	21	13,228	14,252
Trade and other receivables	22	59,427	73,890
Contract assets	23	99,392	85,426
Cash and cash equivalents	24	25,860	57,625
Term and margin deposits	24	46,443	55,193
Total current assets		244,350	286,386
Total assets		444,738	504,827
LIABILITIES			
Current liabilities			
Borrowings	33	(19,942)	(880)
Trade and other payables	30	(171,817)	(70,866)
Contract liabilities	31	(15,149)	(159,991)
Lease liabilities	18	(2,297)	(2,136)
Current tax liabilities	40	(336)	(253)
Provision for warranty costs	32	(4,489)	(3,555)
Total current liabilities		(214,030)	(237,681)
Net current assets		30,320	48,705
Non-current liabilities			
Lease liabilities	18	(63,411)	(68,849)
Post-employment benefits liabilities	28	(38,455)	(37,848)
Total non-current liabilities		(101,866)	(106,697)
Total liabilities		(315,896)	(344,378)
Net assets		128,842	160,449
EQUITY			
Share capital	26	34,904	30,346
Share premium	26	338,094	315,995
Other reserves	27	(19,304)	(19,292)
Retained losses		(224,852)	(166,600)
Total equity attributable to the equity holders of the Company		128,842	160,449

The financial statements on pages 100 to 149 were approved and authorised for issue by the Board of Directors on 7 August 2022 and signed on its behalf by:

Christopher McDonald

Chief Executive Officer and Director

Antony Wright

Chief Financial Officer and Director

The notes on pages 108 to 149 form an integral part of these financial statements.

Company balance sheet

as at 31 December

	Notes	2021 USD'000	2020 USD'000
ASSETS			
Non-current assets			
Investment in subsidiaries	19	75,617	82,022
Due from related parties	25	43,558	18,214
Total non-current assets		119,175	100,236
Current assets			
Other receivables		730	188
Cash and bank balance		37	42
Total current assets		767	230
Total assets		119,942	100,466
LIABILITIES			
Current liabilities			
Accruals		(577)	(1,185)
Due to related parties	25	(481)	(481)
Total current liabilities		(1,058)	(1,666)
Net current liabilities		(291)	(1,436)
Non-current liabilities			
Post-employment benefits liabilities	28	(556)	(492)
Total liabilities		(1,614)	(2,158)
Net assets		118,328	98,308
EQUITY			
Share capital	26	34,904	30,346
Share premium	26	338,094	315,995
Retained losses		(254,670)	(248,033)
Total equity attributable to the equity holders of the Company		118,328	98,308

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Consolidated statement of changes in equity

	Notes	Share capital USD'000	Share premium USD'000	Other Reserves (Note 27) USD'000	Retained earnings/ (losses) USD'000	Total USD'000
At 1 January 2020		30,346	315,995	(19,335)	(115,626)	211,380
Loss for the year		–	–	–	(53,386)	(53,386)
Other comprehensive income:						
Remeasurement of post-employment benefit obligations	28	–	–	–	(1,676)	(1,676)
Share of other comprehensive loss accounted for using the equity method	20	–	–	–	(352)	(352)
Currency translation differences	27	–	–	43	–	43
Total comprehensive loss for the year		–	–	43	(55,414)	(55,371)
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	4,440	4,440
Total transactions with owners		–	–	–	4,440	4,440
At 31 December 2020		30,346	315,995	(19,292)	(166,600)	160,449
Loss for the year		–	–	–	(60,048)	(60,048)
Other comprehensive income:						
Remeasurement of post-employment benefit obligations	28	–	–	–	305	305
Share of other comprehensive loss accounted for using the equity method	20	–	–	–	–	–
Currency translation differences	27	–	–	(12)	–	(12)
Total comprehensive loss for the year		–	–	(12)	(59,743)	(59,755)
Transactions with owners:						
Issue of share capital	26	4,558	22,099	–	–	26,657
Share-based payments:						
– value of services provided	9	–	–	–	2,410	2,410
– treasury shares purchased		–	–	–	(919)	(919)
Total equity transactions		4,558	22,099	–	1,491	28,148
At 31 December 2021		34,904	338,094	(19,304)	(224,852)	128,842

The notes on pages 108 to 149 form an integral part of these financial statements.

Company statement of changes in equity

	Notes	Share capital USD'000	Share premium USD'000	Other reserve USD'000	Retained earnings/ (losses) USD'000	Total USD'000
At 1 January 2020		30,346	315,995	–	(244,467)	101,874
Loss for the year		–	–	–	(7,974)	(7,974)
Other comprehensive income:						
Remeasurement of post-employment benefit obligations	28	–	–	–	(32)	(32)
Total comprehensive loss for the year		–	–	–	(8,006)	(8,006)
Transactions with owners:						
Share-based payments:						
– value of services provided	9	–	–	–	1,202	1,202
– investment in subsidiaries	19	–	–	–	3,238	3,238
Total transactions with owners		–	–	–	4,440	4,440
At 31 December 2020		30,346	315,995	–	(248,033)	98,308
Loss for the year		–	–	–	(8,148)	(8,148)
Other comprehensive income:						
Remeasurement of post-employment benefit obligations	28	–	–	–	20	20
Total comprehensive loss for the year		–	–	–	(8,128)	(8,128)
Transactions with owners:						
Issue of share capital	26	4,558	22,099	–	–	26,657
Share-based payments:						
– value of services provided	9	–	–	–	567	567
– investment in subsidiaries	19	–	–	–	1,843	1,843
Treasury share purchase		–	–	–	(919)	(919)
Total equity transactions		4,558	22,099	–	1,491	28,148
At 31 December 2021		34,904	338,094	–	(254,670)	118,328

The notes on pages 108 to 149 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
Operating activities			
Cash (used in)/generated from operations	38	(56,088)	113,303
Tax paid	40	(45)	(49)
Net cash (used in)/generated from operations		(56,133)	113,254
Investing activities			
Purchases of property, plant and equipment	17	(11,771)	(13,906)
Proceeds from sale of property, plant and equipment		58	381
Additions to intangible assets		–	(288)
Investment in associates	20	(1,750)	(25,814)
Finance income	12	51	370
Inflows from margin deposits under lien (with original maturity more than three months)		19,447	5,285
Outflows from margin deposits under lien (with original maturity more than three months)		(6,976)	(24,074)
Inflows from margin deposits under lien (with original maturity less than three months)		432	–
Outflows from margin deposits under lien (with original maturity less than three months)		(4,236)	(497)
Net cash used in investing activities		(4,745)	(58,543)
Financing activities			
Proceeds on issue of shares – net of transaction costs	26	26,657	–
Purchase of treasury shares		(919)	–
Proceeds from borrowings	33	19,924	880
Cost of raising debt finance		(3,274)	–
Repayments of borrowings	33	(880)	(20,000)
Finance costs		(2,157)	(1,411)
Repayment of interest expense on leases	18	(7,434)	(2,142)
Repayment of lease liabilities	18	(2,792)	(618)
Net cash generated/(used) in financing activities		29,125	(23,291)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents, beginning of the year		57,625	26,162
Exchange rate translation		(12)	43
Cash and cash equivalents, end of the year	24	25,860	57,625

The notes on pages 108 to 149 form an integral part of these financial statements.

Company cash flow statement
for the year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000
Operating activities			
Loss for the year	34	(8,148)	(7,974)
Adjustments for:			
Impairment of investment in subsidiary	19	8,248	8,074
Share-based payment – value of services provided	9	567	1,202
Charge for employees' end of service benefits	28	84	80
Operating cash flows before changes in working capital		751	1,382
Changes in working capital:			
Other receivables		(542)	(79)
Accruals		(608)	1,046
Due from related parties	25	(25,344)	(2,684)
Net cash used in operating activities		(25,743)	(335)
Financing activities			
Proceeds on issue of shares – net of transaction costs	26	26,657	–
Purchase of treasury shares		(919)	–
Net cash generated from financing activities		25,738	–
Net decrease in cash and cash equivalents			
Cash and cash equivalents, beginning of the year		42	377
Cash and cash equivalents, end of the year		37	42

The notes on pages 108 to 149 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2021

1 Legal status and activities

Lamprell plc (“the Company”/“the parent 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 1931 to 2004 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 interest method (Note 27). The Company was admitted to the AIM (formerly the Alternative Investment market) 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 First Names House, Victoria Road, Douglas, IM2 4DF, 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 33455, Dubai, UAE.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) are: assembly and new build construction for the onshore/offshore oil and gas and renewable sectors; fabricating packaged, pre-assembled and modularised units; constructing accommodation and complex process modules for onshore downstream projects; construction of complex living quarters, wellhead decks, topsides, jackets and other offshore fixed facilities; rig refurbishment; land rig services; engineering and construction, operations and maintenance and proprietary technologies for industrial application – refer to Note 5.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Place of incorporation
Lamprell Energy Limited (“LEL”)	100	100	Isle of Man
Lamprell Investment Holdings Ltd. (“LIH”)	100	100	British Virgin Islands
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
Cleopatra Barges Limited (“CBL”)	100	100	British Virgin Islands
Lamprell plc Employee Benefit Trust (“EBT”)	100	†	Unincorporated
Maritime Industrial Services Co. Ltd. Inc (“MIS”)	100	100	Republic of Panama
Maurlis International Ltd. Inc (“MIL”)	100	100	Republic of Panama
Rig Metals LLC (“RIM”)	49*	100	UAE
Maritime Industrial Services Co. Ltd. & Partners (“MISCLP”)	70*	100	Sultanate of Oman
Global Investment Co. Ltd. Inc (“GIC”)	100	100	Republic of Panama
Sunbelt Safety Services Co. Ltd. Inc. (“SSS”)	100	100	Republic of Panama
MIS Qatar LLC (“MISQWLL”)	49*	100	Qatar
Lamprell Kazakhstan LLP (“LAK”)	100	100	Kazakhstan
Lamprell Energy (UK) Limited (“LUK”)	100	100	England and Wales
Sunbelt Safety Services LLC (“SSSL”)	70*	100	Sultanate of Oman
Sunbelt Middle East Safety Services LLC	49*	100	UAE

* According to statutory requirements, the remaining legal ownership in each case is registered in the name of a Gulf Cooperation Council (“GCC”) national/entities owned by a GCC national, who has assigned all the economic benefits attached to their shareholdings to the Group entity. The Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity via management agreements and, accordingly, these entities are consolidated as wholly owned subsidiaries in these consolidated financial statements. These shareholders receive sponsorship fees from the Group (Note 25).

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group and the financial statements of the parent company have been prepared in accordance with United Kingdom adopted international accounting standards, International Financial Reporting Standards (“IFRS”) as issued by the IASB and the Isle of Man Companies Acts 1931 to 2004. In accordance with the provisions of the Isle of Man Companies Act 1982, the Company has not presented its own statement of comprehensive income.

Going concern

These financial statements have been prepared on a going concern basis which assumes that the Group will continue to have adequate resources to continue in operational existence for at least the next twelve months from the date of approval of these consolidated financial statements notwithstanding the material uncertainty discussed below.

The Group incurred a loss before tax of USD 59.9 million during the year ended 31 December 2021 (31 December 2020: USD 53.4 million) and was in a Net Cash position of USD 52.9 million on 31 December 2021 (2020: Net Cash position of USD 112.4 million). Of the Net Cash position on 31 December 2021, USD 47.1 million was restricted. The level of net unrestricted cash on 31 December 2021 was therefore USD 5.8 million (2020: USD 56.8 million). At 30 June 2022 the level of net unrestricted cash was USD 6.5 million and the Group faces acute liquidity challenges as outlined further below.

Balance sheet recapitalisation

In 2021, the Group launched a balance sheet recapitalisation programme to fulfil its near-term working capital needs and to meet medium term strategic objectives with the intention of completing a new funding arrangement of USD 120 -150 million by the end of Q3 2021.

In order to temporarily address the most immediate capital requirements, the Group entered a USD 45 million Export Credit Agency (“ECA”) backed revolving trade loan facility (“ECI Facility”) with two regional banks in October 2021 and raised gross proceeds of approximately USD 30.1 million through a placing of new Lamprell shares.

The Group intended to secure further capital in the form of a second working capital facility of USD 45 million by the end of Q1 2022, with additional funding to be put in place by the end of H1 2022.

Accordingly, during H1 2022 the Directors continued to explore a number of potential financing and strategic options, including equity financing, debt financing, the potential sale of the Group’s oil and gas business, asset monetisation and project-specific financing with a view to delivering the required funding by the end of H1 2022 in line with the Group’s working capital requirements.

Despite significant efforts by the Group to secure this additional finance, prior to the developments outlined below these discussions had not resulted in new financing for the Group. As a result, the Group now faces urgent and severe liquidity constraints and in the absence of reaching an immediate alternative funding solution, the Group will not be able to meet its funding obligations.

Recommended Cash Offer for Lamprell plc (“the Offer”)

On 21 July 2022, the Board of Directors of the Company and the Board of Directors of Thunderball Investments Limited (a newly formed company owned by Blofeld Investment Management Limited and AlGihaz Holding Closed Joint-Stock Company) (collectively referred to as “Thunderball”) announced a recommended all-cash offer of 9p per share to be made by Thunderball for the Company’s issued share capital. The Offer includes provision of a secured USD 145 million Bridge Loan Facility on the terms and conditions summarised below.

Bridge Loan Facility

On 21 July 2022, the Group entered into the bridge loan facility agreement (the “Bridge Loan Facility Agreement”) with Maverick Investment Holding Ltd (“Maverick”), a company under the control of a member of the AlSayed family, and AlGihaz Holding Closed Joint-Stock Company (“AlGihaz”). Pursuant to this Maverick and AlGihaz each agreed to make available a total loan facility of up to USD 145 million to the Group. The Bridge Loan Facility is available for drawdown in tranches, of which USD 85 million has already been drawn down and a further USD 10 million has been requested and is expected to be paid on or around 8 August 2022. Further amounts of USD 35 million and USD 15 million are forecast to be drawn down at the end of August and September 2022 respectively. The Bridge Loan Facility is secured on the majority of the Group’s assets.

The Bridge Loan Facility is being made available (i) to repay the ECI Facility described above in full, which occurred on 4 August 2022; and (ii) to fund expenditures projected to fall due after 21 July 2022, in accordance with a schedule of expenditures agreed between the parties. The Bridge Loan Facility is repayable on the earlier of (i) the date falling three months after the date on which the Offer becomes wholly unconditional; or (ii) the date falling three months after the date on which the Offer lapses or is withdrawn. Interest will accrue at the rate of 12 per cent per annum.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies continued

2.1 Basis of preparation continued

Going concern continued

The Directors believe the Offer and Bridge Loan Facility are the only viable funding solutions available to the Group and as a result this forms the basis of the forecast cash flows used in performing their assessment of going concern. The Directors have considered the forecast cashflows for the Group for the 15 months to October 2023 which include key assumptions detailed below:

- **The Offer proceeds to completion:** The Offer is subject to more than 50 per cent of shareholders approving the Offer. Based on the current shareholdings of Thunderball, which in aggregate represent approximately 45.18% of the Company's issued share capital, and irrevocable undertakings by certain other shareholders to vote in favour of the Offer representing an additional 4.82% of issued share capital, the Directors have forecast that the Offer will be accepted by the Shareholders. The Offer is subject to certain additional conditions precedent which are considered usual and customary for this type of transaction.
- **Sufficiency of the Bridge Loan Facility:** The Directors have assumed that the Bridge Loan Facility will be timely paid following draw-down requests and sufficient to cover the funding requirements for the time required to conclude the Offer. After repayment of the ECI facility, USD 101 million of the Bridge Loan Facility remains to pay the Group's other creditors, which amounted to USD 176 million as of 30 June 2022, and to partially meet the ongoing funding requirements of the Group. A significant proportion of the Group's creditors at 30 June 2022 were many months overdue and, whilst it is anticipated that the Bridge Loan Facility will enable a number of these to be settled in the period prior to the completion of the Offer, the Directors expect payment to certain overdue key suppliers on the IMI Rigs projects (who were owed USD 51 million at 30 June 2022) will need to be extended in line with the expected timing of milestone receipts on these projects in late 2022 and early 2023. The Directors have assumed that the Group will be able to achieve this based on its track record of doing so, but it's ability to do this is critical and dependent on the reaction of the key suppliers as the payables are unsecured and contractual credit terms are exceeded, which is outside the Group's control. The level of creditor deferral in the period prior to completion of the Offer is also dependent on the outcome of contract claims and the extent of new contract awards as discussed below.
- **Post completion funding:** The Directors do not have visibility of Thunderball's plans for the business after the Offer is completed, including the extent and terms of any funding that will be provided post completion. The intentions statement in the 21 July announcement indicates that Thunderball is aware that Lamprell must be recapitalised and that this would be most effectively undertaken after the Company's shares are de-listed such that Lamprell can execute its strategy, with appropriate support, capital and assistance from Thunderball. The Directors have therefore assumed that upon conclusion of the Offer, Thunderball continues to support the business, and in particular:
 - That Thunderball will extend or waive the repayment of the Bridge Loan Facility as the Group will be unable to repay the loan when it falls due (which is forecast to be in December 2022).
 - That significant additional funding will be provided by Thunderball during the 15 months to October 2023 in order that the business may continue to trade. The level and timing of funding required will depend on a number of factors, including the outcome of Thunderball's review of the business, successful execution of the Group's ongoing contracts, the speed with which they are required to settle overdue creditors, and (as discussed below) the outcome of contract claims and extent of new contract awards, but may be up to approximately USD 100 million.
- **Contract claims:** The Directors assume that settlement of contract claims on certain major contracts will result in significant cash inflows in the forecast period. These are not yet agreed and the amount and timing of such settlements is not wholly within the control of the Directors.
- **New contract awards:** The Directors assume conversion of a portion of the bid pipeline in line with the expected timing of awards, including achieving similar historical levels of revenue for the contracting services and rig refurbishment businesses. These contract awards are not committed and there is therefore some uncertainty as to their commencement.

In preparing the forecasts, the Directors have further considered broader economic factors including the ongoing pandemic, conflict in Ukraine and the effects of climate change. Technological improvements or innovations that support the transition to a lower carbon economy, and customer preferences or regulatory incentives that alter fuel or power choices, could impact demand for oil and gas. Depending on the nature and speed of any such changes and our response, these changes could increase costs, reduce our profitability, reduce demand for certain products, limit our access to new opportunities, require us to write down certain assets or curtail or cease certain operations, and affect investor sentiment, our access to capital markets, our competitiveness and financial performance. On the contrary, these risks provide a significant opportunity to our Renewables segment which would benefit from the increased demand and accelerated award of projects to meet the net zero emission targets.

If the Offer does not proceed and the Bridge Loan Facility falls due for repayment within its current terms, there can be no guarantee that the Group will be able to implement any alternative funding in the available timeframe. In such an event, the Directors believe that the Group will be unable to meet its financial commitments as they fall due and consequently will be unable to continue to operate as a going concern resulting in the appointment of receivers, liquidators or administrators. Accordingly, the Directors consider that the Offer represents the only executable funding solution available to the Group given that Thunderball has procured the Bridge Loan Facility and there is no present viable alternative.

The Directors believe that: (1) the risk that the Offer does not complete; (2) the requirement for significant levels of ongoing creditor deferral during the period prior to the completion of the Offer; and (3) the lack of visibility of Thunderball's plans for the business after the Offer is completed, all of which depend on factors outside management's control, constitute in aggregate a material uncertainty that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

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

(a) New and amended standards adopted by the Group

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments), 'Interest Rate Benchmark Reform – Phase 2' The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The application of these amendments has had no effect on the Group's consolidated financial statements as the Group has no hedging relationships currently.

IFRS 16 (amendments), 'COVID-19 Related Rent Concessions' The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The application of these amendments has had no material effect on the Group's consolidated financial statements as the lease concessions the Group has benefited from during the year are not material.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2021 and not early adopted

IAS 1 (amendments), 'Classification of Liabilities as Current or Non-current' The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual periods beginning on or after 1 January 2023. The Group does not anticipate that the application of the amendments in future will have an impact on the Group's consolidated financial statements.

IFRS 3 (amendments), 'Reference to the Conceptual Framework' The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The Group does not anticipate that the application of the amendments in future will have an impact on the Group's consolidated financial statements.

IFRS 10 and IAS 28 (amendments), deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The amendments state that the gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method are recognised in the parent's profit or loss to the extent of the unrelated investors interest in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendment has yet to be set by the IASB. The Group does not anticipate that the application of the amendments in future will have an impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies continued

2.1 Basis of preparation continued

Basis of accounting continued

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2021 and not early adopted continued

IAS 16 (amendments), ‘Property, Plant and Equipment – Proceeds before Intended Use’ The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments are effective for annual periods beginning on or after 1 January 2022. The Group does not apply such deductions and therefore, application of the amendments in future will not have an impact on the Group’s consolidated financial statements.

IFRS 17, ‘Insurance Contracts’ establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The amendments are effective for annual periods beginning on or after 1 January 2023. The Group does not anticipate that the application of the amendments in future will have an impact on the Group’s consolidated financial statements as this standard is not applicable to the Group.

IAS 37 (amendments), ‘Onerous Contracts – Cost of Fulfilling a Contract’ The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after 1 January 2022. The Group does not anticipate that the application of the amendments in future will have an impact on the Group’s consolidated financial statements as this is consistent with our existing policies.

IAS 1 and IFRS Practice Statement 2 (amendments), ‘Disclosure of Accounting Policies’ The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

IAS 8 (amendments), ‘Definition of Accounting Estimates’ The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. The amendments are effective for annual periods beginning on or after 1 January 2023. The Group does not anticipate that the application of the amendments in future will have an impact on the Group’s consolidated financial statements.

IAS 12 (amendments), ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments are effective for annual periods beginning on or after 1 January 2023. The Group does not anticipate that the application of the amendments in future will have an impact on the Group’s consolidated financial statements.

2.2 Revenue recognition

Contract revenue

The Group reviews lump-sum construction contracts and allocates revenue to each performance obligation of the contract depending on whether the contract is viewed as containing a single or multiple performance obligations. Revenue from each performance obligation is recognised either over time or at a point in time depending on the nature and timing of when the performance obligation is satisfied.

In the case of a performance obligation satisfied over time, contract revenue is recognised under the input method by measuring the proportion of costs incurred for work performed to total estimated costs.

When the contract is at an early stage and its outcome cannot be reliably estimated, due to their uncommon nature, risk profiling, including first-of-a-kind projects, the Group recognises revenue to the extent of cost incurred up to the year-end which are considered recoverable. For these contracts, the Group recognises gross margin only when progress towards complete satisfaction of the performance obligation can be measured reliably. This is mainly the case with respect to fixed price construction contracts with an expected contract duration of 18 months or more, which is the average period for completing a project.

Revenue related to variation orders is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the amount of revenue arising from the variation can be reliably measured. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception. The estimated variable consideration is however, constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.

Contract modifications are accounted for as a separate contract only if the scope of contract changes due to the addition of the promised goods or services that are distinct; and the price of the contract increases by an amount of consideration that reflects a standalone selling price.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

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

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against progress billings at each reporting period. Where the sum of the costs incurred and recognised profit or recognised loss exceeds the progress billings, the balance is shown under contract assets as amounts due from customers on contracts.

Where the progress billings exceed the sum of costs incurred and recognised profit or recognised loss, the balance is shown under contract liabilities as amounts due to customers on contracts.

In determining contract costs incurred up to the reporting date, any amounts incurred, including advances paid to suppliers and advance billings received from subcontractors relating to future activity on a contract, are excluded and are presented under contract assets as contract work-in-progress.

Products and services

Revenue from sale of products and services is recognised in the accounting period in which the control is transferred or the service is rendered net of value added tax.

Interest income

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

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies continued

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the recognised amount of acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests’ method to account for business combinations involving entities under common control.

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

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

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of related asset or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses in the consolidated income statement. When the Group’s share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interest that, in substance, forms part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

The Group’s share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of profit/(loss) of an associate’ in the consolidated income statement.

2.4 Investment in subsidiaries

In the Company’s separate financial statements, the investment in subsidiaries is stated at cost less provision for impairment. Cost is the amount of cash paid or the fair value of the consideration given to acquire the investment. Income from such investments is recognised as dividend in the statement of comprehensive income.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Group’s activities are primarily carried out from the UAE, whose currency, the UAE Dirham, is pegged to the United States Dollar (“USD”) and is the functional currency of all the entities in the Group (except MISCLP whose functional currency is the Omani Riyal, MISQWLL whose functional currency is the Qatari Riyal and for EBT and LUK whose functional currency is the Great British Pound). The consolidated and parent company financial statements are presented in USD.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred into other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within ‘finance income or costs’. All other foreign exchange gains and losses are presented in the consolidated income statement within ‘other gains/(losses) – net’.

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised in other comprehensive income.

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

2.6 Property, plant and equipment

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

	Years
Buildings and infrastructure	3 – 25
Operating equipment	3 – 20
Fixtures and office equipment	3 – 5
Motor vehicles	5

The assets’ residual values, if significant, and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.20).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘other gains/(losses) – net’ in the consolidated income statement.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies continued

2.7 Intangible assets

Directly attributable costs that are capitalised as part of the software product include the software development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives using the straight-line method over a period of fifteen years.

2.8 Inventories

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

2.9 Trade receivables

Trade receivables are amounts receivable from customers for billing in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses. The Group measures the loss allowance for trade receivables based on the expected credit loss model – refer Note 2.18(d). The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement within ‘general and administrative expenses’. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘general and administrative expenses’ in the consolidated income statement.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Provisions

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

2.12 Employee benefits

(a) Staff benefits liability

An accrual is made for the estimated liability for performance related bonus and employees’ entitlements to annual leave and air fare as a result of services rendered by the employees up to the balance sheet date. This provision is disclosed as a current liability and included in trade and other payables.

Labour laws in the countries in which the Group operates require the Group to provide for other long-term employment benefits. Provision is made, using actuarial techniques, for the end of service benefits due to employees, for their periods of service up to the balance sheet date. The provision relating to end of service benefits is disclosed as a non-current liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The current service cost and interest cost is recognised in the income statement in ‘Employees’ end of service benefits’.

(b) Share-based payments

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

The Company has granted rights to its equity instruments to the employees of subsidiary companies conditional upon the completion of continuing service with the Group for a specified period. The total amount of the grant over the vesting period is determined by reference to the fair value of the equity instruments granted and is recognised in each period as an increase in the investment in the subsidiary with a corresponding credit to retained earnings.

In the separate financial statements of the subsidiary, the fair value of the employee services received in exchange for the grant of the equity instruments of the Company is recognised as an expense with a corresponding credit to equity.

2.13 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The Group determines the lease term as the non-cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information. The non-lease components are accounted for in accordance with the Group’s policies.

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- a) is within the control of the Group; and
- b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Where (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of

a purchase option, the Group re-measures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right-of-use one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee’s incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below USD5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term in cost of sales or general and administration expenses line items of the consolidated income statement.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies continued

2.13 Leases continued

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

For assets that meet the definition of property, plant and equipment, right-of-use asset is amortised over the term of the lease. The right-of-use assets are presented within property, plant and equipment in the consolidated statement of financial position.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks less margin deposits and other short-term highly liquid investments with original maturity of three months or less. Term and margin deposits are presented separately in the consolidated statement of financial position.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the repayment value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method. The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. The fee is capitalised and amortised over the period of the facility to which it relates.

2.16 Dividend distribution

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

2.17 Segment reporting

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

2.18 Financial assets

The Group classifies its financial assets in the following categories: at amortised cost or fair value through other comprehensive income ("FVTOCI") and fair value through P&L ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group's financial assets are held to collect as the cash flows will result from collecting contractual cash flows. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

(a) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(b) Financial assets at fair value through other comprehensive income ("FVTOCI")

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses presented in the consolidated income statement to the extent they are not part of a designated hedging relationship within 'other gains/(losses) – net' in the period in which they arise. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the consolidated income statement.

(d) Impairment of financial assets

In relation to the impairment of financial assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers financial assets to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. In doing so, the Group also takes into account the days the contractual payments are past due.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

(e) Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration and financial liability under option arrangements recognised in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'other gains/(losses) – net'.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, contracts work-in-progress or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of contracts work in progress or in depreciation in the case of fixed assets.

The Group currently does not hold any hedge relationships.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies continued

2.20 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets are reviewed for indicators of possible reversal of the impairment at each reporting date. Any impairment loss or reversal is recognised in the consolidated income statement and separately disclosed (Note 39).

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds received net of any directly attributable transaction costs over the par value of the shares are credited to the share premium.

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

3 Financial risk management

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange and cash flow interest rate risk), credit risk and liquidity risk. These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The Group’s liquidity and market risks are managed as part of the Group’s treasury activities. Treasury operations are conducted within a framework of established policies and procedures.

(a) Market risk – foreign exchange risk

The Group has foreign exchange risk primarily with respect to balances in Euro, Great British Pound, Omani Riyal, Qatari Riyal and Saudi Riyal with certain suppliers. Market risk exposures are measured using sensitivity analysis. During the year ended 31 December 2021, if foreign exchange rates on foreign balances had been 10% higher/lower, the exchange difference would have been higher/lower by USD 0.3 million (2020: USD 0.1 million).

(b) Market risk – cash flow interest rate risk

The Group holds its surplus funds in short-term bank deposits. During the year ended 31 December 2021, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 0.3 million (2020: USD 0.2 million).

The Group’s interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. During the year ended 31 December 2021, if interest rates on borrowings had been 0.5% higher/lower, the interest expense would have been higher/lower by USD 0.1 million (2020: USD 0.1 million).

(c) Credit risk

The Group’s exposure to credit risk is detailed in Notes 16, 22, 23 and 24. The Group has a policy for only dealing with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks, financial assets carried at fair value through profit or loss, trade and other receivables, contract assets, related party balances and derivative financial instruments. The Group has a formal procedure of monitoring and follow up of customers for outstanding receivables. For banks and financial institutions, only independently rated parties with the equivalent of investment grade and above are accepted unless if the bank is situated in a frontier market where minimal balances are held.

The Group assesses internally the credit quality of each customer, considering its financial position, past experience and other factors. An impairment analyses is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for grouping of various customer segments. The calculation reflects the probability weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due with reference to past default experience of the debtor, an analysis of the debtor’s current financial position and general current and forecast economic conditions of the industry in which the debtors operate. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group’s different customer segments.

	Contract assets Current USD’000	Trade Receivables				
		Current USD’000	Up to 3 months USD’000	3 to 6 months USD’000	Over 6 months USD’000	Total USD’000
31 December 2021						
Expected credit loss rate	–	–	–	–	71%	
Gross carrying amount	99,392	21,126	3,927	636	4,544	129,625
Loss allowance	–	–	–	–	3,223	3,223

31 December 2020						
Expected credit loss rate	–	–	–	–	72%	
Gross carrying amount	85,426	43,760	5,690	1,143	4,682	140,701
Loss allowance	–	–	–	–	3,372	3,372

Balances in over 6 months have objective evidence of impairment and hence have been individually assessed. All other aging categories have been collectively assessed as the expected credit losses are not material.

The following table shows the rating and balance of the 13 major counterparties at the balance sheet date:

Cash and cash equivalents and deposits

Counterparty	2021		2020	
	External rating+	USD’000	External rating+	USD’000
Bank A	A+	46,156	A+	44,998
Bank B	AA–	11,783	A+	40,064
Bank C	A+	8,407	AA–	24,083
Bank D	A+	4,951	A+	2,151
		71,297		111,296

+ Based on Fitch’s long-term ratings.

Trade receivables

	2021		2020	
	Internal rating++	USD’000	Internal rating++	USD’000
Customer 1	Group B	10,185	Group B	32,906
Customer 2	Group A	4,334	Group B	5,067
Customer 3	Group A	2,798	Group B	4,697
Customer 4	Group A	2,656	Group C	2,079
Customer 5	Group A	1,860	Group A	1,995
Customer 6	Group C	1,045	Group C	1,073
Customer 7	Group B	975	Group C	1,045
Customer 8	Group C	796	Group C	582
Customer 9	Group A	657	Group B	376
		25,306		49,820

++ Refer to Note 16 for the description of internal ratings.

The above represents 84% (2020: 90%) of trade receivables of USD 30.2 million (2020: USD 55.3 million) (Note 22).

The counterparties in 2021 are not necessarily the same counterparties in 2020.

The customers in 2021 are not necessarily the same customers in 2020.

Management does not expect any losses from non-performance by these counterparties.

The majority of contract assets are with the same customers as indicated in the receivables table (Note 23).

Notes to the consolidated financial statements

continued

3 Financial risk management continued

3.1 Financial risk factors continued

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group is currently financed from shareholders' equity and borrowings. When liquidity is constrained the Group seeks to address the working capital deficits by deferring supplier payments to match with the expected inflows from the projects. See Note 2.1 for a detailed discussion on creditor deferrals.

The following table analyses the Group's other financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount USD'000	Contractual cash flows USD'000	Less than 1 year USD'000	Between 1 to 5 years USD'000
31 December 2021				
Trade payable, other payables and accruals (Note 30)	171,817	171,817	171,817	–
Borrowings (Note 33)	19,942	19,942	19,942	–
	191,759	191,759	191,759	–
31 December 2020				
Trade payable, other payables and accruals (Note 30)	70,866	70,866	70,866	–
Borrowings (Note 33)	880	880	880	–
	71,746	71,746	71,746	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt. In the absence of funding, the Group makes use of creditor payment deferrals to manage its working capital – see Note 2.1.

The Group monitors capital based on the gearing ratio. In doing so, consideration is given of capital relative to the needs of the business and its strategic objectives. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and bank balances. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

At the balance sheet date, the Group has a net cash position and was therefore un-gearred.

3.3 Fair value estimation

The Group has no derivative financial instruments to be measured at fair value as of 31 December 2021 and 31 December 2020. Property, plant and equipment has been measured at fair value less cost of disposal– see Note 39.

4 Critical accounting judgements and key sources of estimation uncertainty

The Group makes certain critical judgements, estimates and assumptions concerning the future. These 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, 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:

4.1 Critical judgements in applying accounting policies

Apart from those involving estimation (see Note 4.2), the Group has made following critical judgements in applying accounting policies in the process of preparing these consolidated financial statements.

4.1.1 Contract claims

A claim is an amount that the Group seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from, for example, customer caused delays, prolongation cost, cost of acceleration of project, program errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer or the customer's representative, there is a clear contractual entitlement, and/or negotiations have reached a stage that it is highly probable that a significant reversal of revenue will not occur.

As at 31 December 2021, the balance due from customers on construction contracts includes an amount of USD 22.1 million (2020: USD 5.0 million) unapproved contract claims as negotiations continue with our clients on the Seagreen and IMI projects.

4.1.2 Liquidated damages (LDs)

The Group recognises liquidated damages where there have been significant delays against defined contractual delivery dates or unfulfilled contractual obligations and it is considered probable that the customer will successfully pursue these penalties. This requires management to make a judgement where the amount of liquidated damages payable under the contract will be incurred based on a combination of an assessment of the contractual terms, the reasons for any delays and evidence of cause of the delays to assess who is liable under the contract for the delays and consequently whether the Group is liable for the liquidated damages or not.

While certain contracts have been subject to delays and/or unfulfilled contractual obligations in 2021, based on a review of the status of and risk on ongoing projects, the current status of discussions with customers and information at hand, no provision for LDs have been made in the financial statements as at 31 December 2021 (2020: nil).

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Revenue and margin recognition

The Group uses the input method in accounting for its contract revenue. Use of the input method requires the Group to estimate the stage of completion of the contract to date based on costs incurred as a proportion of the total contract costs that will be incurred over the life of the contract. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each period end. These cost estimates will often include a contingency relating to identified risks which are adjusted throughout the life of a project to reflect the remaining risk profile.

The Group uses a 5% sensitivity to assess the effect a change in estimate of this magnitude would have on the revenue and margin recognised. A 3% cost increase is considered to be the minimum figure that could turn a project onerous where margins are low.

If the estimated total costs to completion of all outstanding projects were to decrease by 5% this would either result in contract assets increasing by USD 6.8 million (2020: USD 5.4 million) or contract liabilities decreasing by USD 6.8 million (2020: USD 5.4 million).

If the estimated total costs to completion of all outstanding projects were to increase by 5%, contract assets would either decrease by USD 7.8 million (2020: USD 5.8 million) or contract liabilities would increase by USD 7.8 million (2020: USD 5.8 million). Based on this scenario, contract liabilities would include an onerous contract provision of USD 4.2 million on the Group's two newbuild projects where the margin is lower than average, as they were bid at competitive levels to monetise existing inventory.

4.3 Climate change

Transitioning to a net-zero energy system is crucial for protecting human health, mitigating climate change and revitalising the economy. The Group is accelerating its decarbonisation plan to achieve its net-zero target by 2050 and its operations may be impacted positively or negatively by government actions within the locations it operates as further discussed in the strategic report. In relation to the Group's financial position at 31 December 2021, the most significant potential impact is considered to be the risk that the energy transition could shorten useful economic lives in relation to property, plant and equipment and thereby adversely impact the annual depreciation charge or the estimates used for impairment calculations especially for the operating equipment as the recoverable amount is based on depreciated replacement cost – see Note 39. However, based on the analysis shown in Note 39, we do not currently believe this represents a key source of estimation uncertainty.

Notes to the consolidated financial statements

continued

5 Segment information

In January 2021, as part of the Lamprell reimagined strategy the Group was re-organised into three strategic markets it seeks to address i.e., ‘Oil and Gas’, ‘Renewables’ and ‘Digital’. Accordingly, this has changed how the business is reported and viewed by the Executive Directors, the chief operating decision-maker, and therefore the make up of the reportable segments.

The segments are based on strategic objectives, similar nature of the products and services, type of customer and economic characteristics.

During 2020, the segments were reported as Rigs, EPC(I) and Contracting services and as a result, comparatives have been restated.

The Oil and Gas segment contains business from New Build Jack Up rigs, land rigs, refurbishment and engineering and construction (excluding site works) used by customers operating in the Oil and Gas business. The Renewables segment contains business from foundations and offshore platforms mainly used by customers operating offshore wind power projects. The Digital segment comprises business from use of proprietary technologies for industrial application.

	Oil and Gas USD'000	Renewables USD'000	Digital USD'000	Total USD'000
Year ended 31 December 2021				
Revenue from external customers	247,467	141,341	–	388,808
Gross operating profit before absorptions	27,447	6,244	–	33,691

Year ended 31 December 2020 (restated)				
Revenue from external customers	188,311	150,312	–	338,623
Gross operating profit before absorptions	25,330	21,262	–	46,592

The Executive Directors assesses the performance of the operating segments based on a measure of gross profit. The labour, project management and equipment costs in this gross profit measure are measured based on standard cost. Standard cost is based on an estimated or predetermined cost rates for performing an operation under normal circumstances. Standard costs are developed from historical data analysis adjusted with expected changes in the future circumstances. The difference between total cost charged to the projects at standard rate and the actual cost incurred are reported as under or over absorption. 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 operating profit is provided as follows:

	2021 USD'000	2020 USD'000
Gross operating profit for Oil and Gas segment as reported to the Executive Directors	27,447	25,330
Gross operating profit for the Renewables segments as reported to the Executive Directors	6,244	21,262
Gross operating profit for the Digital segments as reported to the Executive Directors	–	–
Gross operating profit before absorptions	33,691	46,592
Under absorbed employee and equipment costs	(5,544)	(2,893)
Provision for slow moving and obsolete inventories	(21)	(294)
Reversal of impairment losses shown as part of operating profit (Note 10)	148	97
Project related bank guarantee charges shown as part of operating profit	(1,500)	(1,237)
Gross operating profit	26,774	42,265
Unallocated:		
Unallocated operational overheads	(6,497)	(10,743)
Repairs and maintenance	(5,006)	(3,464)
Yard rent and depreciation	(6,969)	(7,323)
Others	(10,408)	(7,325)
Add back:		
Reversal of impairment losses shown as part of general and administrative expenses (Note 10)	(148)	(97)
Project related bank guarantee charges shown as part of finance costs	1,500	1,237
Gross (loss)/profit	(753)	14,550
Selling and distribution expenses (Note 8)	(239)	(298)
General and administrative expenses- excluding impairment and restructuring costs (Note 10)	(34,282)	(37,070)
Other gains – net (Note 13)	687	1,009
Finance costs (Note 12)	(7,122)	(5,980)
Finance income (Note 12)	51	370
Share of loss of investment accounted for using the equity method (Note 20)	(17,013)	(15,697)
Reversal/(charge) of impairment losses – net (Note 39)	471	(4,548)
Restructuring costs (Note 29)	(1,720)	(5,597)
Loss before income tax	(59,920)	(53,261)

The breakdown of revenue from all services is as disclosed in Note 6.

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

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.

The Group’s principal place of business is in the UAE. The revenue recognised in the UAE with respect to external customers is USD 386.3 million (2020: USD 336.5 million), and the revenue recognised from other countries is USD 2.5 million (2020: USD 2.1 million).

Certain customers individually accounted for greater than 10% of the Group’s revenue and are shown in the table below:

	2021 USD'000	2020 USD'000
External customer A	148,542	99,156
External customer B	140,491	87,193
External customer C	28,069	51,152
	317,102	237,501

In 2021, revenue from customers A and C is attributable to the Oil and Gas segment, and revenue from customer B to the Renewables segment, whereas in 2020, revenue from customers A and C relates to Renewable segment and customer B to the Oil and Gas segment. Customers A, B and C are not the same in the two years presented.

6 Disaggregation of revenue

Major value streams

	Year ended 31 December 2021			Year ended 31 December 2020 (restated)		
	Oil and Gas USD'000	Renewables USD'000	Total USD'000	Oil and Gas USD'000	Renewables USD'000	Total USD'000
New build jackups, refurbishment and land rigs	186,221	–	186,221	128,727	–	128,727
Platforms	7,448	–	7,448	–	–	–
Foundations	–	141,341	141,341	–	150,312	150,312
Operations and maintenance, site work and safety services	53,798	–	53,798	59,584	–	59,584
	247,467	141,341	388,808	188,311	150,312	338,623

Timing of revenue recognition

	Year ended 31 December 2021			Year ended 31 December 2020 (restated)		
	Oil and Gas USD'000	Renewables USD'000	Total USD'000	Oil and Gas USD'000	Renewables USD'000	Total USD'000
Recognised over time	247,467	141,341	388,808	188,311	150,312	338,623

There was no revenue recognised at a point in time during the years ended 31 December 2021 and 31 December 2020.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), to be recognised over time, as at 31 December are, as follows:

Performance Obligations (unsatisfied)

	Year ended December 2021			Year ended December 2020 (restated)		
	Oil and Gas USD'000	Renewables USD'000	Total USD'000	Oil and Gas USD'000	Renewables USD'000	Total USD'000
Within one year	326,978	14,317	341,295	314,332	142,872	457,204
More than one year	1,596	–	1,596	64,760	–	64,760
	328,574	14,317	342,891	379,092	142,872	521,964

Financial statements

Notes to the consolidated financial statements

continued

7 Cost of Sales

	2021 USD'000	2020 USD'000
Materials and related costs	147,324	131,921
Staff costs (Note 11)	124,708	107,692
Subcontract labour	38,295	16,376
Subcontract costs – including warranty provisions	33,958	30,803
Depreciation (Note 17)	14,858	17,986
Equipment hire	14,071	9,620
Write-down of inventory to net realisable value (Note 21)	–	6,934
Utilities	6,122	3,439
Repairs and maintenance	5,006	3,464
Warranty provision released	(257)	(9,039)
Recruitment costs	499	555
Others	4,977	4,322
	389,561	324,073

8 Selling and distribution expenses

	2021 USD'000	2020 USD'000
Advertising and marketing	162	72
Travel	48	214
Entertainment	21	11
Others	8	1
	239	298

9 Share-based payments

Group

	2021 USD'000	2020 USD'000
Amount of share-based charge (Note 11):		
– relating to retention share plan	896	1,230
– relating to performance share plan	1,514	3,210
	2,410	4,440

Company

	2021 USD'000	2020 USD'000
Amount of share-based charge:		
– relating to performance share plan	567	1,202
	567	1,202

Retention share plan

The Company awarded shares to selected Directors, key management personnel and employees under the retention share plan that provides an entitlement to receive these shares at no cost. These retention shares are conditional on the Directors/key management personnel/employee completing a specified period of service (the vesting period). The awards do not entitle participants to dividend equivalents during the vesting period and some of the awards have a performance condition. The fair value of the share awards made under this plan is based on the share price at the date of the grant, less the value of the dividends foregone during the vesting period.

The details of the shares granted under this scheme are as follows:

Grant date	Number of shares	Vesting period	Fair value per share	Expected withdrawal rate
2018	2,903,073	36 months	£0.77	–
	10,000	34 months	£0.77	–
	10,000	22 months	£0.77	–
	30,000	10 months	£0.77	–
	2,953,073			
2019	1,720,724	36 months	£0.60	–
	558,390	36 months	£0.60	–
	2,279,114			
2021	1,461,521	36 months	£0.35	–
	5,014,779	36 months	£0.35	–
	825,000	36 months	£0.35	–
	7,301,300			

A charge of USD 0.9 million (2020: USD 1.2 million) related to this scheme is recognised as staff costs in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings. This includes a charge under staff costs recognised in the income statement of the Company with a corresponding credit to retained earnings of USD Nil (2020: USD Nil).

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

An analysis of the number of shares granted, vested during the year and expected to vest in future periods is provided below:

	Number of shares
Shares expected to vest in future periods at 1 January 2020	6,059,577
Shares vested during the year	(1,012,183)
Shares lapsed during the year	(385,264)
Shares expected to vest in future periods at 31 December 2020	4,662,130
Shares granted during the year	7,301,300
Shares vested during the year	(2,352,923)
Shares lapsed during the year	(547,886)
Shares expected to vest in future periods at 31 December 2021	9,062,621

Notes to the consolidated financial statements

continued

9 Share-based payments continued

Performance share plan

The Company granted share awards to Directors, key management personnel and selected employees that give them an entitlement to receive a certain number of shares at no cost subject to the satisfaction of a performance target and continued employment. The performance target is assessed against financial metrics that may include relative or absolute total shareholder return, cumulative net profit performance, ESG performance and cumulative revenue performance. The fair value of the share awards made under this plan is based on the share price at the date of the grant less the value of the dividends foregone during the vesting period.

The details of the shares granted under this scheme are as follows:

Grant date	Number of shares	Vesting period	Fair value per share	Dividend entitlement	Expected withdrawal rate
2018					
9 April 2018	1,192,924	36 months	£ 0.77	No	–
9 April 2018	1,410,937	36 months	£ 0.77	No	–
	2,603,861				
2019					
5 April 2019	2,059,523	36 months	£ 0.52	No	–
5 April 2019	3,305,075	36 months	£ 0.52	No	–
	5,364,598				
2021					
29 November 2021	2,923,042	36 months	£ 0.34	No	–
29 November 2021	3,165,301	36 months	£ 0.34	No	–
	6,088,343				

Accordingly, a charge of USD 1.5 million (2020: USD 3.2 million) is recognised in the consolidated income statement for the year with a corresponding credit to the consolidated retained earnings. This includes a charge recognised in the income statement of the Company with a corresponding credit to retained earnings of USD 0.6 million (2020: USD 1.2 million).

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

An analysis of the number of shares gifted/granted, vested during the year and expected to vest in future periods is provided below:

	Number of shares
Shares expected to vest in future periods at 1 January 2020	9,994,652
Shares granted under performance share plan	–
Shares lapsed due to non-satisfaction of vesting conditions	(3,319,796)
Shares expected to vest in future periods at 31 December 2020	6,674,856
Shares granted during the year	6,088,343
Shares vested during the year	(468,346)
Shares lapsed due to non-satisfaction of vesting conditions	(2,122,808)
Shares expected to vest in future periods at 31 December 2021	10,172,045

10 General and administrative expenses

	2021 USD'000	2020 USD'000
Staff costs (Note 11)	18,959	25,574
Legal, professional and consultancy fees	4,504	2,126
Depreciation (Note 17)	1,950	2,045
Auditor's remuneration (Note 15)	2,425	1,326
IT support and maintenance	1,857	1,543
Restructuring costs (Note 29)	1,720	5,597
Insurance	1,422	916
Utilities and communication	1,279	1,135
Non-executive director fees	452	439
Office maintenance	450	513
Bank charges	101	105
Amortisation of intangible assets	9	9
Digital initiatives	–	550
Reversal of impairment losses, net of amounts recovered	(148)	(97)
(Reversal)/charge of impairment losses of non-financial assets – net (Note 39)	(471)	4,548
Others	1,022	886
	35,531	47,215

11 Staff costs

	2021 USD'000	2020 USD'000
Wages and salaries	112,404	100,209
Employees' end of service benefits (Note 28)	4,618	5,251
Share-based payments – value of services provided (Note 9)	2,410	4,440
Other benefits	24,235	23,366
	143,667	133,266
Staff costs are included in:		
Cost of sales (Note 7)	124,708	107,692
General and administrative expenses (Note 10)	18,959	25,574
	143,667	133,266
Number of employees at 31 December	5,688	5,346
Sub-contracted employees at 31 December	1,060	1,275
Total number of employees (staff and subcontracted) at 31 December	6,748	6,621

Staff costs for the year ending 31 December 2021 is net of the COVID-19 savings realised from payroll deductions implemented at the onset of the pandemic amounting to USD 8.7 million (31 December 2020: 7.7 million). This contributes USD 6.2 million (31 December 2020: USD 5.4 million) to cost of sales and USD 2.5 million (31 December 2020: USD 2.3 million) to general and administrative expenses.

The other benefits primarily consist of non-cash benefits for employees such as insurance, air fare, VISA costs and rental of villas and apartments.

During the year, the average head count for administrative employees was 5,780 (2020: 5,552) while the average head count for subcontracted employees was 1,875 (2020: 717).

Financial statements

Notes to the consolidated financial statements

continued

11 Staff costs continued

Directors' remuneration comprises:

	Salary 2021 USD'000	Fees 2021 USD'000	Allowances & benefits 2021 USD'000	COVID-19 deduction 2021 USD'000	Share-based payments value of services provided 2021 USD'000	Post- employment benefits 2021 USD'000	Total 2021 USD'000	Total 2020 USD'000
Executive Directors								
Christopher McDonald	700	–	218	(212)	424	50	1,180	2,142
Antony Wright	410	–	153	(135)	200	34	662	1,168
Non-Executive Directors								
John Malcolm	–	248	–	(62)	–	–	186	188
Mel Fitzgerald	–	101	–	(26)	–	–	75	76
Debra Valentine	–	118	–	(30)	–	–	88	90
James Dewar [#]	–	101	–	(26)	–	–	75	76
Nicholas Garrett	–	–	–	–	–	–	–	9
Motassim Al Maashouq [^]	–	27	–	(7)	–	–	20	–
Jean Marc Lechene [~]	–	6	–	(2)	–	–	4	–
	1,110	601	371	(500)	624	84	2,290	3,749

The emoluments of the highest paid Director were USD 1.2 million (2020: USD 2.1 million) and these principally comprised salary, share-based payment and benefits.

Resigned as Non-Executive Director with effect from 10 December 2021.

[^] Appointed as Non-Executive Director with effect from 14 September 2021.

[~] Appointed as Non-Executive Director with effect from 9 December 2021.

12 Finance costs and income

Finance costs

	2021 USD'000	2020 USD'000
Interest expense on leases (Note 18)	4,949	4,627
Bank guarantee charges	1,526	1,147
Interest on bank borrowings	34	129
Commitment fees	–	42
Others	613	35
	7,122	5,980

Finance income

Finance income comprises interest income of USD 0.1 million (2020: USD 0.4 million) from bank deposits.

13 Other gains – net

	2021 USD'000	2020 USD'000
Exchange loss – net	(140)	(454)
(Loss)/profit on disposal of assets	(73)	267
Discounts received	–	892
Insurance claim received against previous year expenses	723	–
Others	177	304
	687	1,009

14 Loss per share

(a) Basic

Loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (Note 26).

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the retention and performance share plans, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards/options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the share awards.

	2021 USD'000	2020 USD'000
The calculations of loss per share are based on the following loss and numbers of shares:		
Loss for the year	(60,048)	(53,386)
Weighted average number of shares for basic loss per share	353,506,890	341,710,302
Adjustments for:		
– Assumed vesting of performance share plan	–	–
– Assumed vesting of retention share plan	–	–
Weighted average number of shares for diluted loss per share	353,506,890	341,710,302

Assumed vesting of performance and retention share plans amounting to 3,813,324 (2020: 3,199,269) shares and 1,817,370 (2020: 2,880,301) shares respectively have been excluded in the current period as these are anti-dilutive.

Loss per share:		
Basic	(16.98)c	(15.63)c
Diluted	(16.98)c	(15.63)c

15 Operating loss

(a) Operating loss

Operating loss is stated after charging/recognising:

	2021 USD'000	2020 USD'000
Depreciation (Note 17)	16,808	20,031
(Reversal)/charge of impairment losses – net (Note 39)	(471)	4,548
Write-down of inventory to net realisable value (Note 21)	–	6,934

(b) Auditor's remuneration

Services provided by the Group's auditor and its associates comprised:

	2021 USD'000	2020 USD'000
Audit of parent company and consolidated financial statements	1,306	966
Audit of Group companies pursuant to legislation	71	71
Total audit fee	1,377	1,037
Interim review of parent company and consolidated financial statements	554	289
Corporate finance services	494	–
Total non-audit fee	1,048	289

The above fees exclude non-recoverable UK VAT amounting to USD 0.3 million.

Financial statements

Notes to the consolidated financial statements

continued

16 Financial instruments by category

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

Group

Assets as per balance sheet

	Classification	2021 USD'000	2020 USD'000
Trade receivables – net of provision (Note 22)	Amortised cost	27,010	51,903
Other receivables (Note 22)	Amortised cost	12,609	10,871
Due from related parties (Note 25)	Amortised cost	13,470	8,602
Cash and bank balances (Note 24)	Amortised cost	72,833	113,265
		125,922	184,641

Liabilities as per balance sheet

	Classification	2021 USD'000	2020 USD'000
Trade payables (Note 30)	Liabilities at amortised cost	112,943	26,586
Other payables (Note 30)	Liabilities at amortised cost	9,090	1,353
Accruals (Note 30)	Liabilities at amortised cost	49,549	42,810
Due to a related party (Note 25)	Liabilities at amortised cost	235	117
Borrowings (Note 33)	Liabilities at amortised cost	19,942	880
		191,759	71,746

Company

Assets as per balance sheet

	Classification	2021 USD'000	2020 USD'000
Due from related parties (Note 25)	Amortised cost	43,558	18,214
Cash and bank balance	Amortised cost	37	42
Other receivables	Amortised cost	730	188
		44,325	18,444

Liabilities as per balance sheet

	Classification	2021 USD'000	2020 USD'000
Due to related parties (Note 25)	Liabilities at amortised cost	481	481
Accruals	Liabilities at amortised cost	577	1,185
		1,058	1,666

Credit quality of financial assets

Group

The credit quality of financial assets that are fully performing can be assessed by reference to historical information about counterparty default rates:

	2021 USD'000	2020 USD'000
Trade receivables		
Group A	10,584	2,498
Group B	10,219	40,837
Group C	323	425
	21,126	43,760

Group A – Last six months average debtor days is less than 45.

Group B – Last six months average debtor days is between 46 and 90.

Group C – Last six months average debtor days is above 90.

	2021 USD'000	2020 USD'000
Cash at bank and short-term bank deposits		
Fitch's ratings		
A+	59,706	87,561
AA-	11,783	24,083
BB-	395	395
A	73	72
A-	–	1
Not rated	298	298
	72,255	112,410
Cash in hand	578	855
	72,833	113,265
Cash and bank balances and term and margin deposits (Note 24)		

Company

	2021 USD'000	2020 USD'000
Due from related parties (Note 25)	43,558	18,214

Due from related parties are fully performing.

	2021 USD'000	2020 USD'000
Cash at bank		
Fitch's ratings		
A+	37	42

Other financial instruments in the Company are not material.

Notes to the consolidated financial statements
continued

17 Property, plant and equipment

	Buildings & infrastructure USD'000	Operating Equipment USD'000	Fixtures and office Equipment USD'000	Motor Vehicles USD'000	Right of use assets USD'000	Capital work-in-Progress USD'000	Total USD'000
Cost							
At 1 January 2020	172,764	173,551	19,417	3,230	56,758	5,104	430,824
Additions	337	5,705	173	–	13,569	7,691	27,475
Disposals	(95)	(6,367)	(1)	(347)	–	–	(6,810)
Remeasurements	–	–	–	–	(1,824)	–	(1,824)
Transfers	–	4,825	102	–	–	(4,927)	–
Retirements*	(27,166)	(6,428)	(10,279)	(39)	–	–	(43,912)
At 31 December 2020	145,840	171,286	9,412	2,844	68,503	7,868	405,753
Additions	2,321	7,567	905	–	–	2,486	13,279
Disposals	(122)	(862)	(3)	(25)	–	–	(1,012)
Remeasurements	–	–	–	–	–	–	–
Transfers	4,925	2,693	128	–	–	(7,746)	–
At 31 December 2021	152,964	180,684	10,442	2,819	68,503	2,608	418,020
Depreciation							
At 1 January 2020	(122,596)	(122,809)	(18,019)	(2,937)	(4,386)	–	(270,747)
Charge for the year	(4,264)	(10,648)	(872)	(149)	(4,098)	–	(20,031)
Impairment (Note 39)	(311)	(3,172)	(76)	–	–	–	(3,559)
Disposals	68	6,281	–	347	–	–	6,696
Retirements*	27,166	6,428	10,279	39	–	–	43,912
At 31 December 2020	(99,937)	(123,920)	(8,688)	(2,700)	(8,484)	–	(243,729)
Charge for the year	(3,746)	(8,004)	(782)	(63)	(4,213)	–	(16,808)
Impairment reversal/(charge) – net (Note 39)	(2,225)	2,708	(12)	–	–	–	471
Disposals	122	732	2	25	–	–	881
At 31 December 2021	(105,786)	(128,484)	(9,480)	(2,738)	(12,697)	–	(259,185)
Net book value							
At 31 December 2021	47,178	52,200	962	81	55,806	2,608	158,835
At 31 December 2020	45,903	47,366	724	144	60,019	7,868	162,024

Buildings have been constructed on land, leased on a renewable basis from various Government Authorities. The remaining lives of the leases range between two to twenty-one years.

Property, plant and equipment with a carrying amount of USD 39.3 million (2020: USD 58.4 million) are under lien against the bank facilities (Note 33).

A depreciation expense of USD 14.9 million (2020: USD 18.0 million) has been charged to cost of sales; USD 1.9 million (2020: USD 2.0 million) to general and administrative expenses (Notes 7 and 10). This includes depreciation charge on right-of-use assets of USD 4.2 million (2020: USD 4.1 million). A net reversal of an impairment loss of USD 0.5 million (2020: impairment charge USD 3.6 million) has been recorded based on the impairment tests performed at year end. Refer to Note 39 for details of the impairment assessments performed at year end and key assumptions.

Capital work-in-progress represents the cost incurred towards construction and upgrade of infrastructure and operating equipment.

*It relates to the retirement of assets associated with the Sharjah yard, which was vacated during 2020 as part of the Group's restructuring plan.

18 Lease liabilities

The following is the movement in lease liabilities during the year ended 31 December 2021:

	2021 USD'000	2020 USD'000
At 1 January	70,985	57,373
Additions during the year	–	13,569
Interest expense on leases	4,949	4,627
Repayment of lease liability	(2,792)	(618)
Repayment of interest expense on leases	(7,434)	(2,142)
Remeasurements	–	(1,824)
At 31 December	65,708	70,985
Non-current	63,411	68,849
Current	2,297	2,136
	65,708	70,985

The table below provides details regarding the contractual maturities of lease liabilities as at 31 December 2021 on an undiscounted basis:

	2021 USD'000	2020 USD'000
Not later than one year	7,085	7,085
Later than one year but not later than five years	29,800	28,827
Later than five years	76,009	83,683
	112,894	119,595

The following are the amounts recognised in profit or loss:

	2021 USD'000	2020 USD'000
Depreciation (included in cost of sales) – Note 7	4,213	4,098
Interest expense (included in finance cost) – Note 12	4,949	4,627
Short-term lease expenses (included in cost of sales and general and administrative expenses)	203	179
	9,365	8,904

19 Investment in subsidiaries

	2021 USD'000	2020 USD'000
Balance at 1 January	82,022	86,858
Share-based payments to employees of subsidiaries in accordance with IFRS 2	1,843	3,238
Impairment during the year	(8,248)	(8,074)
Balance at 31 December	75,617	82,022

The recoverable amount of the investment in subsidiaries is determined based on net asset value of the subsidiaries. Net asset value of the subsidiaries is calculated based on the subsidiaries' total assets less total liabilities as at 31 December 2021.

Based on these calculations, an impairment of USD 8.2 million (2020: 8.1 million) has been recorded during the year in the Company balance sheet. The investment was accounted for using the uniting of interest method for business combinations.

The Company granted retention and performance shares to employees of its subsidiaries under various plans (Note 9). These shares have a vesting period of thirty-six months. Accordingly, the proportionate share-based charge for the year of USD 1.8 million (2020: USD 3.2 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

Financial statements

Notes to the consolidated financial statements

continued

20 Investment accounted for using the equity method

Group

	2021 USD'000	2020 USD'000
At 1 January	55,888	44,420
Investment in associate and joint venture	1,750	25,814
Share of loss of investments accounted for using the equity method – net	(17,013)	(15,697)
Impairment (Note 39)	–	(792)
Excess loss reclassified to other liabilities (MISA)	–	2,123
Excess loss reclassified to other liabilities (LSAL)	325	372
Share of other comprehensive loss accounted for using the equity method	–	(352)
At 31 December	40,950	55,888

Details of the associates and joint venture during the year and at the balance sheet date are as follows:

Name of Company	Place of incorporation and operation	Proportion of ownership	Classification	Status
Maritime Industrial Services Arabia Co. Ltd. ("MISA") *	Jubail, Kingdom of Saudi Arabia	30%	Associate	Operational
International Maritime Industries ("IMI")**	Ras Al Khair, Kingdom of Saudi Arabia	20%	Associate	Operational
Lamprell Saudi Arabia LLC ("LSAL")***	Riyadh, Kingdom of Saudi Arabia	50%	Joint venture	Operational
AiFlux Limited ("AiFlux")#	Abu Dhabi, United Arab Emirates	50%	Joint venture	Operational

* Production, manufacturing and erection of heat exchangers, pressure vessels, tanks, structural steel, piping and other related activities.

** Establishment, development and operation of a maritime yard for the construction, maintenance and repair of offshore drilling rigs and marine vessels.

*** Commissioning works, industrial works, oil and gas piping works, marine works and installation services.

Innovative digital solutions focusing predominantly on the renewables and oil & gas industries.

Investment in an associate – MISA

The Group's investment in MISA is held at nil value as at 31 December 2021 as it was fully impaired in 2020 following a decision to dispose of the investment. On 30 January 2022, the Group finalised the Sale and Purchase Agreement of its shareholding to the associate's major shareholder, Al Yusr Industrial and Contracting Co which concludes the Group's disposal of this investment.

Investment in an associate – IMI

	2021 USD'000	2020 USD'000
At 1 January	55,888	42,407
Investment made during the year	–	25,814
Share of loss for the year	(16,114)	(11,981)
Share of other comprehensive loss accounted for using the equity method	–	(352)
At 31 December	39,774	55,888

Summarised financial information in respect of the Group's associate is set out below:

	2021 USD'000	2020 USD'000
Total non-current assets	387,307	281,614
Total current assets	406,268	288,012
Total non-current liabilities	(293,072)	(145,896)
Total current liabilities	(250,508)	(161,166)
Net assets	249,995	262,564
Group's share of associate's net assets – 20%	49,999	52,513
Adjustment for deferred equity contribution*	(13,600)	–
Acquisition cost capitalisation	3,375	3,375
Carrying amount at 31 December	39,774	55,888
Revenue	179,654	156,289
Expenses	(260,220)	(216,195)
Loss for the year	(80,566)	(59,906)
Group's share of associate's net loss	(16,114)	(11,981)

IMI is a private company and there is no quoted market price available for its shares.

* During the year IMI called for an additional equity contribution of USD 85.0 million. In total, USD 68.0 million was received from the other shareholders, whilst the Group chose to defer payment of its share of USD 17.0 million. As a result, an adjustment has been made to exclude the Group's share in additional capital contributions made by the other partners.

Investment in a joint venture – LSAL

	2021 USD'000	2020 USD'000
At 1 January	–	–
Share of loss for the year	(325)	(372)
Excess loss reclassified to other liabilities	325	372
At 31 December	–	–

Summarised financial information in respect of the Group's joint venture is set out below:

	2021 USD'000	2020 USD'000
Total non-current assets	153	–
Total current assets	9,997	3
Total non-current liabilities	(11)	–
Total current liabilities	(11,825)	(1,082)
Net liabilities	(1,686)	(1,079)
Group's share of joint venture's net liabilities – 50%	(843)	(540)
Revenue	7,448	–
Expenses	(8,098)	(744)
Loss for the year	(650)	(744)
Group's share of joint venture's net loss	(325)	(372)

LSAL is a private company and there is no quoted market price available for its shares.

Investment in a joint venture – AiFlux

During the year, the Group along with its partner, Injazat Data Systems LLC, formed a joint venture – AiFlux Limited. The investment has been accounted by the Group as a joint venture and the details are as follows:

	2021 USD'000
At 1 January	–
Investment during the year	1,750
Share of loss for the year	(574)
At 31 December	1,176

AiFlux is a private company and there is no quoted market price available for its shares.

21 Inventories

	2021 USD'000	2020 USD'000
Raw materials, consumables and finished goods	15,710	16,995
Work in progress	–	–
Less: Provision for slow moving and obsolete inventories	(2,482)	(2,743)
	13,228	14,252

The cost of inventories recognised as an expense amount to USD 18.7 million (2020: USD 19.6 million) and this includes nil (2020: 6.9 million) in respect of write-down of inventory to net realisable value. The net realisable value for finished goods was determined by an independent valuer based on a fair valuation of the components making up the finished goods.

Financial statements

Notes to the consolidated financial statements

continued

22 Trade and other receivables

	2021 USD'000	2020 USD'000
Trade receivables	30,233	55,275
Other receivables	12,609	10,871
Prepayments	6,062	2,320
Advance to suppliers	277	194
Receivables from a related party (Note 25)	13,470	8,602
	62,651	77,262
Less: Provision for impairment losses	(3,224)	(3,372)
	59,427	73,890

An analysis of trade receivables is as follows:

	2021 USD'000	2020 USD'000
Fully performing	21,126	43,760
Past due	5,884	8,143
Impaired	3,223	3,372
	30,233	55,275

At 31 December 2021, trade receivables of USD 5.9 million (2020: USD 8.1 million) were past due but not impaired. These relate to a few independent customers for whom Group is not expecting any credit losses. The Group considers that the carrying amount of trade receivables approximates to their fair value

	2021 USD'000	2020 USD'000
Up to 3 months	3,927	5,690
3 to 6 months	636	1,143
Over 6 months	1,321	1,310
	5,884	8,143

At 31 December 2021, trade receivables of USD 3.2 million (2020: USD 3.4 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in a difficult economic situation. The ageing analysis of these trade receivables is over six months.

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

Movements on the provision for impairment losses are as follows:

	2021 USD'000	2020 USD'000
At 1 January	3,372	3,469
Provision for impairment losses	47	27
Amounts recovered during the year	(196)	(124)
At 31 December	3,223	3,372

The creation and release of the provision for impairment losses have been included in general and administrative expenses in the consolidated income statement (Note 10).

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The carrying value of trade and other receivables approximates to their fair value.

Refer to Note 3.1(c) for an assessment on expected credit losses.

Other receivables includes USD 3.3 million in respect of the costs of obtaining the revolving trade loan facility (refer note 33), which are being amortised over the term of the facility.

23 Contract Assets

	2021 USD'000	2020 USD'000
Amounts due from customers on contracts	26,211	30,859
Contract work in progress	73,181	54,567
	99,392	85,426

Amounts due from customers on contracts comprise:

	2021 USD'000	2020 USD'000
Costs incurred to date	204,552	228,178
Attributable profit	14,501	30,179
	219,053	258,357
Less: Progress billings	(192,842)	(227,498)
	26,211	30,859

The Group does not expect any credit losses from contract assets due to history of payment from these customers. Refer to Note 3.1(c) for an assessment on expected credit losses.

24 Cash and bank balances

(a) Cash and cash equivalents

Group	2021 USD'000	2020 USD'000
Cash at bank and on hand	25,860	57,625

(b) Term and margin deposits

Group	2021 USD'000	2020 USD'000
Margin deposits – under lien (with original maturity less than three months)	6,844	3,040
Margin deposits – under lien (with original maturity more than three months)	40,129	52,600
Term and margin deposits (restricted cash) (Note 33)	46,973	55,640
Non-Current	530	447
Current	46,443	55,193
	46,973	55,640

At 31 December 2021, the cash at bank and short-term deposits were held with ten banks (2020: eleven banks). The effective interest rate on short-term deposits was 0.10% (2020: 0.77%) per annum. Margin and short-term deposits of USD 6.8 million (2020: USD 3.0 million) and deposits with an original maturity of more than three months amounting to USD 40.1 million (2020: USD 52.6 million) are held under lien against bank guarantees (Note 37).

Cash and cash equivalents are assessed to have low credit risk as further detailed in Note 3.1c. Therefore, management does not estimate the loss allowance on cash and cash equivalents at the end of reporting period as material.

Company

The cash and bank balance comprises cash held with one bank (2020: one bank).

Notes to the consolidated financial statements

continued

25 Related party balances and transactions

Related parties comprise of substantial shareholders who own 10% or more of the issued share capital and voting rights of the Company, certain legal shareholders of the Group companies, Directors and key management personnel of the Group and entities controlled by Directors and key management personnel. Key management includes the Directors and members of the executive committee. Related parties, for the purpose of the parent company financial statements, also include subsidiaries owned directly or indirectly and joint ventures. Other than those disclosed elsewhere in the financial statements, the Group entered the following significant transactions during the year with related parties at arm’s length prices. The Group’s other related party transactions were the remuneration of Non-Executive Directors – refer Note 10.

Group	2021 USD’000	2020 USD’000
Key management compensation	5,419	8,441
Sales to associates*	146,904	90,351
Purchases from associates	118	117
Re-chargeable expenses to associates	1,638	2,369
Sponsorship fees and commissions paid to legal shareholders of subsidiaries (Note 1)	337	329

* Sales to associates includes contract revenue earned from the IMI rigs USD 141.9 million (2020: USD 88.2 million). Contract liabilities on the balance sheet includes an amount of USD 8.2 million (2020: USD 97.3 million) related to these rigs in line with IFRS 15 accounting.

Company	2021 USD’000	2020 USD’000
Key management compensation	2,233	3,749
Revenue (management fees charged to subsidiaries)	4,987	5,130

Key management compensation comprises:

Group	2021 USD’000	2020 USD’000
Salaries and other short-term benefits	3,380	3,912
Bonus and share-based payments – value of services provided	1,374	3,874
Post-employment benefits	217	216
Non- Executive Directors fee (Note 11)	448	439
	5,419	8,441

Company	2021 USD’000	2020 USD’000
Salaries and other short-term benefits	1,134	1,248
Bonus and share-based payments – value of services provided	567	1,983
Post-employment benefits	84	79
Non- Executive Directors fee (Note 11)	448	439
	2,233	3,749

The terms of the employment contracts of the key management include reciprocal notice periods of between three to twelve months.

Due from/due to related parties

Due from related parties

Group (Note 22)	2021 USD’000	2020 USD’000
MISA (in respect of sales to associate)	1,006	698
IMI (In respect of expenses on behalf of associate)	4,411	6,852
LSAL (In respect of expenses on behalf of joint venture)	8,050	1,049
Mada Al Sharq Company LLC (in respect of joint venture expenses)	3	3
	13,470	8,602

Company	2021 USD’000	2020 USD’000
MIS*	11,370	11,370
MOL#	3,372	3,372
LEL~	28,684	3,346
EBT^	132	126
	43,558	18,214

* Primarily comprises a receivable in respect of management fees charged by the Company.

Primarily comprises of a receivable in respect of expenses incurred for IMI.

~ Primarily comprises of a receivable in respect of expenses incurred on behalf of the Company.

^ Primarily comprises of payments made for treasury shares acquired by EBT on behalf of the Group.

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

Due to a related party

Group	2021 USD’000	2020 USD’000
MISA (in respect of purchases) (associate) (Note 30)	235	117

Company	2021 USD’000	2020 USD’000
CBL (in respect of expenses incurred on behalf of the Company)	481	481

26 Share capital and share premium

Issued and fully paid ordinary shares

Group/Company

	Equity Number	Share capital USD’000	Share premium USD’000
At 1 January 2021	341,726,570	30,346	315,995
Shares issued during the year	68,345,313	4,558	24,608
Share issue costs	–	–	(2,509)
At 31 December 2021	410,071,883	34,904	338,094

The total authorised number of ordinary shares is 500 million shares (2020: 500 million shares) with a par value of 5 pence per share (2020: 5 pence per share).

During the year, the Company successfully carried out a non-pre-emptive placing through an accelerated bookbuild and the direct subscription with the Company by certain Directors (together, the “Capital Raising”). The capital raising represented 19.99% of the Company’s issued share capital at the time equal to 68,345,313 ordinary shares at an issue price of 32 pence per share. An aggregate of 67,900,313 shares were placed with institutional investors, while the remaining 445,000 shares were directly subscribed by the directors. The gross proceeds from the capital raising amounted to USD 29.2 million.

During 2021, Lamprell plc employee benefit trust (“EBT”) acquired 1,005,358 shares (2020: nil shares) of the Company. The total amount paid to acquire the shares was USD 0.9 million (2020: nil) and has been deducted from the consolidated retained earnings. During 2021, 1,005,358 (2020: no shares) were issued to employees and 16,268 shares (31 December 2020:16,268 shares) were held as treasury shares at 31 December 2021. The Company has the right to reissue these shares later. These shares will be issued on vesting of the retention shares/performance shares/ share options granted to certain employees of the Group.

Notes to the consolidated financial statements

continued

27 Other reserves

Group

	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Total USD'000
At 1 January 2020	98	(18,572)	(861)	(19,335)
Currency translation differences	–	–	43	43
At 31 December 2020	98	(18,572)	(818)	(19,292)
Currency translation differences	–	–	(12)	(12)
At 31 December 2021	98	(18,572)	(830)	(19,304)

Legal reserve

The Legal reserve relates to subsidiaries (other than the subsidiaries incorporated in free zones) in the UAE and the State of Qatar. In accordance with the laws of the respective countries, the Group has established a statutory reserve by appropriating 10% of the profit for the year of such companies. Such transfers are required to be made until the reserve is equal to, at least, 50% (UAE) and 33.3% (State of Qatar) of the issued share capital of such companies. The legal reserve is not available for distribution.

Merger reserve

On 11 September 2006, the Group acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition was accounted for using the uniting of interest method.

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 interest method.

28 Post-employment benefits liabilities

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2021 and 2020, using the projected unit credit method, in respect of employees' end of service benefits payable under the Labour Laws of the countries in which the Group operates. 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. The obligation for end of service benefit is not funded.

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

Group

	2021 USD'000	2020 USD'000
At 1 January	37,848	36,863
Current service cost	4,046	4,308
Interest cost	572	943
Remeasurements	(305)	1,676
Benefits paid	(3,706)	(5,942)
At 31 December	38,455	37,848

Remeasurements consist of actuarial gain from a change in financial assumptions USD 1.2 million (2020: loss of USD 2.2 million) and an actuarial loss from a change in other experiences USD 0.9 million (2020: gain of USD 0.5 million).

Company

	2021 USD'000	2020 USD'000
At 1 January	492	380
Current service cost	76	74
Interest cost	8	6
Remeasurements	(20)	32
At 31 December	556	492

Group

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

	2021 USD'000	2020 USD'000
Current service cost	4,046	4,308
Interest cost	572	943
Total (included in staff costs) (Note 11)	4,618	5,251

The above charges are included in cost of sales and general and administrative expenses.

Company

	2021 USD'000	2020 USD'000
Current service cost	76	74
Interest cost	8	6
Total (included in staff costs)	84	80

The above charge of USD 0.1 million (2020: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate	2.30%	1.70%
Future salary increases:		
Management and administrative employees	2.00%	2.00%
Yard employees	2.00%	2.00%

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 for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market for corporate bonds and no market for government bonds and therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy. On this basis, the discount rate applied was 2.3% (2020: 1.7%).

The rates used for future salary increase are long-term assumptions which take into account inflation, relevant factors in the employment market and the Group's own expectations.

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

	Percentage of employees at each age exiting the plan per year	
	2021	2020
Yard employees:		
20 – 34 years	15%	15%
35 – 64 years	10%	10%
65 years and above	100%	100%
Management and administrative employees:		
20 – 34 years	16%	16%
35 – 64 years	12%	12%
65 years and above	100%	100%
Executive Directors:		
35 – 39 years	10%	10%
40 – 64 years	7%	7%
65 years and above	100%	100%

If the discount rate were to increase by 0.5% there would be a decrease in the post-employment benefits liabilities by USD 0.9 million and if the discount rate were to decrease by 0.5% there would be an increase in the liabilities by USD 1.1 million.

If the salary increase rate were to increase by 0.5% there would be an increase in the post-employment benefits liabilities by USD 1.1 million and if the discount rate were to decrease by 0.5% there would be a decrease in the liabilities by USD 0.9 million.

Financial statements

Notes to the consolidated financial statements

continued

29 Restructuring costs

As part of the reorganisation mentioned in Note 5, the Group restructured some of its functional departments and has outsourced IT services to an external party. A one-off charge of USD 1.7 million (2020: USD 5.6 million) relating to process transitions and staff redundancies has been recorded because of these changes and are included in General and Administrative expenses. Previous year expenses were related to staff redundancies and costs of closing down Sharjah yard.

30 Trade and other payables

	2021 USD'000	2020 USD'000
Trade payables	112,943	26,586
Other payables	9,090	1,353
Accruals	49,549	42,810
Payables to a related party (Note 25)	235	117
	171,817	70,866

The Group considers that the carrying amount of trade and other payables approximates to their fair value. The increase in trade payables is due to deferral of creditors payments – see Note 2.1. As at 31 December 2021, Trade payables amounting to USD 97.1 million (2020: USD 15.1 million) were not within current aging.

31 Contract Liabilities

	2021 USD'000	2020 USD'000
Amounts due to customers on contracts	15,149	159,991
Amounts due to customers on contracts comprise:		
Progress billings	271,287	343,734
Less: Cost incurred to date	(248,111)	(168,790)
Less: Recognised profit	(8,027)	(14,953)
	15,149	159,991

32 Provision for warranty costs and other liabilities

	USD'000
At 1 January 2020	11,440
Charge during the year	1,154
Released/utilised during the year	(9,039)
At 31 December 2020	3,555
Charge during the year	1,191
Released/utilised during the year (Note 7)	(257)
At 31 December 2021	4,489

Warranty costs charged during the year relates to management's assessment of potential claims under contractual warranty provisions. The charge during the year is included in subcontract cost in Note 7. During the year ended 31 December 2021, an amount of USD 0.2 million (2020: USD 0.6 million) was utilised and USD 0.1 million (2020: USD 8.4 million) released against the provision for warranty costs. These provisions are expected to be utilised if claims are received within the warranty periods which can range between one to five years. If not utilised, these are released at the end of the warranty periods.

33 Borrowings

	2021 USD'000	2020 USD'000
Trade credit facility	–	880
Revolving trade loan facility	19,942	–

The borrowings are payable within one year (2020: within one year).

At 31 December 2021, the Group has separate bilateral unfunded facilities of USD 38.8 million (2020: USD 321.3 million) with commercial banks. The facilities include letters of guarantees and letters of credit and there has been no change in the nature of security pledged against these facilities as at 31 December 2021. These are summarised below:

	Facility USD'000	Amount utilised USD'000	Amount available to be used USD'000
Funded facilities			
Trade loan facility	45,006	19,942	25,064
Unfunded facilities			
Bank guarantees (Note 37)	124,627	85,787	38,840
Total	169,633	105,729	63,904

During the year, the Group secured a USD 45 million UAE Export Credit Agency backed revolving trade loan facility from First Abu Dhabi Bank and Emirates Development Bank (the "Initial Facility"). The Initial Facility will assist with the working capital requirements on the IMI rigs which are currently under construction at the Group's Hamriyah yard. As part of the terms of the Initial Facility, there is an option of an additional accordion facility of USD 45 million subject to the provision of additional security to the banks similar to that for the Initial Facility.

The facility is repayable in stages linked to the timing of milestone receipts under the IMI rigs contracts and will terminate two business days after the milestone three payment is received, or on 31 December 2022, whichever comes first. The facility has been fully repaid subsequent to the balance sheet date – refer Note 41.

The Group's debt facility is subject to covenant clause, whereby the Group must ensure that its net worth, calculated as net tangible assets, does not fall below USD 100 million at any time.

The revolving trade loan facility carries interest at EIBOR plus margins, which must be paid on maturity/rollover dates. The borrowings include accrued interest of USD 0.1 million (2020: Nil).

Bank facilities are secured by liens over term deposits of USD 47.0 million (2020: USD 55.6 million) (Note 24), the Group's counter indemnities for guarantees issued on their behalf, the Group's corporate guarantees, letter of undertakings, letter of credit payment guarantees, cash margin held against letters of guarantees, shares of certain subsidiaries, certain movable assets and certain contract related receivables.

The carrying amounts of borrowings in the year approximated to their fair value and were denominated in USD or UAE Dirhams, which are pegged to the USD.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flows as cash flows from financing activities.

Year ended 31 December 2021

	1 January USD'000	Draw-down during the year (cash) USD'000	Repayment during the year (cash) USD'000	Additions to lease liabilities (non-cash) USD'000	Remeasurements/ Finance cost (non-cash) USD'000	31 December USD'000
Trade credit facility	880	–	(894)	–	14	–
Trade loan facility	–	19,924	–	–	18	19,942
Lease liabilities	70,985	–	(10,226)	–	4,949	65,708
	71,865	19,924	(11,120)	–	4,981	85,650

Year ended 31 December 2020

Trade credit facility	–	880	–	–	–	880
Term loans	20,058	–	(20,058)	–	–	–
Lease liabilities	57,373	–	(2,760)	13,569	2,803	70,985
	77,431	880	(22,818)	13,569	2,803	71,865

Financial statements

Notes to the consolidated financial statements

continued

34 Profit/Loss of the Company

The loss of USD 8.1 million (2020: USD 8.0 million) in respect of the Company is included in these consolidated financial statements.

35 Dividends

There were no dividends declared or paid during the year ended 31 December 2021 or 31 December 2020.

36 Commitments

(a) International Maritime Industries Commitments

In 2017, the Group entered commitments associated with the investment in International Maritime Industries. Under the Shareholders' Agreement, the Group, via its subsidiary Maritime Offshore Limited, will invest up to a maximum of USD 140.0 million in relation to its commitment over the course of construction of the Maritime Yard between 2017 and 2023 with USD 84.8 million already paid to date. The forecast contributions are as follows:

	2021 USD'000	2020 USD'000
Within one year	37,000	17,000
Later than one year but not later than four years	18,200	38,200
	55,200	55,200

As part of this investment, the Company provided a guarantee, of the obligations, commitments, undertakings, representations, warranties, indemnities and covenants of Maritime Offshore Limited under the Shareholders' Agreement (capped at its aggregate maximum commitment of USD 140 million). Should the Group not be in the position to honour its outstanding investment commitments, it is likely that this would result in the Group's stake in the IMI joint venture being diluted below 20 percent.

(b) Other commitments

	2021 USD'000	2020 USD'000
Capital commitments for restructuring programme	60	1,304
Capital commitments for construction of facilities	85	883
Capital commitments for purchase of operating equipment and computer software	258	2,433

37 Bank guarantees

	2021 USD'000	2020 USD'000
Performance/bid bonds	81,935	84,673
Advance payment, labour visa and payment guarantees	3,818	8,754
	85,753	93,427

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. Certain guarantees are secured by 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 (Note 33). In the opinion of the management, the above bank guarantees are unlikely to result in any liability to the Group.

38 Cash (used in)/generated from operations

	Notes	Year ended 31 December 2021 USD'000	2020 USD'000
Operating activities			
Loss before income tax		(59,920)	(53,261)
Adjustments for:			
Share-based payments – value of services provided	9	2,410	4,440
Depreciation	17	16,808	20,031
Amortisation of intangible assets		9	9
(Reversal)/charge of impairment losses of non-financial assets – net	39	(471)	4,548
Share of loss of investments accounted for using the equity method – net	20	17,013	15,697
Provision/(release) for warranty costs and other liabilities – net	32	934	(7,885)
Loss/(profit) on disposal of property, plant and equipment		73	(267)
(Release)/provision for slow moving and obsolete inventories	21	(261)	155
Release for impairment of trade receivables, net of amounts recovered		(148)	(97)
Charge for employees' end of service benefits	28	4,618	5,251
Finance costs	12	7,122	5,980
Finance income	12	(51)	(370)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		(11,864)	(5,769)
Payment of employees' end of service benefits		(3,706)	(5,942)
Changes in working capital:			
Inventories before movement in provision	21	1,285	75,351
Trade and other receivables before movement in Provision for impairment losses	22	17,885	(36,362)
Contract assets	23	(13,966)	(45,042)
Trade and other payables	30	99,120	(25,098)
Contract liabilities	31	(144,842)	156,165
Cash (used in)/generated from operations		(56,088)	113,303

39 Impairment of non-financial assets

Group

Impairment comprise of the following:	2021 USD'000	2020 USD'000
Impairment of property, plant and equipment (Note 17)	3,163	3,559
Impairment of intangible assets	–	197
Impairment of an investment accounted for using equity method (Note 20)	–	792
Reversal of an impairment loss (Note 17)	(3,634)	–
	(471)	4,548

The Group determines at the end of the reporting period whether there are indicators of impairment in the carrying amount of its property, plant and equipment, intangible assets and other non-financial assets. Where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable amount of its assets determined as the higher of value in use or fair value less costs of disposal ("FVLCD").

At 31 December 2021, delays and cancellation of awards due to the history of lower oil prices in the recent years and the effect of the COVID-19 pandemic have had a negative impact on the Group's backlog and utilisation of its assets. As a result, an impairment indicator has been identified for the Group's property, plant and equipment.

Notes to the consolidated financial statements

continued

39 Impairment of non-financial assets continued

The Group carried out a review of the recoverable amount of its property, plant and equipment. This led to the recognition of a net impairment reversal of USD 0.5 million (2020: Impairment loss of USD 3.8 million). It was estimated that the value in use of property, plant and equipment would not materially exceed FVLCD, therefore the recoverable amount was determined based on FVLCD for each asset individually.

	2021		2020	
	Impairment charge/(reversal) USD'000	Recoverable amount* USD'000	Impairment charge/(reversal) USD'000	Recoverable amount* USD'000
Buildings and infrastructure	2,225	4,705	311	7,450
Operating equipment	(2,708)	38,480	3,172	23,186
Fixtures and office equipment	12	916	76	170
Intangible assets	–	–	197	–
Total	(471)	44,101	3,756	30,806

* Recoverable amount pertains to assets for which an impairment charge or reversal of impairment charge has been recorded.

The impairment charges and reversals shown above by class of asset consist of a number of individually immaterial asset impairments and reversals. The only individually significant impairment entry is an impairment charge of USD 2.2million in relation to the Hamriyah yard extension, which has a related recoverable amount of USD 4.7 million.

As the Group does not manage its assets on a segmental basis any related impairment charges or reversals are also not allocated by segment.

FVLCD represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date net of costs of disposal e.g. dismantling costs, brokerage and legal fees. The fair value of the Group's property, plant and equipment at 31 December 2021 has been arrived at based on a valuation carried out at that date by Cavendish Maxwell Real Estate Valuation Services LLC "Cavendish Maxwell", independent valuers not connected with the Group. The valuation conforms to International Valuation Standards and was determined as follows:

- Buildings & infrastructure, right of use assets and leasehold rights – based on the market comparable approach that reflects recent transaction prices for similar properties. Adjustments are made where the sale comparable differ from the subject property. These adjustments are made on a percentage basis and are applied to the price per square metre of the subject. The fair values used have been categorised as Level 2 in the fair value hierarchy as the valuation has been performed based on available market and transactional evidence as well as the valuers' general market knowledge of such assets.
- Operating equipment, fixtures and office fittings and motor vehicles – The depreciated replacement cost ("DRC") method has been used to derive the market value of the assets adjusted for dismantling costs. This is calculated based on the gross current replacement cost of a new asset, adjusted, where necessary, in respect of technical and functional obsolescence and installation costs determined with reference to historical data for similar assets. This is then depreciated to reflect age, wear and tear and other relevant factors, including any residual value at the end of the assets economic working life. The dismantling costs are based on historical data for similar assets. The fair values used have been categorised as Level 3 in the fair value hierarchy as the valuation has been done based on available market and transactional evidence as well as the valuers' general market knowledge of such assets, but also incorporates a number of inputs that are not based on observable market data.

Right of use assets pertain to lease land where buildings and infrastructure are located. Therefore, these have been fair valued as part of the buildings and infrastructure. The fair values is based on IFRS 13 less lease liabilities pertaining to right of use assets which would be transferred to the buyer in the event of a disposal.

The costs of disposal have been determined with reference to transaction fees of the market in which the assets are located as well as the costs to dismantle based on historical data for similar assets.

Climate change impacts the Group's business in a number of ways as set out in the strategic report of the Annual Report. In relation to our financial results for the year, the most significant potential impact is in relation to the carrying value and useful lives of our property, plant and equipment (PP&E). The useful lives of PP&E impact both the depreciation charge for the year and also the value in use (and hence potentially the recoverable amount) of the related assets. Whilst a number of our property, plant and equipment facilities which support the Oil and Gas segment are of a long-term nature, none are being depreciated over a period that extends beyond 2050. At current rates of depreciation the average remaining depreciable life of our assets is 11 years for movable assets and 12 years for immovable assets.

Given the above and that most of these assets service both oil and gas and renewables activity, we do not currently believe that climate change and the energy transition require any shortening in the assets useful lives which could materially impact either the annual depreciation charge or the recoverable amount of the related assets. Furthermore, given that the recoverable amount has been determined by Cavendish Maxwell using FVLCD and not value in use, the effects of climate change on forecast assumptions has been considered in determining the fair values as at 31 December 2021. In doing so the valuer considered the use of the assets in as far as their ability to service both Renewable and Oil and Gas segments and whether this impacted the useful life used in DRC calculations.

The carrying amount of property, plant and equipment at 31 December 2021 was USD 158.8 million (31 December 2020: USD 162.0 million). The carrying amount of intangible assets at 31 December 2021 was USD 0.1 million (31 December 2020: 0.1 million).

40 Income tax expense

	2021 USD'000	2020 USD'000
Current tax expense:		
Current year charge	128	125
Adjustments in respect of prior years	–	–
Income tax expense as reported in consolidated income statement	128	125

Corporate income tax is not applicable in the UAE where the Group's principal place of business is located. The Group accounts for corporate tax for its operations in Qatar and Kurdistan.

Providing the product of the consolidated accounting profit multiplied by the applicable tax rates is therefore not meaningful. The Group's consolidated loss has been adjusted to arrive at the adjusted profit subject to income tax as a meaningful measure.

The reconciliation between the total tax expense and accounting profit can be explained as follows:

	2021 USD'000	2020 USD'000
Loss before income tax	(59,920)	(53,261)
Loss not subject to income tax	(61,084)	(54,313)
Adjusted profit subject to income tax	1,164	1,052
Income tax expense for the year	128	125
Effective tax rate	11%	12%

The Group has not recognised deferred tax assets or liabilities considering that temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements are not significant.

The applicable tax rates in the regions in which the Group operates are set out below:

Countries	Applicable tax rates
Qatar	10%
Kurdistan	15%

41 Events after the balance sheet date

Recommended Cash Offer for Lamprell plc ("the Offer")

On 21 July 2022, the Board of Directors of Lamprell plc "the Company" and the Board of Directors of Thunderball Investments Limited (a newly formed company owned by Blofeld Investment Management Limited and AlGihaz Holding Closed Joint-Stock Company) (collectively referred to as "Thunderball") announced a recommended all-cash offer of 9p per share to be made by Thunderball for the Company's issued and to be issued share capital. It is intended that the Offer will be implemented by way of a takeover offer – refer Note 2.1.

Bridge Loan Facility

On 21 July 2022, the Group entered into the bridge loan facility agreement (the "Bridge Loan Facility Agreement") with Maverick Investment Holding Ltd ("Maverick"), a company under the control of a member of the AlSayed family, and AlGihaz Holding Closed Joint-Stock Company ("AlGihaz"). Pursuant to this Maverick and AlGihaz each agreed to make available a total loan facility of up to USD145 million to the Group – refer Note 2.1.

Repayment of ECI facility

On 4 August 2022, the Group repaid the full amount outstanding on the ECI facility amounting to USD 44 million as of that date.

Capacity reservation agreement for major renewables contract

On 22 March 2022, the Group signed a capacity reservation agreement for the Moray West Offshore Wind Farm for a very large contract. The reservation agreement secures capacity in Hamriyah yard for the work as the project moves towards financial close and full contract award. The base scope of work is for the supply of 62 transition pieces, which includes 60 wind turbine generator transition pieces and two transition pieces for the two offshore substations, as well as for the shipping of the 62 transition pieces to a marshalling harbour in the UK.

Limited Notice to Proceed pending new contract award ("LNTP")

On 18 February 2022, the Group received a limited notice to proceed from the Saudi-based contractor, Bas Global Marine Services (BGMS), in anticipation of the full award in H2 2022. The full scope of work on this contract relates to the delivery and construction of multiple jack-up lift barges to BGMS. The scope of work under the LNTP is for early works, including the procurement of materials and mobilisation of the Group's project management team. All project activities will be undertaken in the Group's Hamriyah facilities and work will start immediately, with project completion planned for 2H 2023.

Additional information

Alternative performance measures

We use a range of financial and non-financial measures to assess our performance. The tables below set out the definitions of such measures, reconciliations to amounts presented in the financial statements and the reason for their inclusion in the report. The metrics presented are consistent with those presented in our previous annual report and there has been no change to the bases of calculation.

Adjusted EBITDA

In addition to measuring financial performance of the Group based on operating profit, we also measure performance based on adjusted EBITDA. Adjusted EBITDA is defined as the Group profit/(loss) for the year from continuing operation before depreciation, amortisation, impairment, net finance expense, taxation, one off items and share of loss of investments accounted for using the equity method.

We consider adjusted EBITDA to be a useful measure of our operating performance because it provides an indication of our ability to generate cash from profit by excluding non-cash items and one-off items that are non-recurring in nature, such as restructuring costs (Note 29). Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments. Adjusted EBITDA margin is calculated as a percentage of revenue.

Reconciliation from Group loss for the year, the most directly comparable IFRS measure, to adjusted EBITDA is set out below:

Year ended 31 December

	2021 USD'000	2020 USD'000
Loss for the year	(60,048)	(53,386)
Depreciation (Note 17)	16,808	20,031
Amortisation	9	9
Interest on bank borrowings and leases (Note 12)	4,983	4,756
Finance income (Note 12)	(51)	(370)
Income tax expense	128	125
(Reversal)/charge of impairment losses – net (Note 39)	(471)	4,548
Inventory write down (Note 21)	–	6,934
Restructuring costs (Note 29)	1,720	5,597
Share of loss of investments accounted for using the equity method – net (Note 20)	17,013	15,697
Adjusted EBITDA	(19,909)	3,941
Adjusted EBITDA margin	(5.1%)	1.2%

Net cash

Net cash measures financial health after deduction of liabilities such as borrowings. A reconciliation from the cash and cash equivalents per the consolidated cash flow statement, the most directly comparable IFRS measure, to reported net cash, is set out below:

	2021 USD'000	2020 USD'000
Cash and cash equivalents (Note 24)	25,860	57,625
Margin deposits – under lien (with original maturity less than three months) (Note 24)	6,844	3,040
Margin deposits – under lien (with original maturity more than three months) (Note 24)	40,129	52,600
Borrowings (Note 33)	(19,942)	(880)
Net cash	52,891	112,385

Of net cash at 31 December 2021, USD 47 million is restricted (31 December 2020: USD 55.6 million) – see Note 24.

Overheads

Overheads are costs required to run our business, but which cannot be directly attributed to any specific project or service. A reconciliation from unallocated expenses per the segment note in the consolidated financial statements to reported overheads, is set out below:

	2021 USD'000	2020 USD'000
General and administrative expenses (Note 10)	35,531	47,215
Selling and distribution expenses (Note 8)	239	298
Direct overheads included in cost of sales:		
Unallocated operational overheads (Note 5)	6,497	10,743
Yard rent and depreciation (Note 5)	6,969	7,323
Repairs and maintenance (Note 5)	5,006	3,464
Interest expense on leases (Note 12)	4,949	4,627
Other	9,842	6,783
Overheads	69,033	80,453
Restructuring costs (Note 10)	(1,720)	(5,597)
Reversal/(charge) of impairment losses – net (Note 39)	471	(4,548)
COVID-19 related salary reductions	8,684	7,736
Underlying overheads	76,468	78,044

An analysis of overheads nature is as follows:

	2021 USD'000	2020 USD'000
Overhead nature:		
Fixed	27,741	27,169
Semi variable	9,848	6,167
Variable	38,879	44,708
Underlying overhead	76,468	78,044

An analysis of overheads types is as follows:

	2021 USD'000	2020 USD'000
Overhead type:		
Cash	58,312	53,214
Non-cash	18,156	24,830
Underlying overhead	76,468	78,044

Glossary

AED	Arab Emirates Dirham	JD	Juris Doctor
AGM	Annual General Meeting	JV	Joint Venture
AIM	Alternative Investment Market		
APM	Alternative performance measure	KSA	Kingdom of Saudi Arabia
CAGR	Compound Annual Growth Rate	LATC	Lamprell Assessment and Training Centre
CEO	Chief Executive Officer	LD	Liquidated Damages
CFO	Chief Financial Officer	LEL	Lamprell Energy Limited
Code	UK Corporate Governance Code 2018	LHL	Lamprell Holdings Limited
Company	Lamprell plc	LSAL	Lamprell Saudi Arabia LLC
COO	Chief Operating Officer	LSE	London Stock Exchange
CRPO	Contract Release Purchase Order	LTA	Long Term Agreement
		LTIP	Long-Term Incentive Plan
DRR	Directors Remuneration Report	MENA	Middle East North Africa
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation	MT	Metric Tonne
EBT	Employee Benefit Trust	NDT	Non-Destructive Testing
EGM	Extraordinary General Meeting	NED	Non-Executive Director
EPC	Engineering, Procurement, Construction	NGO	Non-governmental organisation
EPCI	Engineering, Procurement, Construction and Installation	NOC	National Oil Company
EPS	Earnings Per Share	PCR	Polymerase Chain Reaction
ESG	Environmental Social Governance	PP&E	Property, Plant and Equipment
EU	European Union	PR	Public Relations
FRC	Financial Reporting Council	RCP	Representative Concentration Pathway
FTSE	Financial Times Stock Exchange	SDS	Sustainable Development Scenario
FVLCD	Fair Value Less Costs of Disposal	SID	Senior Independent Director
GBP	Pound Sterling	SMART	Specific, Measurable, Achievable, Relevant, Time-bound
GCC	Gulf Cooperation Council	SNOC	Sharjah National Oil Corporation
GHG	Greenhouse Gas	STEPS	Stated Policies Pathway
GODESS	Global Optimal Design of Support Structures	STIP	Short-Term Incentive Plan
GW	Gigawatt	TCFD	Task Force on Climate-related Financial Disclosures
HMRC	Her Majesty's Revenue & Customs	TEIR	Total Environmental Incident Rate
HR	Human Resources	TRIR	Total Recordable Injury Rate
HSES	Health Safety Environment & Security	TSR	Total Shareholder Return
HVAC/	High Voltage Alternating Current/	UAE	United Arab Emirates
HVDC	High Voltage Direct Current	UK	United Kingdom
IA	Internal Audit	UN SDG	United Nations Sustainable Development Goals
IAS	International Accounting Standards	US	United States
IASB	International Accounting Standards Board	USD	United States Dollar
ICV	In Country Value	VP	Vice President
IEA	International Energy Agency		
IFRIC	International Financial Reporting Interpretations		
IFRS	International Financial Reporting Standards		
IKTVA	In-Kingdom Total Value Add		
IMI	Industrial Maritime Industries		
IOC	International Oil Company		
IPO	Initial Public Offering		
ISO	International Organisation for Standardisation		
IT	Information Technology		