Harland & Wolff

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020/21

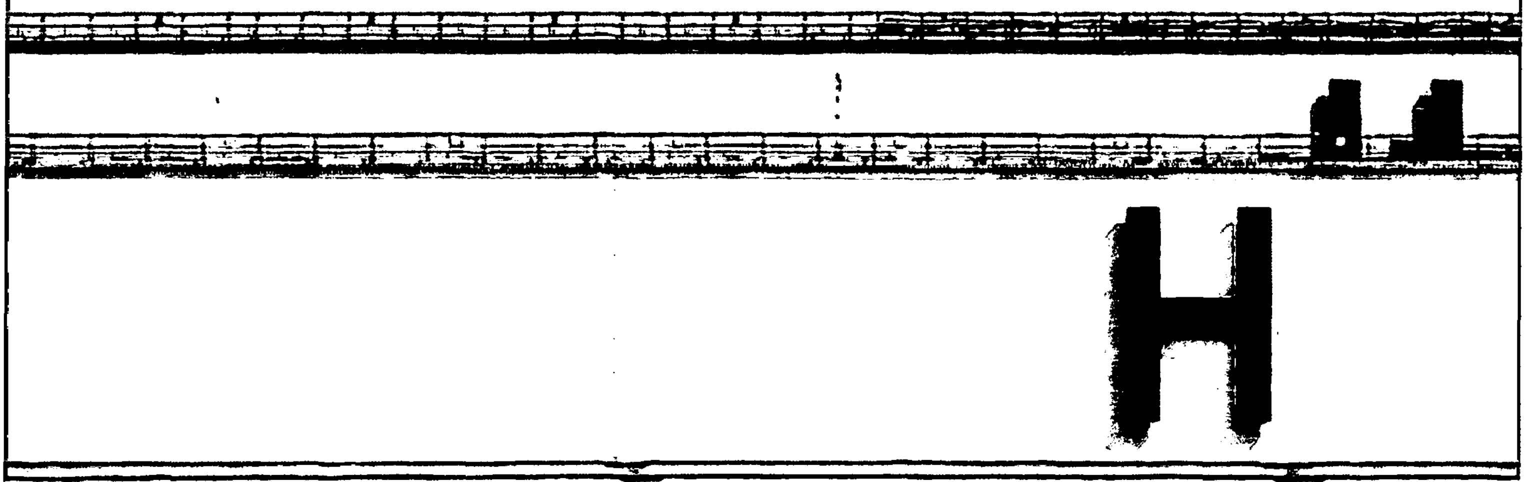
Harland & Wolff Group Holdings plc

WHO WE ARE

Harland & Wolff is an infrastructure operator engaged in the development and operation of strategic maritime assets across the United Kingdom. Founded in 1861 by Sir Edward James Harland and Gustav Wilhelm Wolff in Belfast, we have grown into a multisite business that spans three UK nations, collaborates internationally, operates two of the largest drydocks in Europe and holds one of the UK's largest fabrication footprints.

Steeped in history and heritage, our portfolio includes work on some of the most iconic ships, including the famous RMS Titanic, RMS Olympic and HMHS Britannic, right through to the SS Canberra for P&O and the Myrina tanker – the first supertanker built in the UK.

From our earliest days, our success has been attributed to introducing innovations which disrupted the industry. We continue to innovate and disrupt as we pioneer twenty-first century offshore and maritime engineering with daring ingenuity.



Further investor information
Previous annual/interim reports, investor presentations and other shareholder information can be found on our website.

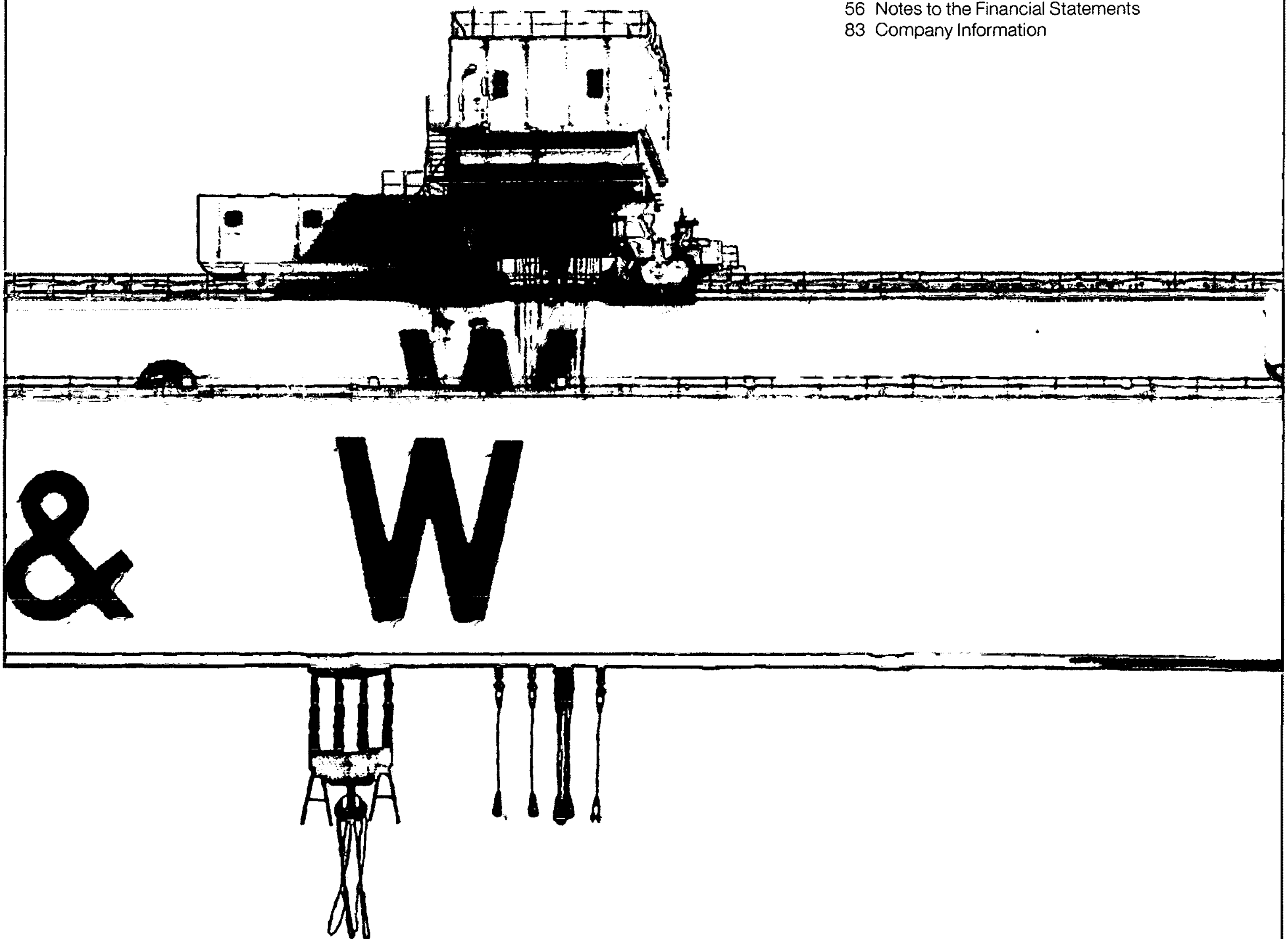
harland-wolff.com/investors

Overview

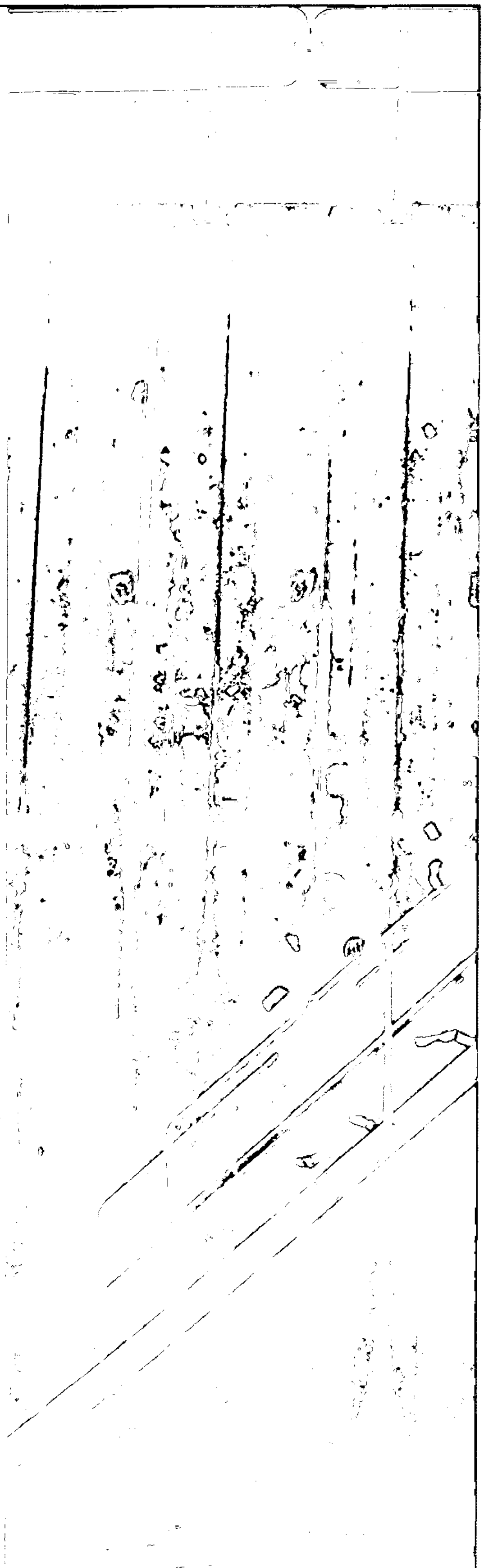
Strategic Report

Governance

Financial Statements



A YEAR OF GROWTH AND MOMENTUM

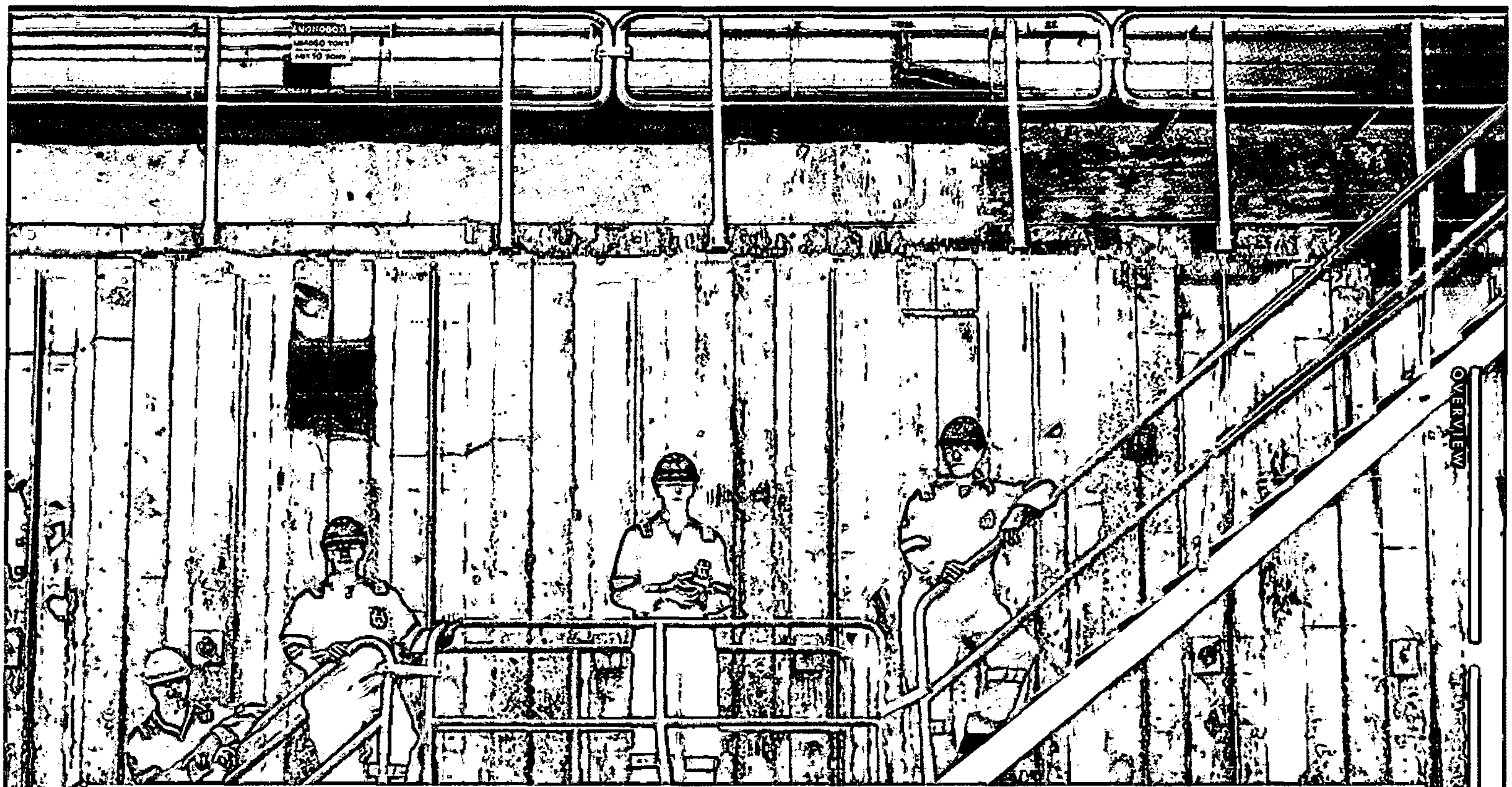


A strong foundation for long-term success

From a gas storage project to multiple maritime and onshore/offshore fabrication sites, we have evolved into a revenue-generating strategic infrastructure operator and developer.

The UK is an island nation that has a strong maritime heritage currently experiencing a shipbuilding renaissance. The National Shipbuilding Strategy refresh comes as Government seeks to make the UK a maritime superpower once again. Harland & Wolff is perfectly positioned to boom and thrive off the back of this renewed focus, with its unrivalled UK drydock capacity and multiple sites.

Harland & Wolff is shaking up UK shipbuilding with a diverse new business strategy that will see it win projects across five distinct markets: defence, cruise & ferry, commercial maritime, energy and renewables.



WE OFFER A UNIQUE PROPOSITION

Delivering value in the short-term
- Harland & Wolff played an integral role during the pandemic to keep essential shipping routes open
- Our ship repair services in Belfast have turned vessels around on time and on budget, ensuring high client satisfaction.
- Our unparalleled UK drydocking capacity and capability
- With a four-site operation, we can bring fabrication projects to fruition sooner whilst minimising risk

Ensuring success in the long-term
- Our strong track record will continue to differentiate Harland & Wolff in the UK Defence market – to deliver on time and to budget
- Our sites are ideally positioned to support wind farm fabrication projects around the UK
- We will continue to invest in our proposition by modernising our facilities, processes and technology and upskilling our employees to enhance efficiency and provide a competitive edge.

Our Belfast yard boasts two of the largest drydocks in Europe and our Appledore yard can accommodate undercover dry dockings for smaller vessels, allowing us to take advantage of low competition market conditions on the two niche ends of the shipbuilding and repair market.

WE HAVE A SOLID STRATEGY

Delivering value in the short-term
- Our strong track record of delivery has resulted in repeat and growing business
- We capitalised on the lack of large vessel drydocking capacity during the pandemic and welcomed large cruise liners and commercial vessels.
- We have made good progress against our strategic priorities, having activated all five of our markets and seen sparks fly in every yard for the first time.

Ensuring success in the long-term
- Our strategy will see us take advantage of markets with strong long-term growth prospects such as renewable fabrication and defence.
- As an agile, innovative, and commercially minded business in a very archaic UK market, we have some unique advantages.
- We are disrupting UK shipbuilding to put British shipbuilding back on the world map.

£18m
Group revenue generated

Over
60
dockings across the Group despite Covid-19 disruption

WE HAVE A STRONG ETHOS

Delivering value in the short-term
- We have engaged high-performing people working together as a driven and focused team.
- We prioritise safety, holding safety moments at the beginning of every board meeting.
- Our strong performance can be attributed to the strength and skill of our people.

Ensuring success in the long-term
- We are investing in passing on UK shipbuilding and maritime engineering skills and experience to the next generation.
- We continue to invest in the growth and wellbeing of our employees and ensure they are fully engaged to drive our long-term growth ambitions.
- Our ambition to be pioneering is underpinned by encouraging and rewarding good ideas and better ways of doing things.

Over
£150k
invested in employee health and wellbeing

35
apprentices recruited

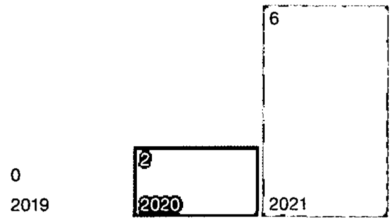
GROUP HIGHLIGHTS

FINANCIAL & COMMERCIAL

Cash Generating Projects

6

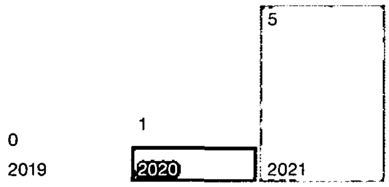
+200%



Revenue streams

5

+9,900%

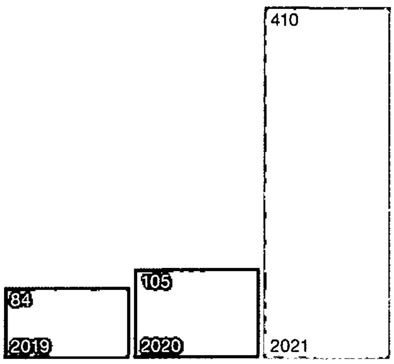


WORKFORCE

Number of employees across the Group

400

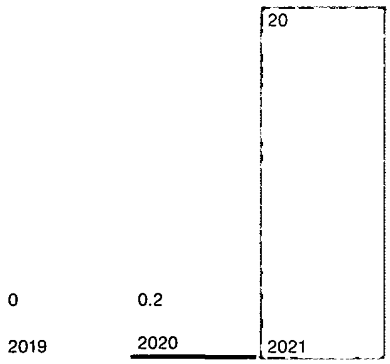
+400%



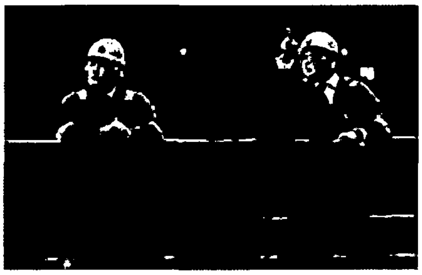
Contracted Future Revenues

£20 million

+400%



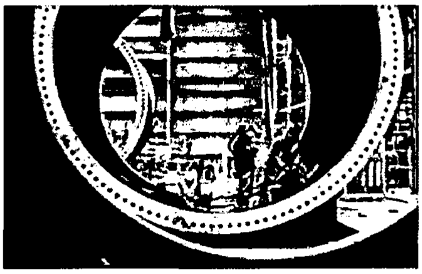
THE YEAR IN PICTURES



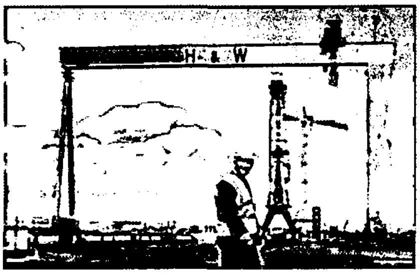
APPLEDORE ACQUISITION

VIKING CRUISE SHIPS

BIFAB ACQUISITIONS

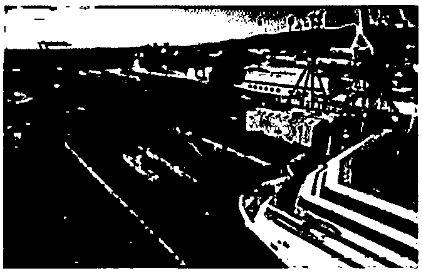


WINDFARM CONTRACT

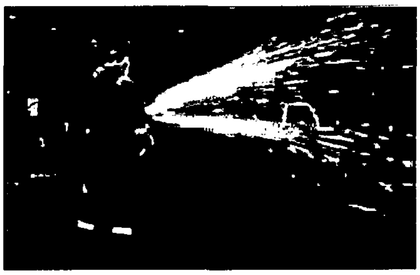


PRINCE OF WALES VISIT

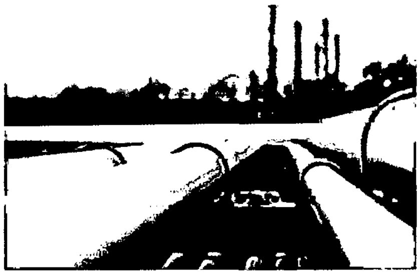
APPRENTICES ON SITE



BELFAST FULL FOR THE FIRST TIME



FIRST SPARKS FLY IN ARNISH



ISSUANCE OF FULL MARINE LICENSE FOR GAS STORAGE PROJECT

P&O CRUISES & VIRGIN VOYAGES WORK WON

FORMER FIRST SEA LORD JOINS BOARD

ROBOTIC WELDERS INSTALLED IN BELFAST

SENIOR LEADERSHIP TEAM

JOHN WOOD
Group CEO

ARUN RAMAN
Group CFO

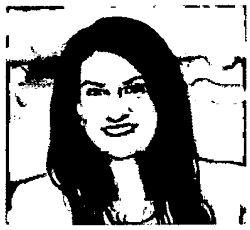
PHIL GRAY
Group Head of Business Systems

KELLY O'ROURKE
Group Director of Human Resources

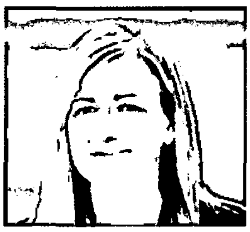
GRAHAM COUSER
Director of Cruise, Ferry & Maritime and Interim General Manager (Belfast)

ALLAN SMITH
Director of Shipbuilding

TOM HART
General Manager (Appledore)



SEENA SHAH
Head of Marketing & Communications



AMANDA MCCLELLAND
Group Head of Finance

MARK LAWTHER
Director of Defence & Government Vessels

MATT SMITH
Group Commercial Director of Renewables & General Manager (Methil)

SERGE SEHMI
Group Head of Legal

ALBERT ALLAN
General Manager (Arnish)

PURPOSE AND ETHOS

The successful implementation of our strategy is critical to the delivery of the Group's purpose and is underpinned by the values and behaviours that shape our culture and the way that we conduct our business.

OUR PURPOSE

Pioneering twenty-first century offshore and maritime engineering with daring ingenuity.

OUR ETHOS

Our ethos binds our crew together. It permeates how we work, how we communicate and what we do.

CURIOUS
We embrace the future
Discovering new and better ways of doing things excites us

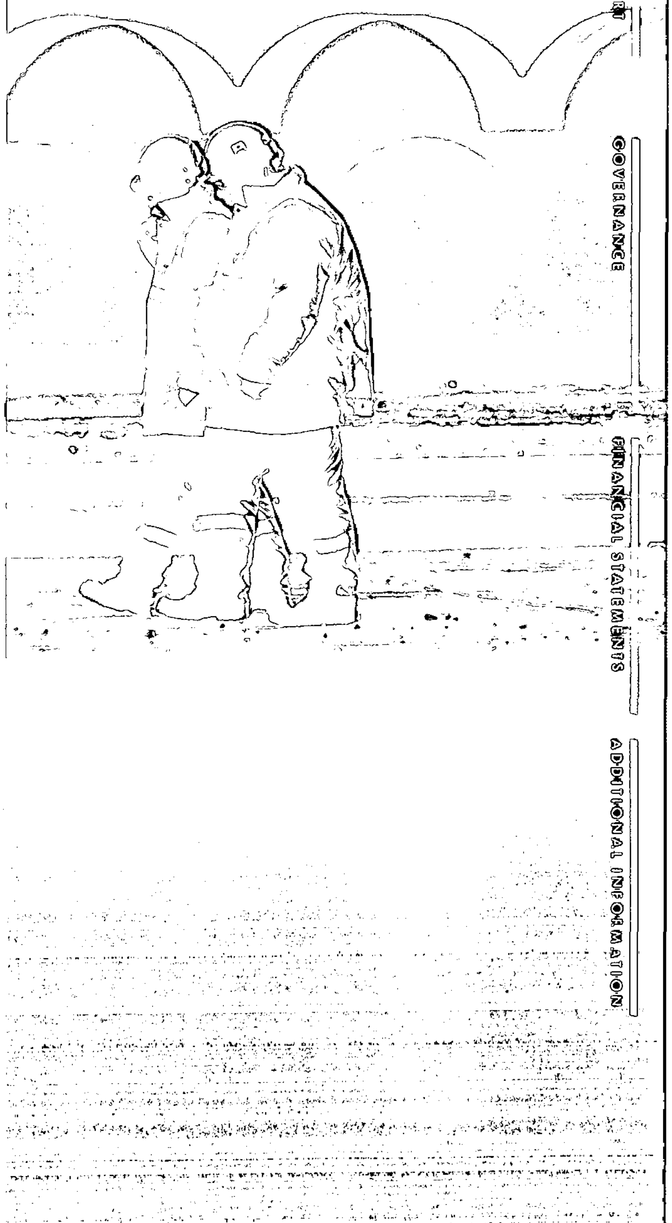
AGILE
We adapt
Making change work for us and our clients

ENGAGED
We make things happen
Satisfied only when the job is done

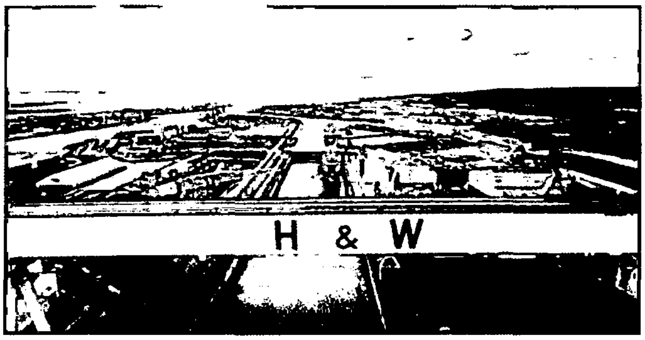
EVOLVING
We innovate and evolve
Investing in our talent, technology, processes and facilities

CONFIDENT
We disrupt the market
Taking our strengths and forging new paths fearlessly

PERFORMING
We build success stories
Delivering results and exceeding client expectations



OUR SITES

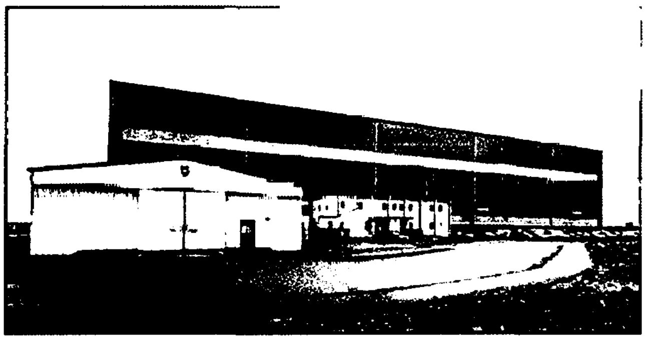


BELFAST

The 81-acre flagship Belfast site is able to take some of the world's largest vessels and projects. It boasts two of the largest drydocks in Europe with the main building dock separated by an intermediate dock gate allowing for simultaneous wet/dry work. The site is also home to two iconic goliath gantry cranes, direct deep-water access, over 30,000m² covered fabrication halls and substantial uncovered laydown area which provides unique opportunities for largescale fabrication projects.

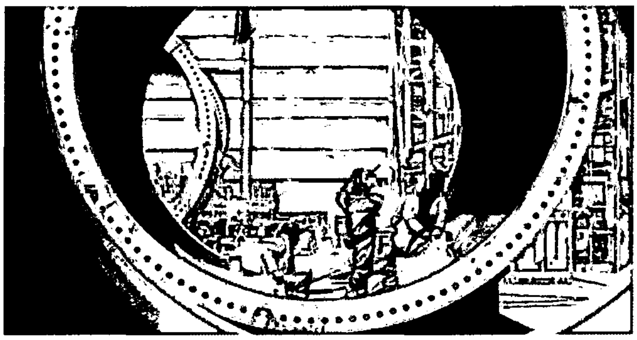
APPLEDORE

Within close proximity to the Southwest and Celtic Sea, Harland & Wolff (Appledore) spans over two distinct locations, the Bidna Drydock Facility and the Newquay Outfitting Quay. Boasting 30,000m² on 28.84 acres, the site features a 118m long covered drydock and ample quayside space for loadout. More than 300 vessels have been built here including military craft, bulk carriers, LPG carriers, superyachts, ferries, and oil-industry support vessels.



ARNISH

This Outer Hebridean yard with unrestricted access to the Atlantic Ocean and North Channel can manufacture tubular components with an annual capacity of 50,000 tonnes of steel tubulars. Contained within a secured 20,000m² area with purpose-built fabrication and assembly halls. The facility can roll materials up to 150mm thick, including super duplex steel and has unrestricted open sea access.



METHIL

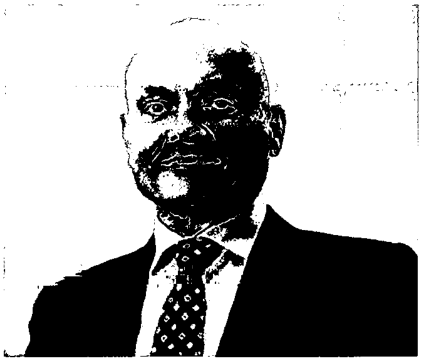
Situated on the north bank of the 9-mile-wide Firth of Forth estuary, Harland & Wolff (Methil) is home to one of Europe's largest fabrication halls. Featuring unrestricted access to the open sea with access to two load-out quays, each with a capacity of 20,000 tonnes over the quay, the site covers an area of almost 165,000m², with covered fabrication areas of more than 20,000m² and open areas of more than 144,750m² for assembly and storage.

Islandmagee Gas Storage Project

Following the energy crisis and unfolding Russia-Ukraine conflict, the case for a UK and Ireland gas storage project has never been stronger. A combination of long and short duration gas storage is the only way to protect against price and supply volatility that will inevitably continue and grow. As the journey to net zero accelerates, it is our view that natural gas will act as the transitional fuel of choice whilst moving towards a green energy mix. This will not be a quick process and it is likely to take a couple of decades (if not many) to occur.

What's more, salt cavern gas storage is unique, in that it will likely be the cornerstone of any meaningful hydrogen development. Currently, numerous end-user technologies are being developed; however, the key will be access to mass and large-scale production and storage. It is likely that at some point in the future (subject to further approvals) the caverns will transition over to hydrogen storage. There are a lot of unknowns at this point including the pace of technological and commercial development but when there is a shift from gas to hydrogen, we believe that the caverns will be able to solve at least one aspect of the hydrogen commercialisation conundrum.

CHAIRMAN'S STATEMENT



As I write this year's statement, my first as chairman, I would like to reflect on how different times are from when we prepared last year's annual report. We were then in the midst of the pandemic with all of the challenges that it added to the lives of our growing team at Harland & Wolff.

Two acquisitions

£7.65m

(2020: £5.25m)

Asset base

3 drydocks

4 fabrication halls

256 acres of real estate

Read our Corporate Governance Report on pages 27 to 41.

WE ARE WELL PLACED TO CONTINUE MOVING THE BUSINESS FORWARD, RAMPING UP OUR REVENUE GENERATION.

Malcolm Groat
Chairman

Now, two years since Covid-19 reached these shores, restrictions are being lifted, our lives are returning to normal and – despite the current horrors in Ukraine - there is a sense of hope for the future across British society.

I would like to place on record my appreciation for the admirable efforts of the entire Harland & Wolff workforce who have achieved so much together through these extraordinary times.

Strong Foundations
Over the last year, our team has reactivated the sites we acquired in 2019 (Belfast), 2020 (Appledore) and 2021 (Methil & Arnish) and taken the key steps necessary to ensure we are prepared for the long-term. In addition to advancement at Islandmagee of the vital gas storage project that will provide security of gas supplies for the UK, we have seen Harland & Wolff grow to become a fully-functioning four-site fabrication and ship repair business. The team is fabricating for a major wind farm project in Methil, is rolling super duplex steel structures in Arnish, and is building a pontoon in Appledore in addition to filling the Belfast shipyard on several occasions – a wonderful sight not seen since the last century.

Our Future
As vessel dockings increase and major bid processes reach maturity over the coming months, we are well placed to continue moving the business forward, ramping up our revenue generation. With our strategy of serving five markets across six services *encompassing the lifecycle of an asset, I am* confident that we will achieve formidable growth in the medium-term and sustain a vibrant business in the long run. Proud of our history, we are also nimble proponents of change. Whilst I am proud of our diversity & inclusion, I am keen to see us extend our environmental, sustainability and governance (ESG) efforts. Among other initiatives where we are already having an impact for good, we are proud of our apprenticeship programme and the Harland & Wolff Welding Academy that will provide solid career paths for people in parts of our country that are in the vanguard for levelling-up.

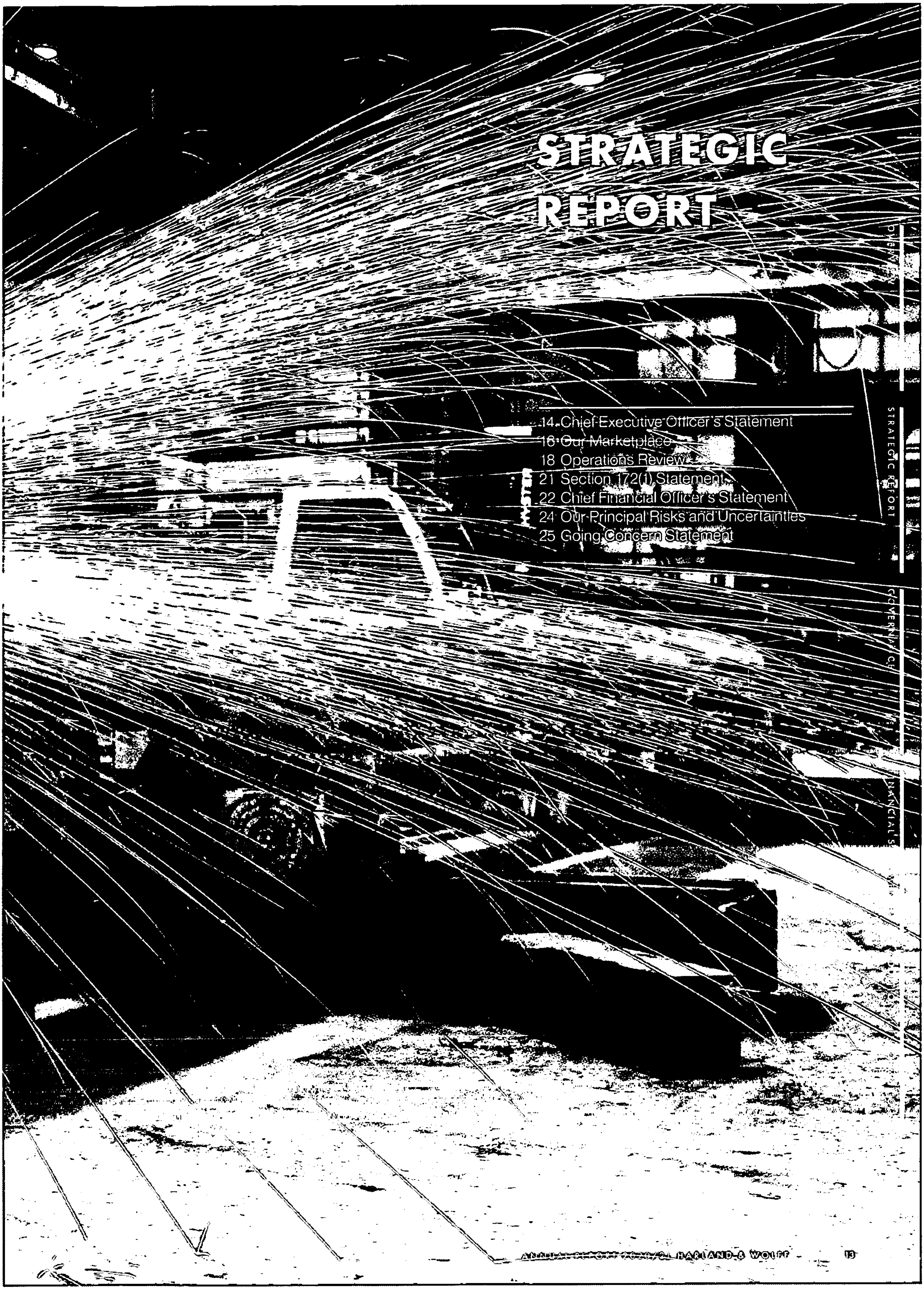
Post the balance sheet date, we made a few announcements relating to landmark events for the company; the Green Corporate Debt deal worth $70 million is the first that the Group has ever entered into and will go to boost the cash reserves for our growing capital needs; the two barge fabrication contracts that Belfast has secured from the Cory Group that will set the fabrication halls in Belfast in motion and will go a long way in preparation for much larger fabrication programmes in the future; and *finally, the award of the M55 Regeneration* Programme, marking a watershed moment for the Group as our first and formal entry into the defence market. These events are a clear demonstration of the capabilities of the Group and I am delighted that all the hard work put in over the last two years is finally paying off. We aim to finish 2022 in a much stronger position and with a sizeable order book going into 2023.

Board of Directors
We have seen two changes to our Board during the year. In August we welcomed former First Sea Lord Sir Jonathon Band to the Board. Sir Jonathon brings to our Board his wealth of experience in the defence and cruise sectors and is already contributing greatly to the ongoing success of Harland & Wolff. In September 2021, my predecessor as Chairman, Clive Richardson, stepped down. We are very grateful for all he did during his time with the company. Further development of our Board is in train for 2022 as we gear up for the very significant commercial expansion that is well underway.

Committed to serving all our stakeholders, we are clear in our vision and firm in our purpose. Buoyed always by your unstinting support, we are confident of building a brilliant future.

Malcolm Groat
Chairman

12 August 2022



STRATEGIC REPORT

CHIEF EXECUTIVE OFFICER'S STATEMENT

As we complete our extended reporting period, which now fully aligns reporting of sales targets, budgets and our multi-site operations to a 31 December year end, it is the time to reflect on our journey since our last annual report dated 31 July 2020.

Revenue increased

£18.51m

by the end of 2021

Backlog increased

£110m

Read our Corporate Governance Report on pages 27 to 41.

OUR GOAL IS TO BE A £500 MILLION PER ANNUM TURNOVER COMPANY WITHIN FIVE YEARS.

John Wood
Group Chief Executive Officer

We live in interesting times, with substantial changes to the micro and macro environments since our last report. However, as I write this statement, I have a sense of optimism and much promise. We are seeing the rewards of the hard work that has been undertaken by the entire team since 2019. As the world recovers from the ravages of Covid-19, we are faced with new challenges; that of war on the European doorstep, spiralling inflation, an impending energy crisis and supply chain delays. Yet, despite all these short to medium-term challenges, the Harland & Wolff Group of Companies is in a position, stronger than it has ever been in its history. The statistics speak for themselves; we have taken ourselves from a one-project non-revenue generating company in 2019 to a Group that has one of the largest fabrication footprints in the UK, and from zero revenues in December 2019 to £18.51 million by the end of 2021.

Our revenues for the period ended 31 December 2021 stood at £18.51 million representing a very material increase over the previous reporting period (17-month period ended 31 December 2021 compared to 12-month period ended 31 July 2020). By any standards, we still have much to achieve. Given the contracted revenue flow already generated in 2022 for FY22 and FY23, we can reasonably expect FY22 revenues to be in the region of £65 million - £75 million which is consistent with the guidance provided to the market. Our contracted revenues for FY23 have already exceeded £40 million at the date of this report. We are seeing significant traction in contract fruition going into Q4'22 and beyond, giving us confidence of achieving further growth and I have outlined our targets at the end of my review.

We have seen very healthy growth to our business since 2020 and key achievements include:

1. Contracted backlog increase from £2m to £110m (based on management estimates)
2. Largest single contract size increased from c£600,000 to £55 million
3. Employees have grown from 45 to peaking at 1100
4. Debt facility moving from zero to $70 million
5. From two markets in play to contract awards across all five markets
6. Uncontracted pipeline of opportunities increased from zero to £8.16bn (unweighted) and £1.36bn (weighted) over a five-year period
7. Growth from one semi-operational shipyard and fabrication facility to four fully operational assets generating revenues.

We are confident of the above trends continuing and we continue to pursue opportunities aggressively yet with the pragmatism of picking and choosing carefully the projects on which we bid.

Whilst we eventually secured our Marine Licence for the Islandmagee gas storage project, we were advised that the local protest group(s) had submitted a judicial review application immediately after the award of the licence. Having sought legal opinion, we have been advised that the application has little chance of success. The judicial review hearing is expected in Q4'22 and we await its completion. There have been numerous changes in the funding environment for this project and it provides us with a number of options as we continue dialogue with interested parties. Whilst the economics of the project remain encouraging, we are equally enthused by the level of interest we have received in relation to an outright sale of the project. The time to extract maximum value for this project will be after any successful outcome of the judicial review.

In the event that the judicial review does not find in our favour, we have alternative technical solutions that do not require a Marine Licence and will mean that the project will not be stalled again.

In our 2020 report, I set out some key goals which I have listed below. Indeed, Covid-19 and the ongoing judicial review slowed the process of achieving these goals within the desired and set timescales. However, as we move into 2022 and ahead, we are starting to see some very positive trends and endorsements.

Objective	Result
Obtain the Marine Licence and take FID on the Islandmagee gas storage project	✓ Marine licence obtained. • FID has not been taken due to a judicial review being undertaken, the advice we have is favourable to the company and we expect a positive outcome during Q4'22.
Ensure cash breakeven for the whole of the Harland & Wolff Group	• Covid-19 reduced contract values significantly with vessel owners undertaking only a minimum amount of work.
Commence fabrication projects in Harland & Wolff and obtain a new vessel build order or a block fabrication order	✓ Whilst slightly later than expected we are now fabricating vessels in our Belfast facility for Cory barges with the recent wins. ✓ Commencement of fabrication and demonstrating capability is key to continuing to build up our backlog.
Identify and establish an entry point into the renewable energy industry as a project developer	• After the full effects of Covid-19 became clear the business took a strategic direction to conserve funds and stick to the core business of shipyards and fabrication and not look at further diversification.
Continue to build a high performing team that operates in a safe and environmentally friendly manner	✓ The team across the Group continues to build in proportion to revenue increase. We are keen to ensure overheads are kept under control.

Note: Tick signifies objective achieved. A dot signifies an objective still to be achieved or eliminated due to changed strategy / market conditions.

We have worked tirelessly to acquire, upgrade and refurbish our four facilities during the pandemic to ensure that we are in the fully operational position that we are in today. The next part of our journey is converting our pipeline of opportunities to contracts. Our goal is to be a £500 million per annum turnover company within five years. The key to this growth is ensuring that we have enough working capital and a calibrated capital investment programme to meet the growing needs of the facilities. Whilst we have undertaken several equity raises over the past few years, our growing reputation, sizeable contract wins and a track record of delivery have all enabled us to explore other options of financing the business, such as corporate debt and other options such as the Export Development Guarantee Scheme that we have access to for export oriented contracts.

Whilst we have been successful in raising debt, at our stage of development, it has not been a cheap option and we are mindful of that. However, securing our first major debt deal of $70 million was a major success and has put us on the map for refinancing at a later date.

Whilst our five markets are awash with opportunities, our biggest operational inhibitor is not having a large enough skills base to deal with the growth coming through. It was pleasing to reverse a trend of decline when we employed our first intake of 35 apprentices last year. We will be looking to increase our total number of apprentices to over 100 during the next academic year. We are effectively, building for the future and taking this route is critical to ensure enough skills are available as we continue to grow the business.

It was encouraging to see the establishment of the National Shipbuilding Office and the publication of the thirty-year plan, as well as the increased licensing rounds in the renewable market. We envisage defence spending will continue to increase globally over the next decade. In the past year, we have proven the strategy and have demonstrated that the pipeline can be converted. Whilst a lot has been achieved, there remains a tremendous volume of work that still requires to be undertaken to deliver on our strategic plan. The other large market is cruise. With new cruise vessel builds coming to a near halt, this market throws up significant potential to undertake refurbishment and conversion projects that are high in value and in margin.

Accordingly, we have set ourselves the following financial and operational targets:

- Deliver FY23 revenues of £100 million-120 million in order to achieve cash break-even.
- Continue to build the multi-year backlog of contracted revenue going into 2024.
- Develop further in-house engineering capability and capacity whilst continuing to build and enter into joint venture deals and partnerships with prime contractors.
- Position the company to capitalise on financing options like the Home Shipbuilding Credit Guarantee scheme and fully utilise export credit guarantees to provide substantial working capital for the company.
- Comply with our targets of reducing our carbon footprint and ensure that we maximise social and economic benefits to the communities in which we operate.

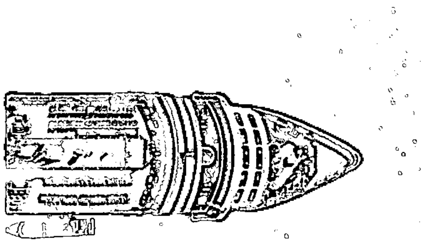
Finally, we are busy ramping up delivery capability but whilst doing so, we must celebrate some of the operational successes achieved to date. As we grow, our Board also needs to grow. Our chairman and non-executive director have been working hard to recruit further board members and this will provide a further boost to the team. Clearly, as a Board, we take the view that the share price performance does not reflect the value of the business that we have built, nor the opportunities that we have to grow. Our aim is to deliver on that growth opportunity and to build an increasingly large and sustainable business that delivers value for all of our stakeholders.

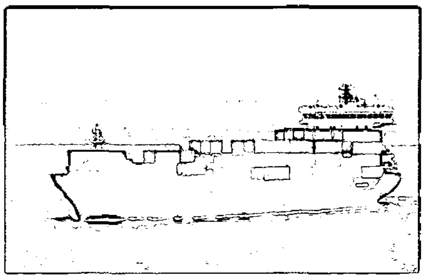
Health, safety and environment first
There were no reportable health, safety or environmental incidents during the financial year.

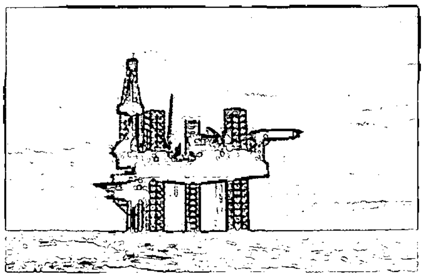
John Wood
Group Chief Executive Officer

12 August 2022

OUR MARKETPLACE







CRUISE & FERRY

As vaccination numbers reached critical mass and international travel restrictions eased, we have started to see an upswing for a market that has struggled with intermittent lockdowns over the last 24 months. Many cruising companies have managed to secure new financing and have been able to fund a financial restructure, demonstrating long-term confidence in the market. In the short-term, however, they remain cautious.

With the slowdown that has occurred in the cruise market, orders for newbuilds have substantially reduced. This has left many cruise liners, who are wishing to offer a luxury onboard experience, with dated offerings. There now appears to be an emerging trend towards substantial upgrades and revitalisation projects on existing vessels. Harland & Wolff's Belfast shipyard is ideally placed to capitalise on these types of large projects whilst it continues to service smaller but regular ferry clients.

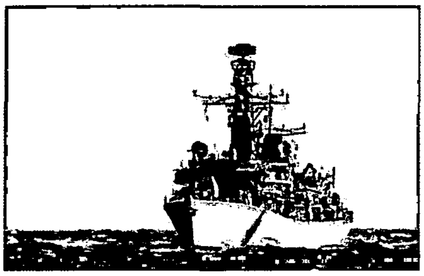
COMMERCIAL MARITIME

Supply chain problems have been well documented, whether it's Covid-19-related restrictions, blocked shipping routes or increased demand. This has led to an increase in shipping costs and, as a result, companies are looking to increase their fleet sizes as well as increase the size of their ships. With megaships and new-generation eco-freighters reducing the cost of shipping by four to six times and offering much improved efficiency, we believe there will be a growing demand in this area and our main building dock in Belfast is well equipped to capitalise on this.

ENERGY

Despite a move toward green energy, the UK Government recognises a continued need for natural gas as the transitional fuel of choice over the next few decades. As the UK looks to move away from imported gas and to increase domestic gas, the UK Government has set out a plan to launch a new licensing round for North Sea oil and gas projects in Autumn 2022. As energy companies look to ramp-up for this new burst of activity in the North Sea, our two Scottish yards in Arnish and Methil are ideally located to benefit from the inevitable fabrication, conversion and servicing works that will be required.

Shifting trends toward clean energy coupled with stringent government regulations to minimise airborne emissions including sulphur and nitrous oxide will drive the global LNG bunkering market size. Having serviced two vessels in this market in 2021 and established strong relationships with many of the energy companies operating in the North Sea, Harland & Wolff is well positioned to support the renewed needs of the oil and gas energy market.

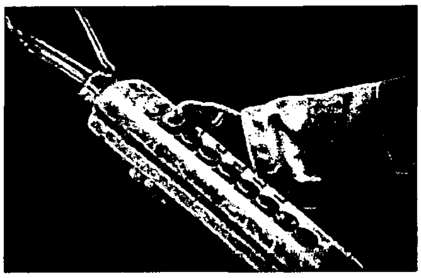


DEFENCE & GOVERNMENT VESSELS

The UK Ministry of Defence has issued an update to the "Defence Equipment Plan" for 2021-2031 and has projected a significant increase in naval spending over the next ten years. As part of its "Global Britain" policy and coupled with the establishment of a UK Government National Shipbuilding Office and the subsequent refreshed National Shipbuilding Strategy which has, for the first time, brought all Government shipbuilding requirements into one 30-year pipeline worth £4 billion, this makes for a strong outlook for the UK Defence and Government vessel market. With the award of the M55 contract, Harland & Wolff is beginning to build its international profile within naval defence and has begun promising discussions with several NATO allies.

RENEWABLES

The recent ScotWind leasing round announcement gave the green light to 17 projects covering just over 7,000km2 and will mean a multi-billion-pound investment into the Scottish renewables supply chain. With two of our facilities located in Scotland, we are set to significantly benefit from this. Harland & Wolff has already built strong relationships with many of the winning developers and is well-placed to benefit from these new wind farm developments. Further such leasing round announcements for Ireland, England and Wales are likely. The opportunity of these leasing rounds coincides with a government policy change mandating local content in wind farm development. UK Government recently published the British Energy Security Strategy which set out ambitions for offshore wind of 50GWh by 2030, combined with planning reforms which will cut the approval times for new offshore wind farms from four years to one year and an overall streamlining which will radically reduce the time it takes for new projects to reach construction stages. This means the renewables boom we have been preparing for will soon be upon us.

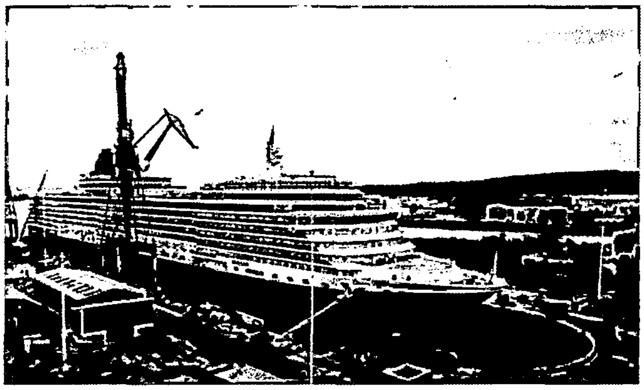


DECARBONISATION OF MARITIME

In 2015, IMO and MARPOL introduced strict norms to reduce sulphur and nitrous content with the aim to reduce marine pollution. Technological advancements in vessel designs to reduce maintenance, enhance fuel efficiency and improve performance, reliability and safety are some of the key parameters which will stimulate demand. A strong order book for LNG-propelled vessels subject to the implementation of IMO Tier III norms will further complement the industry growth. As the UK Government looks to place British shipyards at the forefront of green shipbuilding, Harland & Wolff will look to capitalise on the growth opportunity here, having already built strong partnerships in this growth area.

OPERATIONS REVIEW

BELFAST



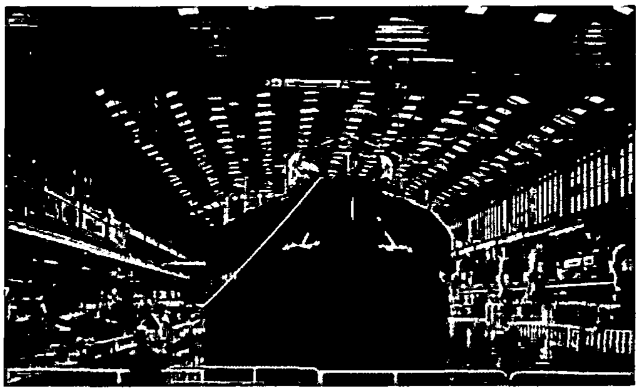
From clapping for carers and sounding the sirens for the first time in decades to a full yard, Belfast has come a long way over Covid -19. Ferry dockings have progressively grown in complexity and contract value over the course of financial year 2020-2021, with the Belfast team proving time and time again that Harland & Wolff delivers on time and on budget. As the company moves to implement its business strategy of five markets, we have invested in facilities, processes, and infrastructure. In Autumn 2020, the Belfast yard achieve JOSCAR accreditation, demonstrating our readiness for defence contracts – pre-empting a huge UK Government announcement declaring the largest military investment in 30 years.

2021 kicked off with the Viking cruise ships, marking the first time that cruise ships have entered the yard since acquisition and putting Belfast on the cruise ship services map. As the year progressed, we saw the installation of a robotic welding arm demonstrating our commitment to implementing smart efficiencies and technological innovations. The Harland & Wolff brand celebrated 160 years and whilst the name is age-old, the new Harland & Wolff is always disrupting and evolving to embrace the future. We will always nod to the heritage, inviting the Prince of Wales to the yard to mark the special occasion but whilst remaining unafraid to do things differently.

In September 2021, we welcomed new apprentices into the yard for the first time in decades, realising the ambition of passing British shipbuilding skills on to the next generation. As the apprentices got settled in, we welcomed our second cruise contract with P&O Cruises and Virgin Voyages and successfully advanced through to the next stage of the FSS competition.

Harland & Wolff (Belfast) has begun to build a global reputation as a large-vessel-ready facility, capable of completing complex dockings on time and on budget and with the award of the Cory contracts to build 23 barges, we will see fabrication and shipbuilding return to the home of British shipbuilding.

APPLEDORE



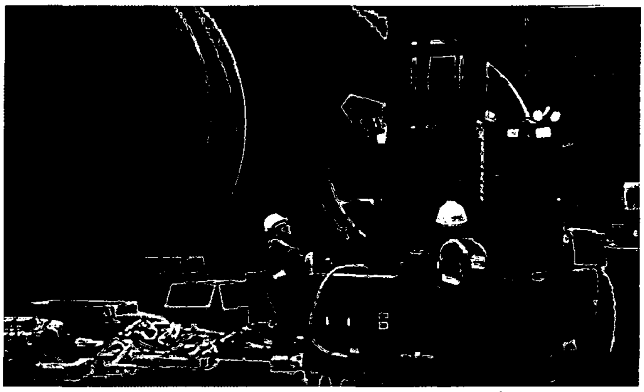
The Appledore shipyard was acquired early into the 2020-21 financial year and was marked by a visit from the outgoing Prime Minister, who saw the potential in British shipbuilding and set out on a path to put it at the heart of government thinking – establishing a National Shipbuilding Office that would work across Government departments to ensure and maximise on opportunities for British Shipyards.

Upon acquisition, it was clear that investment into the Appledore shipyard was required. The dock gates had not been serviced in over half a century. We installed a set-up team that was made up of some of our most experienced and talented hands to get the yard back to a state of operation as quickly as possible whilst also accepting vessels in need of repairs along the way.

In September 2020, a careers day was held and it was clear that there was plenty of local talent who were itching to get back to the Appledore shipyard and bought into the business vision of sustainability through the five-market diversity and full life cycle of service offering. A small team grew organically as work packages grew in size, with apprentices joining the team in August 2021, just as the MT Entsha conversion contract was won.

MT Entsha was a gateway project to yard reactivation. It allowed the yard to rebuild shipbuilding and fabrication capability and marked the reopening of its fabrication halls and demonstrated its readiness to take on larger and more complex projects. The successful delivery of this project led to the award of a £2 million fabrication contract for a Royal National Lifeboat Institution (RNLI) steel pontoon which, once complete, will replace the existing RNLI Tower Lifeboat Station based under Waterloo Bridge on the north bank of the River Thames.

METHIL



In February 2021, we went on to make our third acquisition, of which Methil makes up the larger of the two Scottish sites. A small staff was in place already and our first task was to restructure the team to fit with our business model and vision, whilst mixing experienced hands with fresh new talent. Within a few months, we were announcing its first major fabrication contract win.

The Saipem contract, worth around £26 million, would require the fabrication and load-out of eight wind turbine generator (WTG) jacket foundations which would go on to service the EDF Renewables and ESB owned Neart na Gaoithe Offshore Wind Farm project located in the outer Firth of Forth in Scotland.

With work due to commence in July, ramping up to deliver this contract was always going to be challenging but our start-up team rose to the occasion and a full workforce was employed, major upgrade works took place and carefully selected new plant and equipment were acquired and installed. The upgrades include the installation of a UK-first pipe profiling machine, technological upgrades and ground refurbishments.

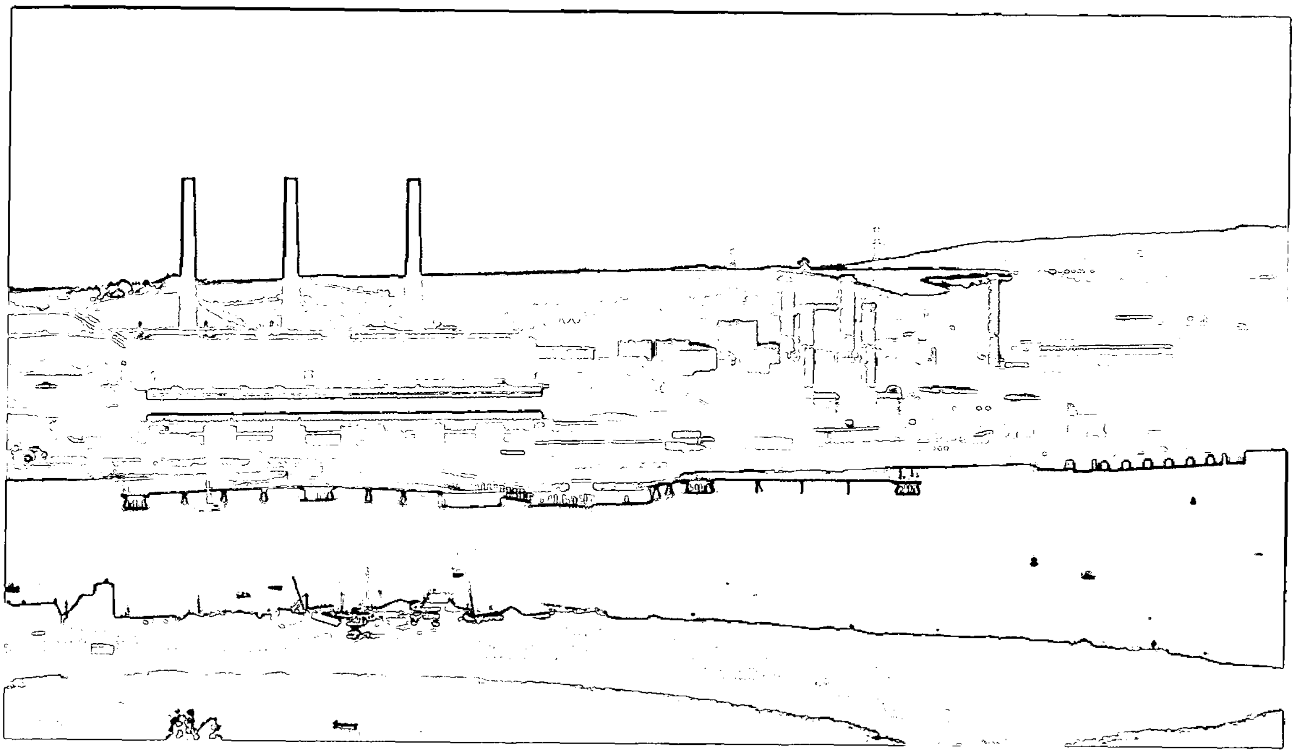
As work on the Saipem contract continues, the business development team has been enticing wind farm developers into the yard to see, first hand, all the changes to the facilities and to meet the new leadership in place. Potential clients have been pleasantly surprised by our improvements to the site and our ethos.

ARNISH

Arnish is the smaller of the two Scottish sites but boasts a reputation for excellence in specialist welding with its specialist large rolling equipment.

The site announced its first contract in October 2021. It would be for the fabrication of four suction piles for a sub-sea template of an energy project in the Black Sea. This key win marked Arnish's operational preparedness for the wider renewables and energy sectors. On award of this contract, the yard swiftly moved to full operations as work on its first external contract began and concluded the activation process of all four of Harland & Wolff's sites.

OPERATIONS REVIEW



ISLANDMAGEE GAS STORAGE PROJECT

We were advised that the Department of Agriculture, Environment and Rural Affairs ("DAERA") *formally made their recommendation* on the Marine Licence to the Minister for DAERA, Mr Edwin Poots MLA in March 2021 and we were delighted that some months later in October 2021, we were informed by DAERA that we would be issued the Environmental Consent Decision, Marine Licence, reviewed Abstraction Licence and Discharge Consent and in November we were finally able to celebrate this milestone. For long-term shareholders and followers of this project, the wait has been long and arduous, and we have been delighted to see the licence granted. That said, a *judicial review* has been launched by local protest groups with a court hearing later this year. Based on the *scientific data that has been submitted* to DAERA *and after* having sought legal opinion in the context of the judicial review, we believe that this application will be set aside by the court and enable us to progress further with the project.

The *project, whilst currently focussed* on the storage of natural gas, has the capability, subject to regulatory approvals, to store large volumes of hydrogen. As the UK *economy progressively transitions* from natural gas to hydrogen, large scale hydrogen storage will be critical for the success of this transition.

We warmly welcomed the Northern Ireland's Department for *Economy's energy transition report in which the vision* is for Northern Ireland to be a world leader in hydrogen production and export. The report clearly recognises the value of large-scale hydrogen storage. Should hydrogen ultimately become the fuel of choice for the wider economy, it will have demand and supply patterns (typical seasonal variations) that are similar to those observed in the natural gas markets. We continue to believe that lessons have to be learned from the failure to check price natural gas price volatility and one of the widely recognised mechanisms to mitigate against such price and supply volatility is to have adequate domestic storage capacity.

Our focus is now on holding discussions with key project investors and stakeholders around the project's financing that will lead to its Final Investment Decision.

SECTION 172(1) STATEMENT

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers/customers and others;
- the impact of the company's operations on the community and environment;
- the company's reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

As set out above in the Strategic Report the Board remains focused on providing value for shareholders through the long term success *of the Company. The means by which this is achieved is set out* further below.

Likely Consequences of any Decisions in the Long Term
The Statement From the Chairman, the Chief Executive's Statement and the Strategic Review set out the Company's strategy. In applying this strategy, particularly in seeking new projects and developing current ones to deliver reserves and resource growth, the Board assesses the long term future of our projects and investments with a view to shareholder return. The approach to general strategy and risk management strategy of the group is set out in the Statement of Compliance with the QCA Code of Practice.

Interest of Employees
The Group has grown significantly since 2019 but we always strive to keep the Group's hierarchy as flat as possible. As a part of this Group culture, whilst employees are designated to their respective line managers, we encourage and welcome direct access to the Executive Directors on a daily basis and to the Chairman, if necessary. The Group has a formal Employees' Policy *manual which includes processes for confidential report and* whistleblowing.

Need to Foster the Company's Business Relationships with Suppliers/Customers and Others
The Group continuously interacts with a variety of suppliers and customers important to its success. The Group strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information. Our suppliers are fundamental to ensuring that the Group can execute its business strategy on time and on budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners. Our management team work closely with our suppliers, via one on one meetings and where possible supplier site visits and facility reviews to ensure our suppliers are able to meet our requirements.

Impact of the Company's Operations on the Community and Environment
The Group takes its responsibility within the community and wider environment seriously. Its approach to its social responsibilities is set out in the Statement of Compliance with the QCA Code of Practice.

The Desirability of the Company Maintaining a Reputation for High Standards of Business Conduct
The Directors are committed to high standards of business conduct and governance and have adopted the QCA Code of Practice. Where there is a need to seek advice on particular issues, the Board will consult with its lawyers and nominated advisers to ensure that its reputation for good business conduct is maintained.

The Need to Act Fairly Between Members of the Company
The Board's approach to shareholder communication is set out in the Statement of Compliance with the QCA Code of Practice. The Company aims to keep shareholders fully informed of significant developments in the Group's progress. Information is disseminated through Stock Exchange announcements, website updates and, where appropriate, video-casts. During 2021, the Company issued numerous stock exchange announcements on operational issues. All information is made available to all shareholders at the same time and no individual shareholder, or group of shareholders, is given preferential treatment.

CHIEF FINANCIAL OFFICER'S STATEMENT

I am delighted to write to shareholders and stakeholders to share my views on the year gone past and the outlook for the future. We acquired the assets in Belfast in December 2019 with the first set of small contracts executed towards the end of December 2019 and January 2020. The Covid-19 pandemic that then hit us and the rest of the world in March 2020 was a "black swan" event that left all of us completely unprepared for what then ensued. We had to instantaneously revise all our operational and strategic plans with the single focus of ensuring that we kept the yard functioning and did not haemorrhage the critical and skilled labour force, either due to the pandemic or to delays in crucial contracts that were in the pipeline due to be executed in March / April 2020. I wish to place my thanks to the entire workforce and personnel who kept the yard fully functioning through the pandemic -with their hard work, integrity and desire and it is this that has made this business a success for all.

Raised before expenses

+£27.67m

Debt deal secured

$70m

Read our Corporate Governance Report on pages 27 to 41.

"FOR THE YEAR ENDING 31 DECEMBER 2022, WE CONTINUE TO MAINTAIN OUR STATED GUIDANCE OF GENERATING BETWEEN £65 MILLION AND £75 MILLION IN REVENUES."

Arun Raman
Group Chief Finance Officer

Last year, we changed the company's financial reporting year from the 31 July to 31 December and consequently, we are reporting on a 17-month period to 31 December 2021. The reason for this change in the financial year was to align ourselves with our clients, most of whom had a 31 December year end date. This change has helped us to structure commercial negotiations and contracts based on annual budgets set by the clients every year. The shipyard and fabrication business, like many others, has traditionally had a 31 December year end date. Therefore, from our own internal monthly budgeting, forecasting and reporting point of view, it helped streamline various work processes to bring us in line with industry norms and make our metrics a lot more understandable internally. This report was originally due to have been published on or before 30 June 2022. However, owing to lack of resources caused by Covid and a backlog of work that had built up due to the pandemic, we were granted an extension of time to publish on or before 30 September. I am pleased that we overcame these resource hurdles and have been able to publish the annual report well ahead of the expiration of the extension date.

For the 17-month period to 31 December 2021, we recorded revenues of £18.51 million (2020: £1.48 million), a material increase over the previous period. Gross profits were £5.22 million (2020: £303,547) and were able to increase our gross margins to 28.22% (2020: 20.48%) through a combination of operational efficiencies and a mix of contracts across the five key markets that we target. For the financial year 2022, we expect to see a slight drop in the gross margins on account of wage and energy inflation as well as a change in the nature of contracts within our portfolio, i.e., expanding our portfolio from predominantly cruise and ferry to commercial fabrication (Cory), renewables (Saipem) and defence (M55).

Operating losses stood at £22.37 million (2020: £9.18 million), and a substantial proportion of this was related to the recruitment of personnel across the board in preparation for bidding on large value contracts across the five markets. Having gone through this growth spurt in 2021, we expect to stabilise the number of personnel in the Group in 2022. We are still short of some critical skilled personnel in design, engineering, bidding and estimating and we hope to fill those gaps in FY22. The number of employees has gone from 105 in 2020 to 410 in 2021 and a large proportion of them have been allocated to specific projects, costs for which will get captured within cost of sales and no longer be classified as "bench overheads". Finally, our loss for the year before tax and other exceptional items stood at £25.50 million (2020: £10.41 million). We expect to see higher revenues in FY22 and our stated guidance is gross revenues of between £65 million and £75 million.

During the period, we acquired the assets of the Appledore shipyard (25 August 2020) and the fabrication assets in Methil and Arnish (12 February 2021). These acquisitions were strategic and have enabled us to have one of the largest fabrication footprints in the UK. We are now very well positioned to bid and win larger shipbuilding and fabrication contracts given the optionality that we are able to provide to clients.

The company undertook three equity raises during the 17-month period to 31 December 2021. A sum of £7.40 million (before expenses) was raised in January 2021, a sum of £12.07 million (before expenses) in May 2022 and finally a sum of £8.20 million (before expenses) in December 2021. As a growing company competing in markets dominated by other companies that are far larger than us, there is always a need for cash resources in order to compete for larger contracts not least in terms of experienced personnel. As we bid and win larger contracts, the challenge will be to create the optimal balance between equity and debt, and I am delighted to report that post the financial year-end— in March 2022— we announced our first ever group-wide corporate debt deal for $70 million with Riverstone Capital Partners, $35 million of which is a committed line and the balance $35 million being an uncommitted accordion facility that can be activated upon the execution of material contracts. This debt facility has been utilised to retire all the existing debt obligations as at 31 December 2021 as well as to fund working capital and certain key capital expenditure across the Group.

In June and July 2022, we announced two programmes for the build of twenty-three barges for the Cory Group, revenues for which would span FY22 and FY23. This is significant because we have started building our contracted order book for FY23 and will be going into the new financial year with a confirmed revenue stream. The two fabrication contracts put together would generate c£20 million in revenues, of which c£15 million will be booked in FY23. Works on this project will take place in Belfast and will complete the process of activating our vast fabrication halls.

Finally, in July again, we announced our first defence deal worth c£55 million in relation to the M55 Regeneration Programme. This is a landmark deal for the Group and firmly establishes us within the realm of defence. This project is expected to run for 18 to 24 months and further underpins our contracted revenue streams going forward. For the year ending 31 December 2022, we continue to maintain our stated guidance of generating between £65 million and £75 million in revenues. For FY23, we have already generated over £40 million of contracted revenues and will be looking to aggressively bid and win further contracts going into Q3 and Q4'22.

As we move into the second half of FY22, we are faced with rising wage and energy inflation as well as the possibility of a global recession. Whilst interest rates have started rising, we have not been impacted as yet, given that the structure of the debt facility is already 50 basis points higher than current interest rates (SOFR floor of 1% versus current SOFR rate of 0.50%). However, we could potentially be exposed to higher interest costs in the event the base interest rate breaches the 1% floor. As we make progress across the various contracts, we shall be looking at refinancing the existing debt facility on terms that are less expensive than the current terms.

We frequently run a number of scenario analyses internally to assess ourselves on key metrics such as contract wins to bids ratio, gross margin comparisons across different bids, and quite importantly, longevity of projects to achieve the critical mass of baseload revenues. Whilst the focus is on achieving long-term critical mass revenues, we need to consider the trade-off between short-term high margin projects and long-term lower margin projects. Our current gross margin is circa 27% - 30% and largely driven by short-term cruise and ferry work. As we move into FY23, we expect to observe a change in the nature of projects within our portfolio, with defence and renewable projects becoming predominant. Both these markets provide stability of long run revenues albeit at lower margins compared to cruise and ferry. As stated in the CEO's report we are currently targeting between £100 million - £120 million of revenues in FY23 and on that basis and the assumption that our portfolio will consist of a high proportion of defence and renewables work, we are targeting cash break-even in FY23.

It is important to caveat these estimates with certain realities; although our scenario analyses take into account a certain quantum of wage and energy inflation, it is very difficult to predict the impact of "black swan" events such as pandemics, wars, supply chain failures etc. on a set of business-as-usual scenarios. Whilst each of these "black swan" events may have an adverse impact on our business-as-usual estimates, the quantum of impact is largely contingent on a number of factors that are beyond the control of the company.

In order to achieve these levels of growth and revenues, leading, ultimately, to profitability, the company will need to make investments in plant, machinery, equipment and people. Therefore, the company has set up a dedicated treasury desk to administer loan agreements and maintain firm control on cash management. As previously stated, we will also look to maintain an appropriate balance in the overall structure of the balance sheet.

Finally, I wish to thank all our shareholders for the unstinting support that they have shown us through this period and also warmly welcome our new shareholders into the Harland & Wolff family. I look forward to sharing with you a series of progress updates in due course.

Arun Raman
Group Chief Financial Officer

12 August 2022

OUR PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the gas storage development, shipbuilding and heavy fabrication industries, the Group is exposed to a wide range of business risks in the conduct of its operations. The Group is exposed to financial, operational, strategic and external risks which are further described below. These risks are not exhaustive and additional risks or uncertainties may arise or become material in the future. A robust process of risk management and mitigation exists in the business and all risks associated with the Group's business have been fully assessed.

RISK MANAGEMENT

The financial risk management objectives and policies of the company in relation to the use of financial instruments, and the exposure of the company and its subsidiary undertakings to its main risks, credit risk and liquidity risk are set out in note 25 to the financial statements. The principal risks and uncertainties relating to the Group's business and how we mitigate them are set out in subsequent paragraphs.

FINANCING RISK - THE RISK OF NOT OBTAINING SUFFICIENT FINANCING

Access to adequate working capital is critical to our ability to pursue our existing and future projects and to continue as a going concern. A deterioration of the capital markets may reduce our ability to raise new equity funding. We work closely with our professional advisers and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital. The Group seeks to manage risk for our shareholders by attracting investment through quality partners where possible thereby minimising our own commitments to pay project development costs. We do not make financial commitments unless such funding has been secured through joint venture partners or otherwise new investment in our projects or we have a high degree of confidence that it will be secured.

STRATEGIC AND EXTERNAL RISKS - FAILURE TO MANAGE AND GROW THE BUSINESS WHILE CREATING SHAREHOLDER VALUE

There is no assurance that the Group's gas storage development will be successful, however, this risk has been substantially reduced by successfully completing the Front End Engineering and Design ("FEED") works for the Project. Whilst the gas storage project was the Company's only asset till December 2019, it represented a significant strategic risk should it not proceed to monetisation. Since the acquisition of four additional assets in 2019, 2020 and 2021, and a strategic pivot into ship repairs and heavy fabrication, the Company has diluted this strategic risk substantially. The gas storage project continues to remain the Company's flagship energy infrastructure project but significantly less reliance is now placed on the success of this project from a Group-wide perspective.

We place a premium on the recruitment and retention of suitably skilled personnel, compliance with applicable legislation and careful management of cash resources and requirements. The successful progression of the Group's activities depends not only on technical success but also on the ability of the Group to obtain appropriate financing through equity or debt financing or disposing of interests in projects or via other means. We place great emphasis on regular communication with shareholders, including the release of announcements for the interim and annual results, and after significant developments. We seek to ensure that through such communications our shareholders are aware of our strategy and operations and that management has their continuing support. The company's system of Corporate Governance is set out in the Our Governance section of this report.

OPERATIONAL RISKS - DAMAGE TO SHAREHOLDER VALUE, ENVIRONMENT, PERSONNEL OR COMMUNITIES CAUSED BY OPERATIONAL FAILURES

Harland & Wolff has restructured its board of directors and senior management team to include individuals with relevant skills to manage the operational risks of our projects and ensure they are progressed in the shortest possible timescales in a cost-effective manner. We have built up our core competencies in project development and have developed excellent relationships with government and public stakeholders in the geographical areas in which we operate.

POLITICAL RISKS – CHANGES TO THE GEO-POLITICAL LANDSCAPE AND ECONOMIC EMBARGOES CAUSING TO CONTRACT DELAYS AND CANCELLATIONS

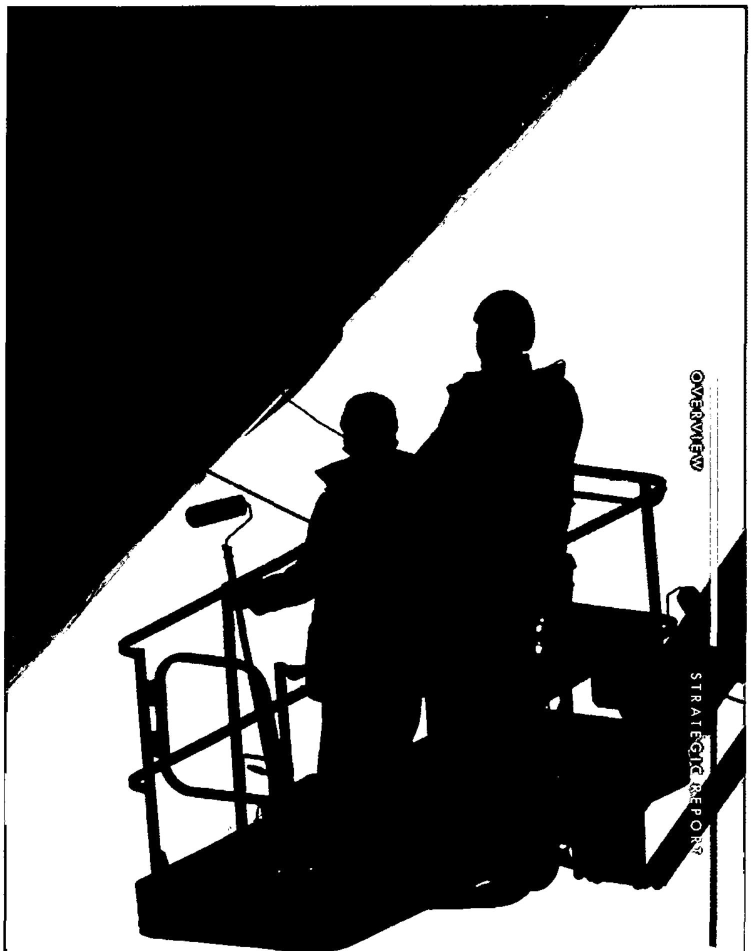
Harland & Wolff has its Belfast facility that is heavily dependent on repairs for the cruise and ferry market as well as the repairs and refurbishment of a number of commercial vessels. These vessels could have ownership or be registered in countries that are or likely to be subject to economic sanctions and embargoes. The Company has a number of "Know Your Client" procedures in place prior to executing any contract. Whilst these procedures have been made as robust as possible, the Company is still subject to fines and penalties if a vessel that is subject to economic sanctions comes to the Belfast facility. A number of vessels that were for dry docking in FY22 have been turned away due to their ownership being the subject of economic sanctions. As geo-political tensions increase across the globe, the Company is exposed to rogue ownership of vessels and loss of business. Whilst ownership related issues are being successfully mitigated, the Company is in a continuous process of replacing business lost due to economic sanctions with new business.

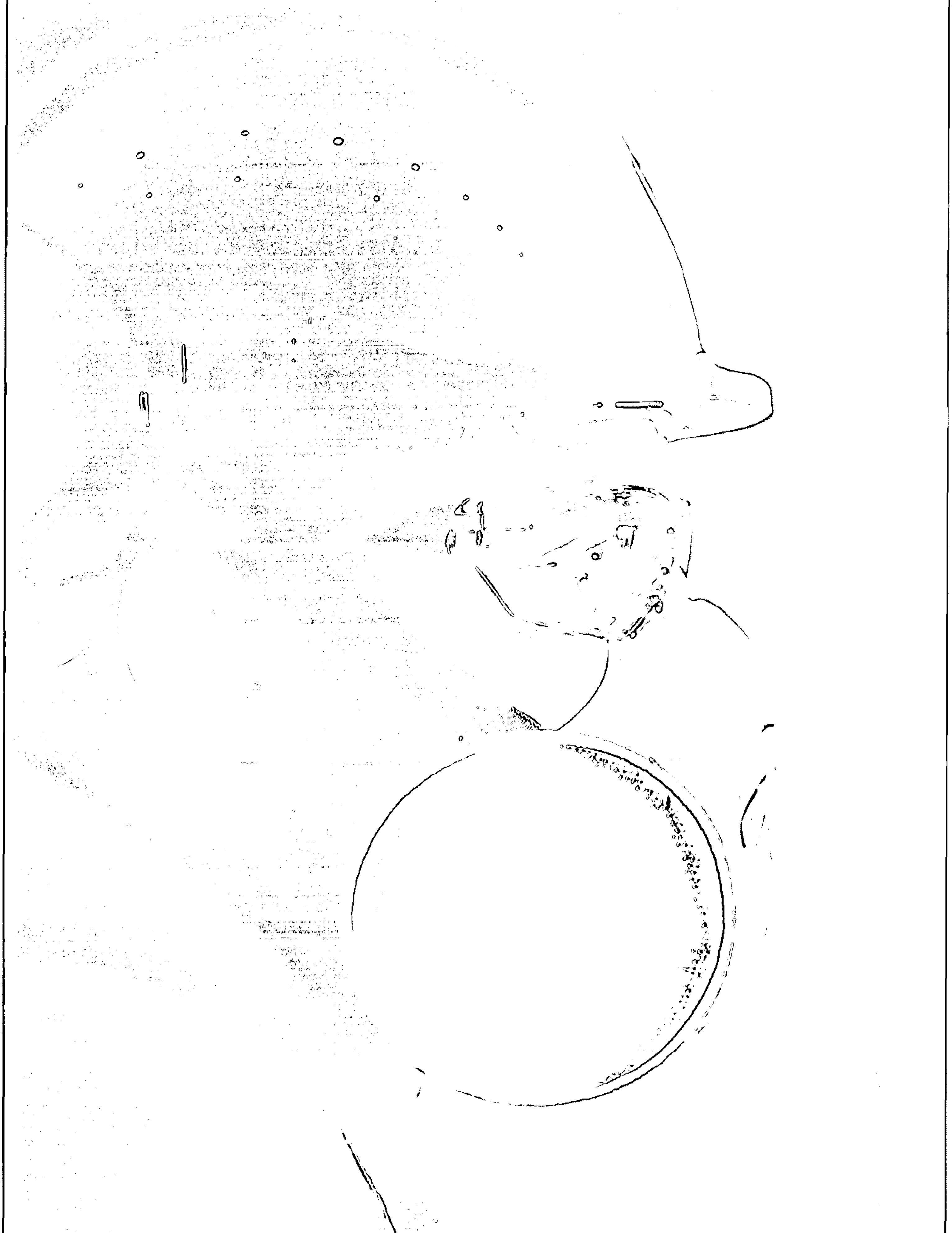
Our management team works alongside strong and experienced joint venture partners in all projects and is supported by a highly effective network of carefully selected service delivery specialists such as environmental consultants, fabrication and shipyard specialists and world class design engineers. In this way, we seek to mitigate the potential risk that we fail to be seen to be acting in a socially responsible manner and/or fail to maintain good local community relations

GOING CONCERN STATEMENT

The financial statements have been prepared on a going concern basis. The Group's assets are now generating revenue following the acquisitions of assets in Belfast, Appledore, Methil and Arnish under the Harland & Wolff umbrella. Operating cash outflows have been incurred in the year and an operating loss has been recorded in the profit and loss account for the year. There is a baseload level of work flowing through the shipyard in Belfast with continuous ship repair and refurbishment activities in the Belfast Repair Dock. In addition, the Group has been able to win smaller fabrication contracts in Appledore and Arnish throughout the year. The Methil facility is currently in the process of fabricating eight wind turbine generator jackets for the NNG project. Post the balance sheet date, the Group has announced that it has secured the build of eleven barges for the Cory Group valued at £8.40 million over a period of ten months and has also secured its first major defence contract with the refurbishment of the M55 Minehunter, the contract valued at circa £55 million and to be completed within 24 months. Additionally, there is a strong pipeline of opportunities across the five markets that the Group is involved in that management seeks to convert into firm contracts over the course of the next twelve months. However, given the uncertainty surrounding bid success and the relative lack of bid to success history, management has prepared a worst-case scenario for a period of twelve months from the date of the signing of these financial statements in respect of their going concern assumptions. This assumes no bid contract wins and that the sole revenue generated by the Group will arise from the existing contracts that are currently being fulfilled at the various facilities within the Group. The scenario includes all expected costs associated with such works as well as the repayment of all liabilities that fall due within this twelve-month period and takes into account all cost savings and process efficiencies considered achievable.

Based on this worst case forecast scenario the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 31 December 2021. Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.





GOVERNANCE

BOARD OF DIRECTORS

At the financial year end, the Board comprised two executive directors and two non-executive directors whose background and experience are relevant to the company's activities. The directors are of the opinion that the Board with a new chairman with effect from March 2022 and a new non-executive director to be appointed in due course (in addition to the sitting non-executive director) will have a suitable balance and it is expected that non-executive directors undertake a minimum of 18 days a year including attending board meetings and sitting on committees.

The Governance section in this annual report sets out biographical details of each director and which directors the Board considers to be independent. The Board, through the directors, maintains regular contact with its professional advisers to ensure that the Board develops an understanding of the views of major shareholders about the company. The Board also intends to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that the Board procedures are followed and that the applicable rules and regulations are complied with. In addition, the company secretary will ensure that the directors receive appropriate training as necessary. The appointment and removal of the company secretary is a matter for the Board as a whole.

MALCOLM GROAT
Chairman
Non-Executive Chairman

I A R

Appointed: Interim Chairman September 2021 and appointed Chairman March 2022

Malcolm has worked for many years as a consultant to companies in technology, natural resources and general commerce. Following an early career with PWC in London, he held CFO, COO, and CEO roles in established corporations including the construction firm now called Arcadis. Since 2004 Malcolm has served in non-executive director or chairman positions, today including Baronsmead Second Venture Trust PLC and Tomco Energy PLC. Malcolm is a Fellow of the Institute of Directors, Fellow of the Royal Society for the Encouragement of Arts, Manufactures and Commerce, and Fellow of the Institute of Chartered Accountants in England and Wales. He holds university degrees from St Andrews (MA) and Warwick (MBA).

SIR JONATHON BAND
Non-Executive Director

I A R

Appointed: August 2021

Sir Jonathon Band is a former First Sea Lord & Chief of Naval Staff of the Royal Navy during which period he created a new innovative Command Structure in addition to promoting the need for maritime investment and security. Sir Jonathon has also worked very closely with industry to promote and implement the Defence Industrial Strategy, a UK government policy focused on the efficient allocation of military equipment and resources to the UK armed forces.

Prior to his role as First Sea Lord, Sir Jonathon was Commander in Chief Fleet during which time, as Chief Operating Officer, he was responsible for the operational capability and deployment of the Navy's front line. Sir Jonathon is highly respected for his time spent supporting foreign and defence policies and for his crucial role in negotiating and building coalitions across NATO allies and Middle Eastern partners.

Following his retirement from the Royal Navy, Sir Jonathon has held numerous non executive positions at Lockheed Martin UK, Babcock International Group, National Museum of the Royal Navy and Survitec Group Ltd.

Sir Jonathon is currently a Non-Executive Director of Carnival Corporation, the NYSE & LSE listed global cruise operator.

KEY

E Executive

I Independent

A Audit Committee

R Remuneration, Nomination and Corporate Governance Committee

JOHN WOOD
Executive Director

E

John has enjoyed a distinguished career within the Oil and Gas sector, holding senior posts with BAE Systems, and was more recently the Global Head of Oil and Gas with Aurecon, a global engineering and advisory firm. He has successfully undertaken projects in Australia, the USA, Africa, Europe and the UK, building up extensive experience delivering pre-FEED and FEED (Front End Engineering Design), FID (Final Investment Decision) and EPC (Engineering, Procurement and Construction) contracts involving storage and infrastructure developments. Prior to his appointment as Chief Executive Officer at InfraStrata plc (now known as Harland & Wolff Group Holdings plc), John worked as a consultant for the company and was closely involved in negotiating and agreeing FEED contracts for the Islandmagee gas storage facility with Costain, DEEP KBB and WSP, as well as the appointment of Evan Passaris (Atkins) as a specialist in salt cavern gas storage. During that time, John managed all FEED related activities on behalf of the company. John is ideally suited to overseeing the operational areas of the Islandmagee gas storage project, given his wealth of technical experience across a wide range of similar developments. He is a well-known and highly respected industry professional and has extensive experience of working with the Group's FEED partners.

ARUN RAMAN
Executive Director

E

Arun has spent the past 20 years within the commodities and infrastructure sector. While at Star Energy Group plc (now known as Petronas Energy Trading Ltd.), he was responsible for commercialising its 10 BCF Humbly Grove Underground Gas Storage Project, including the negotiation and commercial delivery of the Gas Storage Agreement with Vitol SA as the capacity offtake client. He also negotiated and executed agreements with the National Grid in relation to physical gas flows between the Humbly Grove gas storage facility and the National Transmission System. On the trading side, Arun set up trading desks for natural gas, power and carbon emissions for the Group. Following on from there, Arun was hired by Vitol Services Ltd. in London where he was actively trading carbon emissions and other commodities. He specialises in commercial negotiations and monetising assets underpinned by commodity flows as well as trading of commodities around such assets. Arun's gas storage commercialisation experience will provide valuable insight as the Group progresses with the Islandmagee Project. Arun is a qualified Chartered Accountant having completed his training with PricewaterhouseCoopers and Citibank N.A. in India. He has been a member of the Institute of Chartered Accountants of India for the last 17 years post qualification, and also holds the designation of Certified Internal Auditor awarded to him by the Institute of Internal Auditors, Florida, USA

ATTENDANCE

The Board and its Committees have a scheduled forward programme of meetings. This ensures that sufficient time is allocated to each relevant discussion and activity and the Board's time is used effectively.

The table below shows the attendance of directors at the board and committee meetings held during the year. In addition to those scheduled meetings, unscheduled Board and Committee meetings were convened throughout the year as and when the need arose.

The Board had regular dialogue with management during the early phase of the Covid-19 pandemic and held additional Board calls at this time. The additional Board meetings and Board calls were all quorate, and all directors received the relevant papers and provided the required approval. During the year, the Board also held strategy sessions during the Board meetings to review and refresh the company's strategic direction.

The below table details the meetings number of meetings attended out of a possible number of meetings for each director.

Board Member	Board Scheduled: 10	Audit Committee Scheduled: 1	Remuneration, Nomination and Corporate Governance Committee Scheduled: 4
Executive Directors			
John Wood	10 of 10	NA	NA
Arun Raman	10 of 10	NA	NA
Non-Executive Directors			
Malcolm Groat	10 of 10	1 of 1	4 of 4
Sir Jonathan Band (appointed 01/09/21)	3 of 10	NA	2 of 4
Clive Richardson (resigned 27/09/21)	6 of 10	1 of 1	2 of 4

Members of the Senior Leadership team and professional advisors attended board meetings by invitation as appropriate throughout the year.

At each board meeting, the Chief Executive Officer delivers a high-level update on the business, and the Board considers specific reports, reviews business and financial performance, as well as key initiatives, risks and governance. In addition, throughout the year, the Executive Team and other colleagues deliver presentations to the Board on proposed initiatives and progress on projects.

CORPORATE GOVERNANCE STATEMENT

The Board recognises the importance of good corporate governance and have chosen to apply the QCA Code. The QCA Code was developed by the Quoted Companies Alliance (the "QCA"), the independent membership organisation that champions the interests of small to mid-size quoted companies, in consultation with a number of significant institutional small company investors, as a suitable corporate governance code applicable to AIM companies.

As stated by the QCA, good corporate governance is about "having the right people (in the right roles), working together, and doing the right things to deliver value for shareholders as a whole over the medium to long-term". This is achieved through a series of decisions made by the Board, which needs to be kept dynamic, diverse and engender a consistent corporate culture throughout the Harland & Wolff Group Holdings plc group of companies (the "Group").

Our values are based on "Doing the right thing" for our people, suppliers, shareholders and other stakeholders. The Board believes this is vital to creating a sustainable, growing business and is a key responsibility of the Group. This culture supports the Group's objectives to grow the business through acquiring and retaining customers. It is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

The Board has adopted the QCA Code in line with the London Stock Exchange's AIM Rules requiring all AIM quoted issuers to adopt and comply with a recognised corporate governance code. To see how we address the key governance principles defined in the QCA Code please refer to the below table.

QCA Code Principle	Application	What we do and why
Deliver Growth		
1. Establish a strategy and business model which promote long-term value for shareholders	The Board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	The Group's strategy is explained fully within our Chief Executive's Strategic Report section. Our strategy is principally focused around four key areas: (i) identification of opportunities, primarily in the energy infrastructure sector; (ii) development of projects using the skills and experience of the company's management team; (iii) monetisation of projects to deliver shareholder value; and (iv) identifying future energy-related projects, to ensure we have a balanced portfolio of projects at various stages of completion. The key challenges to the business and how these are mitigated are detailed further in this Annual Report.
2. Seek to understand and meet shareholder needs and expectations	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	The company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us and, in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending conferences and our regular reporting. The Board recognises the AGM as an important opportunity to meet shareholders. The directors are available to listen to the views of shareholders informally immediately following the AGM.

QCA Code Principle	Application	What we do and why
		The AGM is the main forum for dialogue with retail shareholders and the Board. The notice of AGM is sent to shareholders at least 21 days before the meeting. The chairman and the executive directors attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on this website. The person at the company with principal responsibility for liaising with shareholders is Arun Raman.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board stays abreast of stakeholder insights into the issues that matter most to them and our business, which enables the Board to understand and consider these issues in decision-making. Aside from our shareholders and suppliers, our core management team is one of our most important stakeholder groups and the Board closely monitors any feedback it receives from members of the team to ensure alignment of interests. For more information, please see our Directors' Report under the principal risks and uncertainties section in this Annual Report. The Group encourages feedback from all those organisations which it works or otherwise engages with.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	The principal risks and uncertainties faced by the Group are detailed in this Annual Report. We detail the risks to the business, how these are mitigated and the change in the identified risk over the last reporting period. The Board considers risk to the business at Board meetings (which are scheduled to take place at least quarterly). Due to the recent changes at Board and management team level, Board meetings have taken place with increased frequency. Management is usually invited to attend the Board meetings, but are asked to leave any meetings when the Board wishes to discuss and/or otherwise resolve any Board-specific, confidential or sensitive matters. The company formally reviews and documents the principal risks to the business at least bi-annually. The Board and management team are responsible for reviewing and evaluating risk and the executive directors meet at monthly intervals to review ongoing trading performance, discuss budgets and forecasts, and new risks associated with ongoing trading and projects.

CORPORATE GOVERNANCE STATEMENT

QCA Code Principle	Application	What we do and why
Maintain a Dynamic Management Framework		
5. Maintain the Board as a well-functioning, balanced team led by the chair	The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The Board should be supported by committees (e.g., audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.	The Board currently has two executive directors and two non-executive directors. The Board considers the non-executive director to be independent. The company has announced the appointment of a new non-executive chairman, with effect from March 2022. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the company on the other, to enable it to discharge its duties and responsibilities effectively. All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Board intend to continue to assess and monitor the company's requirements in this regard and expects to review the situation on an ongoing basis. All directors receive regular and timely information relating to the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings. In addition, minutes of the meetings of the directors are circulated to the Board for approval. The Board has a formal schedule of matters reserved to it and is supported by the Audit and Remuneration Committee. The Committees' Terms of Reference are available below this table. The primary tasks of the CEO are as follows: (i) leads the development and execution of long-term corporate strategy; (ii) responsible for all day-to-day management decisions and implementing corporate long and short-term plans; (iii) acts as a direct liaison between the Board and management team; and (iv) communicates on behalf of the company to internal and external stakeholders. The primary tasks of the CFO are as follows: (i) overseeing the administrative, financial, and risk management operations of the company (ii) developing financial and operational strategy, including the metrics linked to strategy; (iii) ongoing development and monitoring of control systems designed to preserve company assets; and (iv) reporting accurate financial results. The primary tasks of the chairman are as follows: (i) leads the Board and ensures its effective operation; (ii) providing support and supervision to the management team; and

QCA Code Principle	Application	What we do and why
		(iii) monitoring and upholding corporate governance standards. The Board's role is to oversee and manage the Group, in as a responsible and efficient manner as possible. Broadly, the Board focuses on four key areas: (1) establishing vision, mission and values; (2) setting strategy and structure; (3) delegating to management; and (4) exercising accountability to shareholders and being responsible to relevant stakeholders. The company has the following committees: (i) Audit Committee and (ii) Remuneration, Nomination and Corporate Governance Committee
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition. The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the Board will change, and board composition will need to evolve to reflect this change.	The Board is satisfied that, between the directors, it has an effective and appropriate balance of skills and experience, including in the areas of energy, engineering, finance, capital markets, innovation and international trade. All directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings. The directors keep their skillsets up to date by attending relevant industry and professional events, as well as receiving periodic updates from the company's professional advisers regarding regulatory developments. The directors' service contracts are available for inspection at the company's registered office and at each AGM. All directors retire by rotation at regular intervals in accordance with the company's Articles of Association. Appointment, removal and re-election of directors. The Board makes decisions regarding the appointment and removal of directors, and there is a formal, rigorous and transparent procedure for appointments. The company's Articles of Association require that one-third of the directors must stand for re-election by shareholders annually in rotation; that all directors must stand for re-election at least once every three years; and that any new directors appointed during the year must stand for election at the AGM immediately following their appointment. Independent advice All directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the company's expense. In addition, the directors have direct access to the advice and services of the Chief Financial Officer and Company Secretary.

CORPORATE GOVERNANCE STATEMENT

QCA Code Principle	Application	What we do and why
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.	The individual contributions of each of the members of the Board are regularly assessed to ensure that: (i) their contribution is relevant and effective; (ii) that they are committed; and (iii) where relevant, they have maintained their independence. The Board intends to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. One-third of the directors must stand for re-election by shareholders annually in rotation and all directors must stand for re-election at least once every three years. For more information, please see our *Directors' Report in the principal* risks and uncertainties section of this Annual Report. The Group encourages feedback from all those organisations which it works or otherwise engages with.
8. Promote a corporate culture that is based on ethical values and behaviours	The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the Board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	The Chief Executive Officer's Strategic Report details the environmental values of the Group, where we outline our commitments to act in a socially responsible manner and maintain good local community relations. We have appointed Judith Tweed, who is the person principally responsible for managing and maintaining local community relations in Islandmagee, Northern Ireland, to the board of directors of the Group subsidiary Islandmagee Storage Limited. The Board sees this as important for ensuring that the local community we work with realise how important we view our relations with the local community. The Group supports the growing awareness of social, environmental and ethical matters when considering business practices.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity; and capacity, appetite and *tolerance for risk. The governance structures* should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company	As well as the information contained in this matrix, which identifies the Group's commitment to and application of the QCA Code, the Corporate Governance Statement in this Annual Report details the company's governance structures and why they are appropriate and suitable for it.

QCA Code Principle	Application	What we do and why
Build Trust		
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structure should exist between the Board and all constituent parts of its shareholder base. This will assist the communication of shareholders' views to the Board as well as the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).	The company encourages two-way communication with its shareholders and responds quickly to all queries received. The chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. The Board recognises the AGM/GM as an important opportunity to meet private shareholders. The directors are available to listen to the views of shareholders informally immediately following the AGM/GM.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of Harland & Wolff Group Holdings plc (the "company") for the period ended 31 December 2021.

Harland & Wolff Group Holdings Plc

Registered Number	06409712
Registered Office Address	Fieldfisher Riverbank House, 2 Swan Lane, London, United Kingdom, EC4R 3TT
Country of Incorporation	England and Wales
Type	Public Limited Company

SHARE CAPITAL

At the date of this report 162,887,840 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 22 to the financial statements.

RESULTS AND DIVIDENDS*

The Group recognised cash revenue from continuing operations of £18,518,239 (2020: £1,482,081). Management and administrative expenses totalled £28,091,756 (2020: £9,482,379). The Group incurred a loss of £25,508,270 (2020: loss of £10,409,873). The loss for 2021 when added to the cumulative losses of £39,865,126 brought forward and movements between reserves leaves a retained loss of £65,373,396 to be carried forward. The directors do not recommend the payment of a dividend (2020: £Nil).

* 17-month period ended 31 December 2021 compared to 12-month period ended 31 July 2020.

DIRECTORS

The following were directors of the company during the period ended 31 December 2021 and at the date of this report:

- Malcolm Groat (appointed Interim Chairman on 27 September 2021, Chairman on 18 March 2022)
- Sir Jonathan Band (appointed on 1 September 2021)
- John Wood
- Arun Raman
- Clive Richardson was also a director during the period and resigned on 27 December 2021

DIRECTORS' INDEMNITIES

All directors benefit from the provisions of individual directors' Personal Indemnity insurance policies.

Some of the current directors have been granted share options in the company and details can be found in note 9 to the financial statements.

DIRECTORS' AND SIGNIFICANT SHAREHOLDINGS

The directors of the company held the following beneficial shareholdings as at the date of this report.

Ordinary shares of 1p each	Number	%
John Wood	671,060	0.41
Arun Raman	183,654	0.11

On 14 January 2019, a total of 350,000 options were granted to John Wood.

The Options become exercisable in three tranches as follows:

- as to one third after one year;
- as to one third after two years; and
- as to one third after three years.

Upon each vesting date, half of the Options vested are exercisable at a price of 150p per share and half are exercisable at nominal value of 1p per share.

On 15 January 2020, a total of 300,000 options were granted to Arun Raman.

The Options become exercisable in three tranches as follows:

- as to one third in 2020;
- as to one third in 2021; and
- as to one third in 2022.

Upon each vesting date, half of the Options vested are exercisable at a price of 150p per share and half are exercisable at nominal value of 1p per share.

The company has also received notification of the following interests in 3% or more of the company's issued share capital as at 18 July 2022. The holdings and percentages presented are at the date of notification.

Shareholder	Ordinary Shares as % of Issued Share Capital
Killik Asset Management	13.71%
Hargreaves Lansdown Asset Management	10.82%
Lombard Odier Asset Management	7.67%
Interactive Investors	6.94%
Walker Crips Group	6.78%
Kavé Sigaroudinia	5.74%
Pentwater Capital Management	4.86%
Allianz Global Investors	4.82%
Sankofa Strategic Equity Fund Ltd	3.22%
Ravenscroft	2.74%

RELATIONS WITH SHAREHOLDERS

Communication with shareholders is given high priority and the company, therefore, communicates regularly with shareholders including the release of announcements for the interim and annual results and after significant developments. The Annual General Meeting, which this year is being held on 6 September 2022 at 12.00 p.m., is normally attended by all directors. Shareholders are invited to ask questions on matters including the Group's operations and performance and to meet with the directors after the formal proceedings have ended. The Board recognises the ongoing importance of communication with shareholders at this time. Accordingly, shareholders are encouraged to ask questions, and these should be emailed to investor@harland-wolff.com before 12.00 p.m. on 2 September 2022; please include a shareholder reference number in any correspondence.

Responses will be posted on the company's website on the morning of the AGM. The company will answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

The company maintains a website (www.harland-wolff.com) for the purpose of improving information flow to shareholders as well as potential investors. The website contains all regulatory and press announcements and financial reports as well as extensive corporate governance and operational information about the Group's activities. Enquiries from shareholders on matters relating to their holdings and the business of the Group are welcomed.

INTERNAL CONTROLS

The directors are responsible for the Group's system of internal controls, the setting of appropriate policies on those controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives. The internal controls cover financial, operational and compliance matters and are reviewed on an ongoing basis. The directors consider that the frequency of board meetings and the information provided to the Board in relation to Group operations assists the identification, evaluation and management of significant risks relevant to its operations on a continuous basis. The Group's internal controls can only provide reasonable and not absolute assurance against material misstatement or loss or the risk of failure to meet business objectives. Having thus monitored risk management and internal control processes in place, the Board considers that the company's internal control systems operated appropriately during the year and up to the date of signing of the Annual Report and Financial Statements. The company's business model and strategy is set out in the reports of the chairman and the CEO in this annual report. A summary of the principal risks and uncertainties relating to the Group's business and how the Board attempts to mitigate them are detailed in the Directors' Report of this annual report.

AUDIT COMMITTEE REPORT

Malcolm Groat is currently the Chair of the Audit Committee with Sir Jonathon Band as the non-executive director member. Clive Richardson was a member of the Audit Committee prior to his resignation on 27 December 2021. There was one meeting of the Audit Committee during the financial year which was attended by all members of the Committee. Senior representatives of the external auditor attend these meetings if considered appropriate. The external auditor has unrestricted access to the chairman of the committee.

The role of the Audit Committee includes:

- consideration of the appointment of the external auditor and the audit fee;
- reviewing the nature, scope and results of the external audit;
- monitoring the integrity of the financial statements and interim report;
- discussing with the auditors any problems and reservations arising from the interim and final results;
- reviewing the auditor's management letter and management's response; and
- reviewing on behalf of the Board the Group's system of internal control and making recommendations to the Board.

The Committee also keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Group and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function. Notwithstanding the absence of an internal audit function, the Committee keeps under review the effectiveness of the Group's internal controls and risk management systems.

REMUNERATION, NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Malcolm Groat is currently the Chair of this committee with Clive Richardson as Chair prior to his resignation and Malcolm Groat and Deborah Saw (until her resignation) as its members. Following Clive's and Deborah's resignations, Malcolm Groat is now Chair of this committee and Sir Jonathon Band is the non-executive director member The committee met four times in the year to 31 December 2021. Upon the appointment of two new non-executive directors, John Wood and Arun Raman retired from this committee.

The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee recommends to the Board a framework for the remuneration of the executive directors and the senior management of the Group.

The principal objectives of the Committee include:

- Determining and recommending to the Board the remuneration policy for the chief executive and executive directors; and
- reviewing the design of share incentive plans for approval by the Board and determining the annual award policy to executive directors under existing plans.

The Committee remains acutely aware of the need to balance the financial performance of the company with the need to maintain incentivisation and motivation for the executive team. Directors' remuneration for the period ended 31 December 2021 has been detailed in Note 7 in the Notes to the financial statements.

DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities 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 have elected to prepare the Group and Parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions. The company is compliant with AIM Rule 26 regarding the company's website.

Disclosure of Information to the Auditor
In accordance with Section 418(2) of the Companies Act 2006, each director in office at the date and approval of the Directors' Report confirms that:

i. so far as the directors are aware, there is no relevant audit information of which the company's Auditor is unaware; and
ii. the directors have taken all reasonable steps to ascertain any relevant audit information and to ensure that the company's Auditor is aware of such information.

Important Events Since Year End

Green Corporate Debt Facility of $70 million
On 9 March 2022, the company announced that it has entered into a group-wide $70 million Green Term Loan Facility (the "Facility") with affiliates of Riverstone Credit Partners, LLC ("RCP"), a dedicated credit investment platform managed by Riverstone Holdings LLC ("Riverstone") and focused on entities engaged in building infrastructure and providing infrastructure services to generate, transport, store and distribute both renewable and conventional sources of energy, as well as entities focused on or otherwise engaged in the energy transition from fossil-based, to a zero-carbon economy.

The Facility will be used to support growth in the business and supplement the company's working capital requirements. The Facility will be split into two tranches:

- A committed facility of $35 million
- An uncommitted accordion facility of up to$35 million

The Facility matures on 09 September 2023 and will attract an interest rate of the published 90 day Secured Overnight Financing Rate (the "SOFR") plus 9% per annum, with the floor of the SOFR set at 1%. The company may elect to extend the maturity date by six months at a time up to three times for a final maturity date no later than 09 March 2025. These extensions are subject to an extension fee of 0.50% for the first extension option and 1% for each of the second and third extension options, in addition to pro forma covenant compliance and certain other usual and customary conditions. The Facility has been structured as a Green Loan following the Green Loan Principles published by the LMA, APLMA, and LSTA and a Sustainability-Linked Loan with performance indicators focused on social responsibility. The company is incentivised to upscale its group-wide apprenticeship programme aimed at the local communities in which Harland & Wolff operates. Harland & Wolff plans to build on its success to date and seeks further contracts within the renewables and "green maritime" sectors, such as fabrication contracts for offshore wind and hydrogen projects, new vessel builds, retrofits with sustainability credentials and other such contracts that would promote the UK Government's agenda to achieving Net Zero by 2050. Proceeds from the Facility will be utilised to fund working capital and CAPEX associated with the fabrication of wind turbine generator jackets for the NnG offshore wind project, to fully repay the existing £2 million Asset Backed Loan ("ABL") at Harland & Wolff (Belfast) Limited, to fund an interest reserve account, and to pay transaction fees & expenses. The Facility also includes an uncommitted accordion feature of $35 million, for a total borrowing capacity of up to $70 million, and may be utilised to fund the company's incremental working capital and CAPEX requirements associated with new contracts.

The company will also grant Riverstone detachable warrants over new ordinary shares in the company ("Warrants") as part of this transaction. A total of 10,419,766 Warrants will be issued as part of this transaction. Each warrant will carry an exercise price of 14.25 pence per share, which is the closing price of the company's shares on 08 March 2022, being the latest practicable date prior to this announcement. The Warrants are exercisable at any time after the Facility has been put in place but must be exercised before 36 months from the date of execution of the credit agreement date. The Facility will be securitised against substantially all the assets of the company, including land, property, plant and machinery and receivables. In addition, an agreement has been reached with the vendors of Harland & Wolff (Appledore) Limited in relation to the outstanding deferred consideration payable by the company. Under the terms of the revised payment schedule, the company will pay the vendors instalments as follows:

- 31 March 2022: £500,000
- 30 June 2022: £500,000
- 25 August 2022: £2.50 million (£2.10 million in cash and £0.40 million in the company's shares)
- 25 February 2023: £2 million (£1.60 million in cash and £0.40 million in the company's shares)

Until the deferred consideration has been paid in full, Riverstone will take second charge on the assets of Harland & Wolff (Appledore) Limited with the current vendors retaining a first charge on the assets.

Contract announcements

On 1 June 2022, the company announced that it has been awarded an initial contract worth approximately £8.5 million with Riverside Resource Recovery Limited, part of the Cory Group of companies ("Cory") for the fabrication of eleven barges.

The barges will be used by Cory to transport London's recyclable and non-recyclable waste on the River Thames.

Fabrication will take place at the Harland & Wolff (Belfast) site, with first steel being cut around the end of August 2022. The programme schedule allows for four barges to be built in tandem, with the entire build programme ending around Q2 2023. Fully fabricated barges will be sequentially delivered to Cory with the client taking delivery on the River Thames.

On 13 July 2022, the company announced that the company has been successfully awarded the M55 Regeneration Programme (M55 Contract) by the Ministry of Defence (MOD) on behalf of the Lithuanian Defence Materiel Agency (DMA) after a competitive bid process.

The contract value for this programme is £55 million, with a potential to increase this value through additional equipment and further upgrades at the client's option. The M55 Contract incorporates the delivery of a regenerated vessel, with stated mission and sonar systems, to an agreed operational condition, for final delivery to the Lithuanian Navy.

It is a landmark deal for the company, being its first contract win within the defence sector. Following extensive discussions with the MoD and a competitive tender process, winning the M55 Contract is a clear validation of the strategic progress the company has made in the last 2 years as well as the technical skills, expertise and facilities it now has in operation.

The M55 Contract is expected to commence in August and be completed within 18-24 months with the programme being undertaken at Harland and Wolff's Appledore site. Under the terms of the contract, no performance bonds will be required to be issued and an acceptable milestone payment plan has been agreed for the lifecycle of the programme. Contractual payments will be spread across FY 2022, FY 2023 and FY 2024, thereby creating a predictable, ongoing revenue stream for three financial years. The contract underpins the company's FY22 and FY23 revenues, with margins also in line with management expectations.

The Board strongly believes that this contract will significantly enhance the company's reputation in the market and pave the way to securing future defence and government contracts.

With this award now secured, the company has delivered on its objective of becoming operational in its five key markets - cruise & ferry, commercial, energy, renewables and defence. In conjunction with the recent award of the Cory barge contract, all the company's facilities are now operational and active on projects. The company is progressing towards its stated medium-term goal of becoming a £500 million per annum turnover business.

On 19 July 2022, the company announced that it has been awarded a second contract worth approximately £9.6 million by Riverside Energy Park Limited, part of the Cory Group of companies ("Cory") for the fabrication of twelve barges.

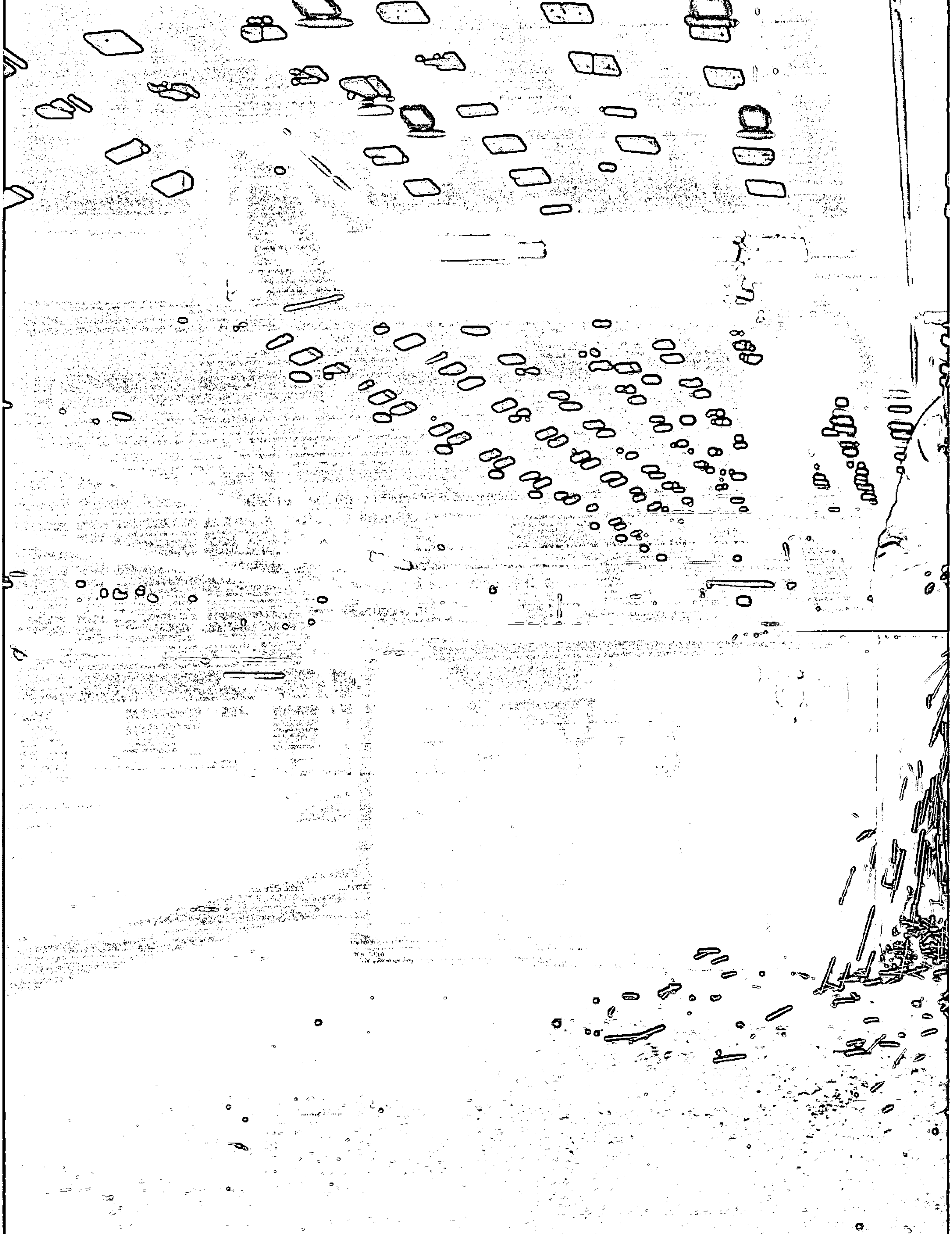
The barges will be used by Cory to transport London's recyclable and non-recyclable waste on the River Thames.

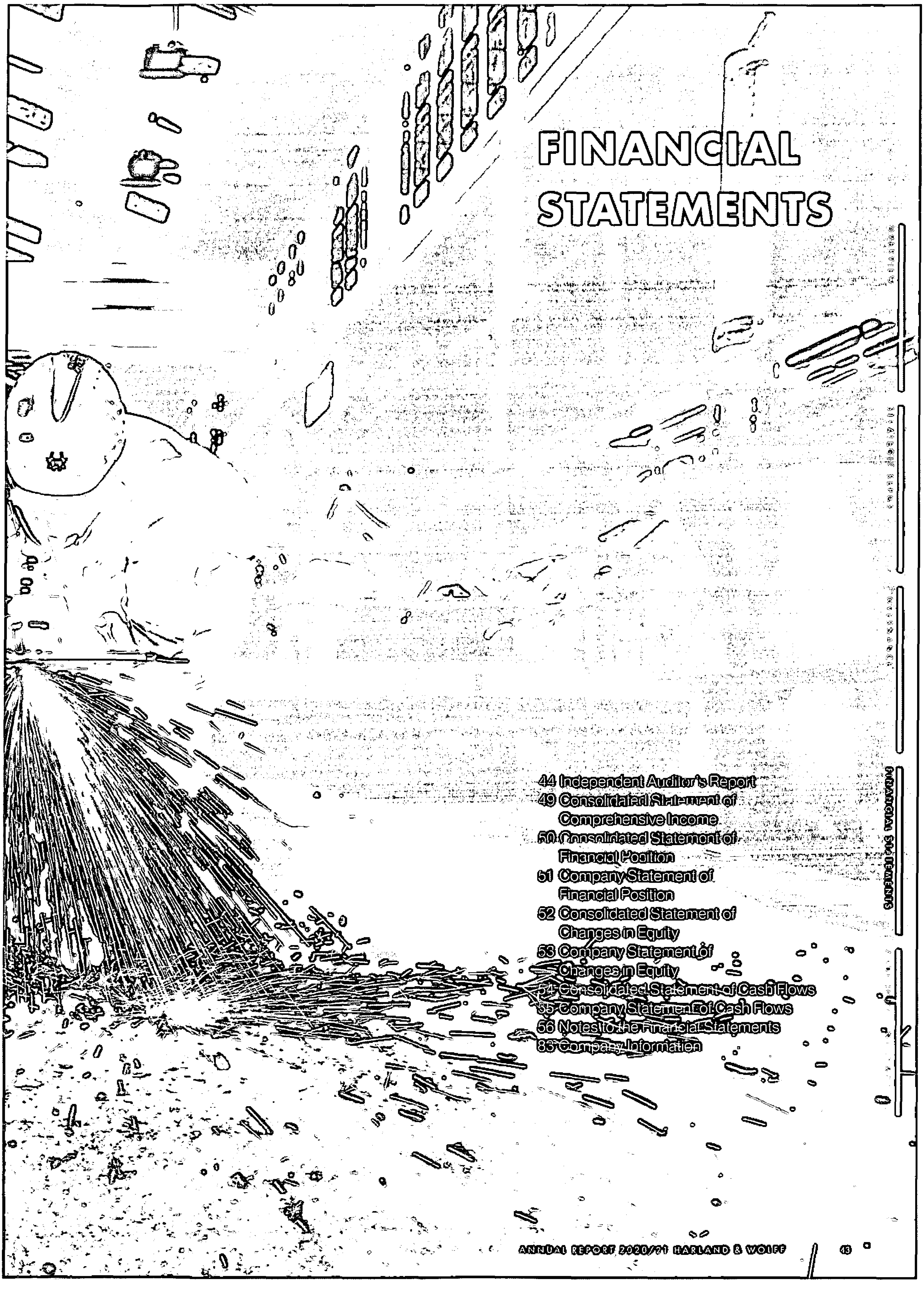
Fabrication will take place at the Harland & Wolff (Belfast) site, with first steel being cut in 2023, towards the end of the fabrication programme for the first set of eleven barges that were awarded in May 2022. A production line has now been set up at the Belfast facility that will provide seamless delivery of the 23 barges in total. This contract further underpins the contracted revenues for 2023 which now sits at c£40 million. As the company moves into Q3 and Q4 of FY 2022, further announcements are expected to be made in relation to material contracts that are due to be awarded for 2023 and beyond.

On behalf of the Board.

Malcolm Groat
Chairman

12 August 2022





FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLAND & WOLFF GROUP HOLDINGS PLC

Opinion
We have audited the financial statements of Harland and Wolff Group Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements 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 period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK 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 Companies Act 2006.

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 parent company in accordance with the ethical requirements that are relevant to our audit of the *financial statements in the* UK, *including the* FRC's *Ethical Standard* as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
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. 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:

- Checking the mathematical accuracy of the entity's forecast used to model future financial performance;
- Reviewing of management's forecast financial information providing challenge to the corresponding assumptions used, as well as discussion with management regarding their future plans across all service lines;
- Assessing whether the entity's model used was a base case scenario and considering what mitigating factors are available to management if required.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

	Group financial statements	**Company financial statements**
Overall materiality	Statement of Financial Position ("SOFP"): £440,000 (2020: £300,000) Statement of Comprehensive Income ("SOCI"): £140,000	£430,000 (2020: £150,000)
Performance materiality	SOFP: £308,000 (2020: £180,000) SOCI: £10,000	£301,000 (2020: £90,000)
Basis for determining materiality	2% of net assets (SOFP) 2% of *turnover (SOCI)*	2% of net assets

	Group financial statements	Company financial statements
Rationale for the benchmark applied	The group has made numerous acquisitions over the past two reporting periods. The assets acquired are key to delivering value to the group in future. Given the significant increase in revenue in the period it was considered appropriate to use a separate basis of materiality for the SOCI as leveraging revenue from the assets acquired is key to demonstrate value generation for stakeholders. Performance materiality has been set at 70% of headline materiality based on our risk assessment performed and our cumulative knowledge of the group.	The parent company has made numerous acquisitions over the past two reporting periods which are key to delivering future value. The future recoverability of the amounts due from subsidiaries will be a key determinant in the future success of the wider group which the parent company heads up. Performance materiality has been set at 70% of headline materiality based on our risk assessment performed and our cumulative knowledge of the group.

For each component of the group, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £50,000 and £410,000 (2020: £35,000 and £300,000). Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £22,000 (group audit) and £20,500 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the impairment of intangible assets and assumptions used in calculating the defined benefit pension scheme. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The group has eleven subsidiary undertakings, all of which are based in the UK and a full audit was performed. There are no component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including 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.

Key Audit Matter	How our scope addressed this matter
Risk of material misstatement due to fraud related to revenue recognition (Note 3)	
Under ISA (UK) 240 there is a presumption that revenue recognition is a fraud risk. The group generates revenue from multiple streams including ship building, heavy engineering, ship repairs and maintenance, and the fabrication of wind turbines. Revenue recognition differs across the streams due to the nature of the service being provided and in certain streams (e.g. where long term contracts are involved) there is a risk of revenue being recognised incorrectly due to the level of judgement required. Revenue recognition is considered to be a KAM due to the significance of the balance to the Group and the level of judgement required in respect of revenue recognition on certain streams.	Our work in this area included but was not limited to: • Performing substantive transactional testing of recognised revenue across the various revenue streams, vouching to supporting documentation and confirming the point of revenue recognition against the entity's accounting policy; • Performing cut-off testing by selecting a sample of transactions either side of the year end and vouching to relevant documentation to ensure that revenue has been recorded in the correct period; and • For long term contracts that span the period end assessing and challenging judgements made by management to ensure that revenue recognised is supportable and in accordance with the milestone requirements of IFRS 15 – Revenue from contracts with customers. • Performing a review of the disclosures made in the financial statements ensuring they are appropriate and in line with IFRS 15 requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLAND & WOLFF GROUP HOLDINGS PLC

Key Audit Matter	How our scope addressed this matter
Carrying value of intangible assets – Islandmagee (Note 12)	
The Group holds significant intangible assets related to capitalised development costs in respect of the Islandmagee underground gas storage facility salt caverns project in Northern Ireland. On 13 October 2021, Department of Agriculture, Environment and Rural Affairs (DAERA) expressed that it will issue the Environmental Consent Decision for the Marine License. This is one of the factors required to finalise the project aside from raising any additional funding needed to bring the project to fruition. A legal challenge was made in respect of DAERA's ruling from local residents. There is a risk that the capitalised costs are impaired and the carrying value of the intangible assets within the financial statements is not appropriate. This is considered to be a KAM due to the financial significance of the balance and the level of management estimation and judgement required in management's impairment considerations.	Our work in this area included: • Consideration of whether there are indicators of impairment and the potential impact of the legal challenge; • Discussions with and challenge to management as to the status of the project and how it will realise value therefrom; • Considering and challenging managements assumptions into the discounted cash flow model which supports the carrying value of the intangible asset; • Performing sensitivity analysis on the key inputs into the discounted cash flow model to confirm the current headroom; • Ensuring costs capitalised in the period met the capitalisation criteria under IFRS 6 - Exploration for and Evaluation of Mineral Resources; and • Obtaining the marine license issued by DAERA to ensure that the Group has the rights over the licensed issued. Based on the audit work performed we are satisfied that the carrying value of the Islandmagee assets is appropriate but draw attention to the fact that should the legal challenge be successful then the capitalised costs may be impaired.
Acquisition and Carrying value of assets acquired from Appledore Shipyard and Burntisland Fabrication Limited (Note 13)	
On 25 August 2020, the group announced the acquisition of the assets of Appledore Shipyard for £7 million of which £5.6 million was payable in cash and £1.4 million through the issuance of ordinary shares. On 12 February 2021, the group announced the acquisition of the assets of Burntisland Fabrication Limited which is located in two sites in Scotland (Arnish and Methil) for £650,000 in cash with a further deferred consideration of up to £200,000, subject to the achievement of future revenue targets. There is a risk that the accounting treatment of the acquisitions as asset acquisitions is incorrect and that the assets acquired are impaired. This is considered to be a KAM given the importance of the acquisitions to the group, the quantum of the linked assets and the level of management judgement involved.	Our work in this area included: • Obtaining the agreements and review the key terms to ascertain whether there are indicators of significant influence or control; • Consideration of the appropriateness of classification, accounting and valuation of the asset acquisition, taking into consideration IFRS 3 – Business Combinations, IFRS 2 – Share based payments and IAS 16 – Property Plant and Equipment to ensure that it is appropriate to treat the acquisitions as asset acquisitions; • Vouching the consideration paid to the asset acquisition agreement and reviewing the Share Purchase Agreement to confirm ownership; and • Reviewing and challenging management's impairment considerations.

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 group and parent company 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- *adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or*
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group 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.

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.

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:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, application of our cumulative audit knowledge and experience of the sector.
- The group and parent company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation, distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. In addition, the group and parent company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety; various regulations around working with heavy machinery; fraud; bribery and corruption; export control; Consumer Rights Act; and employment law recognising the nature of the group and parent company's activities. The risk of actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal / regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls; that the recognition of revenue, overstatement of assets, posting of unusual journals and manipulating the group's key performance indicators to meet remuneration targets and externally communicated targets. In addition to the information provided above in the Key audit matters section, the audit team performed a review of all unusual journal entries in the year and at the year end and assessed business rationale and vouched those transactions to supporting documentation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLAND & WOLFF GROUP HOLDINGS PLC

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Our review of non-compliance with laws and regulations incorporated all group entities. No component auditors were used for the purpose of the group audit, and all entities within the group are incorporated within the UK.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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.

Joseph Archer

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP, Statutory Auditor

15 Westferry Circus
Canary Wharf
London
E14 4HD

Date: 12 August 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2021

	Note	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Continuing operations		–	–
Revenue	3	18,518,239	1,482,081
Cost of sales		(13,293,198)	(1,178,534)
Gross profit		5,225,041	303,547
Management and administrative expenses	5	(28,091,756)	(9,482,379)
Other income	4	495,220	–
Operating loss	5	(22,371,495)	(9,178,832)
Finance income		278	5
Finance costs		(3,137,053)	(1,231,046)
Loss before tax		(25,508,270)	(10,409,873)
Taxation	10	–	–
Loss for the period		(25,508,270)	(10,409,873)
Items that may be subsequently reclassified to profit or loss			
Surplus on revaluation of fixed assets		–	6,074,895
Total comprehensive loss for the period		(25,508,270)	(4,334,978)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(25,508,270)	(4,334,978)
Earnings Per Share			
Basic and diluted	11	(26.59)p	(2.40)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Registration number: 06409712)

	Note	31 December 2021 £	31 July 2020 £
Non-current assets			
Intangible assets	12	**11,923,019**	11,206,831
Property, plant and equipment	13	**24,734,782**	11,389,255
Right of use assets	14	**12,955,693**	14,018,516
Total non-current assets		**49,613,494**	36,614,602
Current assets			
Inventories	16	**1,176,641**	331,465
Trade and other receivables	17	**6,825,944**	1,933,254
Cash and cash equivalents	18	**5,278,002**	6,723,236
Total current assets		**13,280,587**	8,987,955
Current liabilities			
Trade and other payables	19	**(22,288,777)**	(6,102,983)
Grant received in advance		**–**	(24,272)
Short-term borrowings	20	**–**	(863,655)
Short-term financial liability	20	**(3,167,287)**	(1,917,885)
Total current liabilities		**(25,456,064)**	(8,908,795)
Net current (liabilities)/assets		**(12,175,477)**	79,160
Non-current liabilities			
Loans and borrowings	20	**(16,006,460)**	(15,789,579)
Financial liability	20	**(200,000)**	(200,000)
Total non-current liabilities		**(16,206,460)**	(15,989,579)
Net assets		**21,231,557**	20,704,183
Shareholders' funds			
Share capital	22	**12,444,734**	11,457,457
Share premium		**58,736,711**	33,923,172
Merger reserve		**8,988,112**	8,988,112
Share based payment reserve	9	**360,501**	125,673
Revaluation reserve		**6,074,895**	6,074,895
Retained earnings		**(65,373,396)**	(39,865,126)
Total equity		**21,231,557**	20,704,183

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

These financial statements were approved and authorised for issue by the Board on 12 August 2022 and signed on its behalf by:

Mr J M Wood
Director

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Registration number: 06409712)

	Note	31 December 2021 £	31 July 2020 £
Non-current assets			
Intangible assets	12	**184,177**	21,732
Property, plant and equipment	13	**46,763**	27,738
Right of use assets	14	**1,904,585**	2,640,448
Total non-current assets		**2,135,525**	2,689,918
Current assets			
Trade and other receivables	17	**45,903,326**	17,378,511
Cash and cash equivalents	18	**233,277**	6,686,057
Total current assets		**46,136,603**	24,064,568
Current liabilities			
Trade and other payables	19	**(1,385,945)**	(1,314,709)
Short-term financial liability	20	**(680,000)**	(813,000)
Total current liabilities		**(2,065,945)**	(2,127,709)
Net current assets		**44,070,658**	21,936,859
Non-current liabilities			
Loans and borrowings	20	**(1,716,824)**	(2,287,378)
Financial liability	20	**(200,000)**	(200,000)
Total non-current liabilities		**(1,916,824)**	(2,487,378)
Net assets		**44,289,359**	22,139,399
Shareholders' funds			
Share capital	22	**12,444,734**	11,457,457
Share premium		**58,736,711**	33,423,172
Merger reserve		**8,466,827**	8,466,827
Share based payment reserve		**360,501**	125,673
Retained earnings		**(35,719,414)**	(31,333,730)
Total equity		**44,289,359**	22,139,399

The loss for the 17 months to 31 December 2021 dealt with in the financial statements of Harland & Wolff Group Holdings Plc was £4,385,684 (12 months to 31 July 2020: loss £3,501,903). As provided by s408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Harland & Wolff Group Holdings Plc, the company.

These financial statements were approved and authorised for issue by the Board on 12 August 2022 and signed on its behalf by:

Mr J M Wood
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021

Group	Share capital £	Share premium £	Revaluation reserve £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
At 1 August 2019	10,949,504	18,427,728	–	8,988,112	113,220	(29,455,253)	9,023,311
Loss for the year	–	–	–	–	–	(10,409,873)	(10,409,873)
Other comprehensive income	–	–	6,074,895	–	–	–	6,074,895
Total comprehensive expense	–	–	6,074,895	–	–	(10,409,873)	(4,334,978)
Transactions with owners recorded directly in equity:							
Shares issued, net of issue costs	507,953	14,995,444	–	–	–	–	15,503,397
Share option expense	–	–	–	–	12,453	–	12,453
Warrant issue	–	500,000	–	–	–	–	500,000
Total transactions with owners recorded directly in equity	507,953	15,495,444	–	–	12,453	–	16,015,850
At 31 July 2020	11,457,457	33,923,172	6,074,895	8,988,112	125,673	(39,865,126)	20,704,183
At 1 August 2020	11,457,457	33,923,172	6,074,895	8,988,112	125,673	(39,865,126)	20,704,183
Loss for the period	–	–	–	–	–	(25,508,270)	(25,508,270)
Total comprehensive expense	–	–	–	–	–	(25,508,270)	(25,508,270)
Transactions with owners recorded directly in equity:							
Shares issued net of issue costs	987,277	24,813,539	–	–	–	–	25,800,816
Share option expense	–	–	–	–	234,828	–	234,828
Total transactions with owners recorded directly in equity	987,277	24,813,539	–	–	234,828	–	26,035,644
At 31 December 2021	**12,444,734**	**58,736,711**	**6,074,895**	**8,988,112**	**360,501**	**(65,373,396)**	**21,231,557**

Share capital: This represents the nominal value of equity shares in issue.

Share premium: This represents the premium paid above the nominal value of shares in issue.

Revaluation reserve: This represents the difference between the carrying value and fair value of certain assets.

Merger Reserve: The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of Harland & Wolff Group Holdings Plc at the date of the demerger.

Share-based payments reserve: This represents the value of share-based payments provided to employees and Directors as part of their remuneration as part of the consideration paid. The reserve represents the fair value of options and performance share rights recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital and share premium.

Retained earnings: This represents the accumulated profits and losses since inception of the business and adjustments relating to options and warrants.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021

Company	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
At 1 August 2019	10,949,504	18,427,728	8,466,827	113,220	(27,831,826)	10,125,453
Loss for the year	–	–	–	–	(3,501,904)	(3,501,904)
Total comprehensive expense	–	–	–	–	(3,501,904)	(3,501,904)
Transactions with owners recorded directly in equity:						
Shares issued, net of issue costs	507,953	14,995,444	–	–	–	15,503,397
Share option expense	–	–	–	12,453	–	12,453
Total transactions with owners recorded directly in equity	507,953	14,995,444	–	12,453	–	15,515,850
At 31 July 2020	11,457,457	33,423,172	8,466,827	125,673	(31,333,730)	22,139,399
At 1 August 2020	11,457,457	33,423,172	8,466,827	125,673	(31,333,730)	22,139,399
Loss for the period	–	–	–	–	(4,385,684)	(4,385,684)
Total comprehensive expense	–	–	–	–	(4,385,684)	(4,385,684)
Transactions with owners recorded directly in equity:						
Shares issued, net of issue costs	987,277	25,313,539	–	–	–	26,300,816
Share option expense	–	–	–	234,828	–	234,828
Total transactions with owners recorded directly in equity	987,277	25,313,539	–	234,828	–	26,535,644
At 31 December 2021	**12,444,734**	**58,736,711**	**8,466,827**	**360,501**	**(35,719,414)**	**44,289,359**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2021

	Note	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Cash flows from operating activities			
Loss for the period		(25,508,270)	(10,409,873)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	5	3,372,860	1,224,655
Foreign exchange loss		3,702	717
Finance income		(278)	(5)
Finance costs		3,137,053	1,231,046
Share option expense		234,828	12,453
		(18,760,105)	(7,941,007)
Working capital adjustments:			
Increase in inventories	16	(845,176)	(331,465)
Increase in trade and other receivables	17	(4,815,927)	(706,815)
Decrease in deferred income		678,278	–
Increase in trade and other payables	19	9,249,934	4,491,542
Net cash outflows from operating activities		(14,492,996)	(4,487,745)
Cash flows from investing activities			
Interest received		278	5
Short term borrowing		83,345	908,560
Long term borrowing		6,152,628	2,090,000
Acquisitions of property, plant and equipment		(15,652,972)	(5,776,709)
Acquisition of intangible assets	12	(719,017)	(1,030,043)
Grants received in advance		–	1,130,149
Net cash outflows from investing activities		(10,135,738)	(2,678,038)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		25,800,816	15,503,396
Repayment of borrowings and lease liabilities		(1,615,143)	(1,245,041)
Interest paid		(1,002,173)	(379,588)
Net cash inflows from financing activities		23,183,500	13,878,767
Net (decrease)/increase in cash and cash equivalents		(1,445,234)	6,712,984
Cash and cash equivalents at 1 August		6,723,236	10,252
Cash and cash equivalents at the end of the period	18	5,278,002	6,723,236

COMPANY STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2021

	Note	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Cash flows from operating activities			
Loss for the period		(4,385,684)	(3,501,903)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	5	752,241	133,001
Foreign exchange loss		392	586
Finance income		(51)	(5)
Finance costs		440,051	192,215
Share option expense		234,828	12,453
		(2,958,223)	(3,163,653)
Working capital adjustments			
Increase in trade and other receivables	17	(28,815,716)	(6,929,539)
Increase in trade and other payables	19	61,762	1,175,366
Net cash outflows from operating activities		(31,712,177)	(8,917,826)
Cash flows from investing activities			
Interest received		51	5
Short term borrowing		–	300,000
Acquisitions of property, plant and equipment		(35,404)	(22,858)
Acquisition of intangible assets	12	(162,445)	(21,732)
Net cash (outflows)/inflows from investing activities		(197,798)	255,415
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		26,300,816	15,503,396
Repayment of borrowings and lease liabilities		(778,000)	(39,554)
Interest paid		(65,621)	(123,171)
Net cash inflows from financing activities		25,457,195	15,340,671
Net (decrease)/increase in cash and cash equivalents		(6,452,780)	6,678,260
Cash and cash equivalents at 1 August		6,686,057	7,797
Cash and cash equivalents at the end of the period		233,277	6,686,057

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The company is a public company limited by share capital, incorporated and domiciled in the UK.

The address of its registered office is:
Fieldfisher LLP
Riverbank House
2 Swan Lane
London
EC4R 3TT
United Kingdom

The company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange under the ticker symbol HARL.

The principal activities of the Group throughout the period were the development of sub-surface gas storage facility together with that of shipbuilding, heavy engineering, ship repair and refurbishments as well as fabrication of wind turbine generator jackets for offshore wind farms. The Group has one of the largest heavy engineering and fabrication physical footprints in the UK as at the date of this report. The assets of the Group include the largest dry docks in the UK (Belfast), the largest fully undercover dry dock in the UK (Appledore) and vast fabrication halls in its Belfast and Methil facilities.

Last year, the Company changed the financial reporting year from the 31 July to 31 December and consequently, this report covers a 17-month period to 31 December 2021. The reason for this change in the financial year was to align the Company's financial year with our clients, most of whom had a 31 December year end date. This change has helped us to structure commercial negotiations and contracts based on annual budgets set by the clients every year. The shipyard and fabrication business, like many others, has traditionally had a 31 December year end date. Therefore, from our own internal monthly budgeting, forecasting and reporting point of view, it helped streamline various work processes to bring us in line with industry norms and make our metrics a lot more understandable internally.

2 ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006. The financial statements have been prepared under historical cost accounting, modified, where applicable, by the measurement at fair value.

The financial statements are presented in Sterling which is the functional currency of the Group and all values are rounded to the nearest Pound Sterling (£) unless otherwise stated.

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

Changes to accounting policies, disclosures, standards and interpretations
(a) New and amended standards adopted by the Group
There were no new International Financial Reporting Standards that were applicable for the current reporting period that materially impacted the Group.

(b) New standards not yet adopted
There are no new International Financial Reporting Standards and Interpretations issued but not effective for the reporting period ending 31 December 2021 that will materially impact the Group.

Basis of consolidation
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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

2 ACCOUNTING POLICIES CONTINUED

Going concern

The financial statements have been prepared on a going concern basis. The Group's assets are now generating revenue following the acquisitions of assets in Belfast, Appledore, Methil and Arnish under the Harland & Wolff umbrella. Operating cash outflows have been incurred in the year and an operating loss has been recorded in the profit and loss account for the year. There is a baseload level of work flowing through the shipyard in Belfast with continuous ship repair and refurbishment activities in the Belfast Repair Dock. In addition, the Group has been able to win smaller fabrication contracts in Appledore and Arnish through the year. The Methil facility is currently in the process of fabricating eight wind turbine generator jackets for the NNG project. Post the balance sheet date, the Group has announced that is has secured the build of eleven barges for the Cory Group valued at £8.40 million over a period of 10 months and has also secured its first major defence contract with the refurbishment of the M55 Minehunter, the contract valued at circa £55 million and to be completed within 24 months. Additionally, there is a strong pipeline of opportunities across the five markets that the Group is involved in that management seeks to convert into firm contracts over the course of the next twelve months. However, given the uncertainty surrounding bid success and the relative lack of bid to success history, management have prepared a worst-case scenario for a period of 12 months from the date of the signing of these financial statements in respect of their going concern assumptions. This assumes no bid contract wins and that the sole revenue generated by the Group will arise from the existing contracts that are currently being fulfilled at the various facilities within the Group. The scenario includes all expected costs associated with such works as well as the repayment of all liabilities that fall due within this twelve-month period and takes into account all cost savings and process efficiencies considered achievable.

Based on this worst case forecast scenario the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 31 December 2021.

Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Revenue recognition

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Group to customers in exchange for consideration in the ordinary course of the Group's activities.

Performance Obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer, and they are separately identifiable in the contract.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent performance obligations.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of the cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the nature of many of the Group's products and services, which are designed and/or manufactured under contract to customers' individual specifications, there are typically no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group's pricing principles.

Whilst payment terms vary from contract to contract, an element of the transaction price may be received in advance of delivery. The Group may therefore have contract liabilities depending on the contracts in existence at a period end. The Group's contracts are not considered to include significant financing components on the basis that there is no difference between the consideration and the cash selling price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Revenue recognition
Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligations within a contract the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

The Group has determined that most of its contracts satisfy the overtime criteria, either because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs or the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

For each performance obligation recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances or technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method appropriately depicts the Group's performance in transferring control of the goods and services to the customer.

If the overtime criteria for revenue recognition is not met, revenue is recognised at the point in time that control is transferred to the customer which is usually when legal title passes to the customer and the business has the right to payment.

When it is expected that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM") as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive board of Directors.

Government grants
Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to the grant and that the grants will be received. Due to the Covid-19 pandemic and the closure of businesses under UK Government legislation, the Group utilised the Government support schemes: the furlough scheme whereby the Government contributed towards the wage costs of the company and the local grants scheme awarded by local authorities. The amounts received are reported under other income in the financial statements. The income is reported in the period that the relief relates to.

Foreign currency transactions and balances
In preparing the Financial Statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising, if any, are recognised in profit or loss.

Translation from functional currency to presentational currency
When the functional currency of a Group entity is different from the Group's presentational currency (GBP£), its results and financial position are translated into the presentational currency as follows:

(i) Assets and liabilities are translated using exchange rates prevailing at the balance sheet date.
(ii) Income and expense items are translated at average exchange rates for the year, except where the use of such average rates does not approximate the exchange rate at the date of a specific transaction, in which case the transaction rate is used.
(iii) All resulting exchange differences are recognised in other comprehensive income and presented in the translation reserve in equity and are reclassified to profit or loss in the period in which the foreign operation is disposed of.

2 ACCOUNTING POLICIES CONTINUED

Tax

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Capitalisation and impairment of intangible gas storage assets

Costs of development of gas storage facilities are capitalised as intangible assets once it is probable that future economic benefits that are attributable to the assets will flow to the Group and until consent to construct has been awarded, at which time the capitalised costs are transferred to plant and equipment provided there being reasonable certainty of construction proceeding. The nature of these costs includes all direct costs incurred in project development, including any directly attributable finance costs. No amortisation or depreciation is provided until the storage facility is available for use.

An impairment test is performed annually and whenever events or circumstances arising during the development phase indicate that the carrying value of a development asset may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of the cash generating unit, generally by reference to the present value of the future net cash flows expected to be derived from storage revenue. The present value of future cash flows is calculated on the basis of future storage prices and cost levels as forecast at the statement of financial position date.

The cash generating unit applied for impairment test purposes is generally an individual gas storage facility. Where the carrying value of the facility is greater than the present value of its future cash flows a provision is made. Any such provisions are charged to the profit and loss account as an impairment cost.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful economic lives as follows:

Asset class	Amortisation method and rate
Storage facility	None until facility available for use.

Harland Heritage Project

Project costs related to Harland Heritage are capitalised as incurred. The Harland Heritage Project is a project that seeks to celebrate the history and heritage of Harland & Wolff. The plan for this project broadly consists of developing a visitor centre in the Belfast shipyard and creating an immersive experience for visitors which includes, *inter alia*, and subject to planning and health and safety regulations, a walk around a fully operating shipyard, crane lifts, hiring out of designated zones for social functions, a museum with historic artefacts and the sale of Harland & Wolff branded merchandise. On the basis that the Harland Heritage Project will be a standalone business that will be generating income and have its own funding sources, management believes that this project should be treated like an operating business in the future. Accordingly, all pre-development and developments costs associated with this project will be capitalised and then amortised as soon as the project has been commercialised. Where management determine that the project should not proceed to commercialisation, the capitalised costs will be written off immediately to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Artefacts	Over 20 years - Straight line basis
Trade marks	Over 20 years - Straight line basis
Gas storage facility	None until facility available for use
Development costs	Over 20 years - Straight line basis
Harland Heritage Project	None until facility available for use
Floating Storage Regasification Project	None until facility available for use

Tangible assets
Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold land	Not depreciated
Leasehold land and buildings	Over 50 years Straight line basis
Modular buildings	Over 20 years Straight line basis
Right of use	Over the lease term
Plant and machinery	Over 10 years Straight line basis
Motor vehicles	Over 5 years Straight line basis
Office equipment	Over 5 years Straight line basis

Investments
Investments in subsidiaries are stated at cost less provision for impairments.

Financial Instruments
Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

Financial Assets
The financial assets currently held by the Group and Company are classified as financial assets held at amortised cost. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment under the expected credit loss model.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

The amount of the expected credit loss is measured as the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received (i.e. all cash shortfalls), discounted at the original effective interest rate (EIR).

2 ACCOUNTING POLICIES CONTINUED

The carrying amount of the asset is reduced through use of allowance account and recognition of the loss in the Statement of Comprehensive Income. Allowances for credit losses on financial assets are assessed collectively. Collectively assessed impairment allowances cover credit losses inherent in portfolios of financial assets with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified.

In assessing collective impairment, the Group uses information including historical trends in the probability of default (although this is limited given the relatively short trading history of the Group), timing of recoveries and the amount of expected loss, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical evidence. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

IFRS 9 suggests the use of reasonable forward-looking information to enhance ECL models. The Group incorporates relevant forward-looking information into the loss provisioning model.

Financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position

Cash and cash equivalents include cash in hand and amounts held on short term deposit. Any interest earned is accrued monthly and classified as finance income. Short term deposits comprise deposits made for varying periods of between one day and three months.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Derecognition of Financial Assets
The Group and Company derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

Financial Liabilities
The Group and Company classify their financial liabilities into one category, being other financial liabilities measured at amortised cost.

The Group's accounting policy for the other financial liabilities category is as follows:

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in profit or loss. The Group and Company derecognise financial liabilities when, and only when, the obligations are discharged, cancelled or they expire.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories and work in progress are assessed for impairment. If inventory or work in progress is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases
Definition
A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the group to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the group has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the group has made an accounting policy election, by class of underlying asset, to account for both components as a single lease component.

Initial recognition and measurement
The group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the group's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement
After the commencement date, the group measures the lease liability 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) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are presented separately as non-operating/included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

2 ACCOUNTING POLICIES CONTINUED

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

(a) The modification increases the scope of the lease by adding the right to 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.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The group then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line basis over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

2 ACCOUNTING POLICIES CONTINUED

Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Share based payment transactions
Employees (including senior executives) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Defined contribution pension obligation
The Company has a defined contribution plan which requires contributions to be made into an independently administered fund. The amount charged to the statement of comprehensive income in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the statement of financial position.

Critical accounting judgements and key sources of estimation uncertainty
Judgements in applying accounting policies and key sources of estimation uncertainty
Amounts included in the financial statements involve the use of judgement and/or estimation. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below.

Judgements
Capitalisation of gas storage costs - Note 12
The assessment of whether costs incurred on gas storage development should be capitalised or expensed involves judgement. Any expenditure where it is not probable that future economic benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on whether it is probable that the expenditure will result future economic benefits that are attributable to the assets.

In relation to the Islandmagee gas storage project, management costs incurred on gas storage development as those that will provide future economic benefit. There is a structural shortage of gas storage in the UK, as demonstrated by extreme price fluctuations and volatility in the spot gas markets and along the forward curve. The Islandmagee gas storage facility is a fast cycling gas store that will derive its economic value from the winter-summer spreads as well as from the optimisation of gas flows from and into the gas store in the spot market. This is in sharp contrast to medium and long range gas stores that derive economic value only from seasonal spreads and not from spot gas price volatility. Management believes that a combination of the two revenue streams will ultimately provide significant economic benefit to the project, once it has been commercialised. With a renewed global focus on climate change and measures to mitigate global warming globally, the UK economy is transitioning from a gas led economy to a renewables and hydrogen based economy. Green hydrogen is expected to be produced from excess power generated by offshore wind farms and will be consumed principally for heating and transportation. The value chain in a hydrogen economy must consist of mid-stream storage assets that are capable of storing hydrogen in periods of peak supply and then releasing the molecules during periods of peak demand, very similar to gas storage. The Islandmagee gas storage can be future proofed to accommodate this transition from natural gas storage to hydrogen storage subject to variations to the licences that have been currently granted for the storage of natural gas. Management believes that there is significant economic benefit during this transition process and, further out, in the storage of hydrogen as a liquid traded market for hydrogen develops and matures over time.

2 ACCOUNTING POLICIES CONTINUED

Estimates

Carrying value of gas storage project asset - Note 12

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed, and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% (2020: 8%) is applied in determining gas storage project net present values. Notwithstanding the current inflation rates and rising interest costs, the Islandmagee gas storage project has a typical life of 40 years and beyond. This project is capable of generating steady cashflows over its lifetime and suitable investors include pension funds and long life infrastructure funds. These institutions are attracted by the cashflow profile of the project and given the length of time of the project's life, the benchmark threshold discount rates tend to be lower than private equity. Management, therefore, believes that an assumed discount rate of 8% is appropriate to determine the net present value of future cashflows. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for a project life of 40 years (2020: 40 years). It is assumed that 100% (2020: 100%) of the project's capacity will be sold from the date that the capacity becomes operational. The Islandmagee gas storage facility has a working volume of circa 500 million cubic metres and is classified as a mid-sized gas store. Given the long standing structural shortage of gas storage in the UK and the optionality that the caverns can offer to a capacity offtaker, it lends itself to being utilised or sold on a 100% basis. Moreover, from an engineering standpoint, the seven caverns are serviced by common above ground installations (compressors, dehydration plant, pipelines etc.), therefore, the most feasible mechanism would be a 100% capacity offtake by a client. Finally, given the nature of potential clients, each of them has a very large gas trading book that can very easily absorb all the capacity of the project.

Valuation of assets – Note 13

Management make judgements in respect of the valuation and carrying value of assets used in operations. A revaluation exercise was undertaken at the time of acquiring the assets in Belfast, Appledore, Methil and Arnish. This revaluation was undertaken based on valuations provided by third party independent valuation experts. At the year-end management made a judgement that the basis for revaluations remained and that on the basis on future expected work there were no indications of impairment. Following the acquisition of assets, the Company has recorded further revenues for the period ended 31 December 2021. From a post balance sheet perspective, the Company has announced two contracts for the build of barges in Belfast and the M55 Regeneration Programme in Appledore. Current gross margins are running at between 25% and 29% depending on the type of contract and the market attributable to such a contract. Management, therefore, believe that the carrying value of the assets a true and fair reflection of the assets that are currently being used in operations and there are no indications of impairment.

3 REVENUE

(a) Revenue streams

The analysis of the group's revenue for the period from continuing operations is as follows:

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Rendering of services	**18,384,712**	1,482,081
Sale of goods	**133,527**	–
	18,518,239	1,482,081

The above income is wholly generated in the UK.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

3 REVENUE CONTINUED

(b) Segmental revenue
As at 31 December 2021, the Group was organised into 6 segments: Cruise & Ferry, Commercial, Energy, Defence, Renewables and other being Head Office related.

The segmental analysis for the period ended 31 December 2021 is as follows:

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Cruise & Ferry	9,561,467	1,482,081
Commercial	2,522,476	–
Renewables	6,426,796	–
Head Office	7,500	–
	18,518,239	1,482,081

4 OTHER INCOME

The analysis of the group's other income for the year is as follows:

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Government – furlough scheme	235,410	–
Other income	259,810	–
	495,220	–

5 EXPENSES BY NATURE

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Wages and salaries	9,637,048	4,307,672
Social security costs	1,676,704	534,266
Other short-term employee benefits	66,210	19,634
Pension contributions	416,010	93,224
Share-based payment expenses	234,828	12,453
Other employee expense	718,539	260,026
Depreciation expense	3,370,032	1,222,400
Amortisation expense	2,828	2,255
Light, heat and power	988,602	234,518
Insurance	1,595,268	334,150
Computer software and maintenance costs	1,261,858	237,641
Advertising	557,072	252,706
Legal and professional fees	1,114,105	606,337
Other expenses	6,452,652	1,365,097

6 STAFF COSTS

Group

The aggregate payroll costs (including directors' remuneration) were as follows:

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Wages and salaries	9,637,048	4,307,672
Social security costs	1,676,704	534,266
Other short-term employee benefits	66,210	19,634
Pension costs, defined contribution scheme	416,010	93,224
Share-based payment expenses	234,828	12,453
Other employee expense	718,539	260,026
	12,749,339	5,284,250

The average monthly number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	17 months to 31 December 2021 No.	12 months to 31 July 2020 No.
Management	29	5
Operations	202	35
Administration and support	36	41
	267	81

Company

The aggregate payroll costs (including directors' remuneration) were as follows:

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Wages and salaries	2,264,214	2,258,299
Social security costs	281,925	321,768
Pension costs, defined contribution scheme	70,877	26,518
Share-based payment expenses	234,828	12,453
Other employee expense	701	377
	2,852,545	2,619,415

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	17 months to 31 December 2021 No.	12 months to 31 July 2020 No.
Management	5	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

7 DIRECTORS' REMUNERATION

The directors' remuneration for the period was as follows:

17 months to 31 December 2021	Salary & fees £	Bonus £	Pension £	Total £
Executive Directors				
John Wood	498,154	–	18,292	516,446
Arun Raman	469,224	–	17,378	486,602
Non-Executive Directors				
Clive Richardson (resigned 24 September 2021)	72,917	–	–	72,917
Deborah Saw (resigned 27 August 2020)	3,000	–	–	3,000
Malcolm Groat	10,333	–	413	10,746
Judith Tweed	51,000	–	2,040	53,040
Jonathon Band (appointed 1 September 2021)	15,000	–	–	15,000
	1,119,628	–	38,123	1,157,751

Further analysed as follows:

12 months to 31 July 2021	Salary & fees £	Bonus £	Pension £	Total 2021 £
Executive Directors				
John Wood	330,846	–	12,000	342,846
Arun Raman	319,782	–	11,400	331,182
Non-Executive Directors				
Clive Richardson (resigned 24 September 2021)	50,000	–	–	50,000
Deborah Saw (resigned 27 August 2020)	3,000	–	–	3,000
Malcolm Groat	7,000	–	280	7,280
Judith Tweed	36,000	–	1,440	37,440
	746,628	–	25,120	771,748

5 months to 31 December 2021	Salary & fees £	Bonus £	Pension £	Total 2021 £
Executive Directors				
John Wood	167,308	–	6,292	173,600
Arun Raman	149,442	–	5,978	155,420
Non-Executive Directors				
Clive Richardson (resigned 24 September 2021)	22,917	–	–	22,917
Deborah Saw (resigned 27 August 2020)	–	–	–	–
Malcolm Groat	3,333	–	133	3,466
Judith Tweed	15,000	–	600	15,600
Jonathon Band (appointed 1 September 2021)	15,000	–	–	15,000
	373,000	–	13,003	386,003

12 months to 31 July 2020	Salary & fees £	Bonus £	Pension £	Total 2020 £
Executive Directors				
John Wood	448,656	554,718	8,333	1,011,707
Arun Raman	398,530	519,906	7,733	926,169
Non-Executive Directors				
Clive Richardson (appointed 01 February 2020)	22,500	–	–	22,500
Deborah Saw (appointed 01 February 2020; resigned 27 August 2020)	18,000	–	–	18,000
Malcolm Groat (appointed 22 March 2019)	6,000	–	240	6,240
Judith Tweed	46,500	–	1,453	47,953
	940,186	1,074,624	17,759	2,032,569

All amounts are short term in nature except for pension benefits which are considered to be long term.

8 AUDITORS' REMUNERATION

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
For the audit of these financial statements	**81,000**	15,750
Other fees to auditors		
For the audit of the subsidiaries	**54,000**	34,350
Total remuneration	**135,000**	50,100

9 SHARE-BASED PAYMENTS

Scheme details and movements

A share-based payment plan was created in the year ended 31 July 2008. All directors and employees are entitled to a grant of options subject to the Board of Directors' approval. The options do not have a cash settlement alternative. The options granted were Enterprise Management Incentive share options for qualifying employees. These options have now lapsed following the departure of these employees.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period.

	17 months to 31 December 2021 No.	WAEP £	12 months to 31 July 2020 No.	WAEP £
Outstanding at the beginning of the period	**79,458,597**	**0.0088**	36,137,892	0.0076
Granted during the period	–	–	43,320,705	0.0098
Forfeited during the period	–	–	–	–
Outstanding at the end of the period	**79,458,597**	**0.0088**	79,458,597	0.0088
Exercisable at the end of the period	**26,486,199**	**0.0088**	26,486,199	0.0088

A total of 300,000 options over 50% of the quantity of the Option Shares as to £0.01 for each Option Share and 50% of the quantity of the Option Shares as to £1.50 for each Option Share in the Company ("Options") were granted to Arun Raman director of the Company on 15 January 2020.

A total of 133,207 options at £1.50 for each Option Share in the Company ("Options") were granted to Judith Tweed director of the Company on 15 January 2020.

After the reporting period no options lapsed.

Options are exercisable in one tranche noted above with estimated dates ranging from January 2020 through to end 2027 at an average price of £0.88 per share. The options will expire after five years. The weighted average remaining option life for the share options outstanding at 31 December 2021 is 3 years (2020: 4 years).

The fair value of equity settled options granted is estimated as at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted and the following inputs: share price volatility of 85%, risk free interest rate of 0.93%, no dividends to be paid over the options lives, and early exercise is not applicable. The total share based payment charge for the 17 months to 31 December 2021 is £234,828 (12 months to 2020: £12,453).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

10 TAXATION

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Deferred tax	–	–
Current tax	–	–
Total tax charge/(credit)	–	–

Current and deferred tax have been calculated using the standard rate of corporation tax in the UK of 19% (2020: the same as the standard rate of corporation tax in the UK of 19%).

The differences are reconciled below:

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
Loss before tax	(25,508,270)	(10,409,873)
Corporation tax at standard rate	(4,846,571)	(1,977,876)
Increase from effect of capital allowances depreciation	31,480	364,974
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	34,422	32,111
Increase from effect of unrelieved tax losses carried forward	5,041,908	1,580,791
Other tax effects for reconciliation between accounting loss and taxable income	(261,239)	–
Total current tax charge/(credit)	–	–

No tax charge/credit arises in 2021 or in 2020 due to expenses not permitted for tax purposes and losses carried forward.

Factors that may affect the future tax charge
The Group has trading losses of £26,543,247 (2020: £7,778,041) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

No deferred tax asset has been recognised due to uncertainty as to when profits will be generated against which to relieve said asset.

11 EARNINGS PER SHARE

	17 months to 31 December 2021 £	12 months to 31 July 2020 £
The loss for the purposes of basic and diluted earnings per share being the net loss attributable to equity shareholders		
Continuing operations	(25,508,270)	(10,409,873)
Number of shares		
Weighted average number of ordinary shares for the purpose of:		
Basic earnings per share	95,905,732	4,343,526
Basic and diluted earnings per share		
Continuing Operations	(26.59)p	(2.40)p

Given the Group made a loss during the current financial year no diluted EPS is shown. Details of those potential shares that would be dilutive can be found in note 9 (Share-based payments).

12 INTANGIBLE ASSETS

Group

	Artefacts £	Trademarks £	Development costs £	Gas storage development £	Project costs £	Total £
Cost						
At 1 August 2019	–	–	–	10,168,605	–	10,168,605
Grant accrual during year	–	–	–	(1,130,149)	–	(1,130,149)
Additions	200,000	170,000	55,000	583,311	21,732	1,030,043
Revaluation	447,395	693,192	–	–	–	1,140,587
At 31 July 2020	647,395	863,192	55,000	9,621,767	21,732	11,209,086
At 1 August 2020	647,395	863,192	55,000	9,621,767	21,732	11,209,086
Additions	–	–	–	406,571	312,445	719,016
At 31 December 2021	**647,395**	**863,192**	**55,000**	**10,028,338**	**334,177**	**11,928,102**
Amortisation						
At 1 August 2019	–	–	–	–	–	–
Amortisation charge	–	–	2,255	–	–	2,255
At 31 July 2020	–	–	2,255	–	–	2,255
At 1 August 2020	–	–	2,255	–	–	2,255
Amortisation charge	–	–	2,828	–	–	2,828
At 31 December 2021	–	–	**5,083**	–	–	**5,083**
Net book value						
At 31 December 2021	**647,395**	**863,192**	**49,917**	**10,028,338**	**334,177**	**11,923,019**
At 31 July 2020	647,395	863,192	52,745	9,621,767	21,732	11,206,831

Intangible assets carried at revalued amounts
The fair value of the company's Artefacts was revalued on 30 June 2019 by Hilco Valuation services.

Had this class of asset been measured on a historical cost basis, their carrying amount would have been £200,000.

The revaluation surplus (gross of tax) recognised in profit and loss amounted to £447,395.

The revaluation surplus (gross of tax) recognised in other comprehensive income amounted to £447,395.

The fair value of the company's Trademarks was revalued on 30 June 2019 by Hilco Valuation Services.

Had this class of asset been measured on a historical cost basis, their carrying amount would have been £170,000.

The revaluation surplus (gross of tax) recognised in profit and loss amounted to £693,192.

The revaluation surplus (gross of tax) recognised in other comprehensive income amounted to £693,192.

Company

	Project costs £
Cost or valuation	
At 1 August 2019	–
Additions	21,732
At 31 July 2020	21,732
At 1 August 2020	21,732
Additions	162,445
At 31 December 2021	**184,177**
Carrying amount	
At 31 December 2021	**184,177**
At 31 July 2020	21,732

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

13 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings £	Office equipment £	Motor vehicles £	Plant and machinery £	Total £
Cost					
At 1 August 2019	730,799	8,918	–	–	739,717
Revaluation recognised in other comprehensive income	3,066,738	25,972	373,464	2,346,331	5,812,505
Additions	2,806,171	203,574	297,056	2,469,908	5,776,709
At 31 July 2020	6,603,708	238,464	670,520	4,816,239	12,328,931
At 1 August 2020	6,603,708	238,464	670,520	4,816,239	12,328,931
Additions	5,347,811	36,511	11,680	10,256,970	15,652,972
Transfers	–	–	(127,683)	127,683	–
At 31 December 2021	**11,951,519**	**274,975**	**554,517**	**15,200,892**	**27,981,903**
Depreciation					
At 1 August 2019	–	892	–	–	892
Charge for year	276,050	62,974	55,478	544,283	938,785
At 31 July 2020	276,050	63,866	55,478	544,283	939,677
At 1 August 2020	276,050	63,866	55,478	544,283	939,677
Charge for the period	605,890	72,558	63,364	1,565,632	2,307,444
At 31 December 2021	**881,940**	**136,424**	**118,842**	**2,109,915**	**3,247,121**
Carrying amount					
At 31 December 2021	**11,069,579**	**138,551**	**435,675**	**13,090,977**	**24,734,782**
At 31 July 2020	6,327,658	174,598	615,042	4,271,956	11,389,254

Included within the net book value of Plant and machinery is £3,267,466 (2020: £Nil) in respect of work in progress which has been capitalised.

Revaluation

The fair value of the company's Land and buildings was revalued on 30 June 2019 by Hilco. Had this class of asset been measured on a historical cost basis, their carrying amount would have been £5,506,046. The revaluation surplus (gross of tax) amounted to £3,066,738.

The fair value of the company's Furniture, fittings and equipment was revalued on 30 June 2019 by Hilco Valuation Services. Had this class of asset been measured on a historical cost basis, their carrying amount would have been £61,726. The revaluation surplus (gross of tax) amounted to £25,972.

The fair value of the company's Motor vehicles was revalued on 30 June 2019 by Hilco Valuation Services. Had this class of asset been measured on a historical cost basis, their carrying amount would have been £670,520. The revaluation surplus (gross of tax) amounted to £373,464.

The fair value of the company's Plant and machinery was revalued on 30 June 2019 by Hilco Valuation Services. Had this class of asset been measured on a historical cost basis, their carrying amount would have been £4,212,621. The revaluation surplus (gross of tax) amounted to 2,346,331.

13 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Company

	Land and buildings £	Office equipment £	Total £
Cost			
At 1 August 2019	–	8,918	8,918
Additions	–	22,857	22,857
At 31 July 2020	–	31,775	31,775
At 1 August 2020	–	31,775	31,775
Additions	5,500	29,904	35,404
At 31 December 2021	**5,500**	**61,679**	**67,179**
Depreciation			
At 1 August 2019	–	892	892
Charge for year	–	3,145	3,145
At 31 July 2020	–	4,037	4,037
At 1 August 2020	–	4,037	4,037
Charge for the period	–	16,379	16,379
At 31 December 2021	–	**20,416**	**20,416**
Carrying amount			
At 31 December 2021	**5,500**	**41,263**	**46,763**
At 31 July 2020	–	27,738	27,738

14 RIGHT OF USE ASSETS

Group

	Property £
Cost or valuation	
At 1 August 2019	–
Additions	14,302,132
At 31 July 2020	14,302,132
At 1 August 2020	14,302,132
Disposals	(235)
At 31 December 2021	**14,301,897**
Depreciation	
At 1 August 2019	–
Charge for year	283,616
At 31 July 2020	283,616
At 1 August 2020	283,616
Charge for the period	1,062,588
At 31 December 2021	**1,346,204**
Carrying amount	
At 31 December 2021	**12,955,693**
At 31 July 2020	14,018,516

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

14 RIGHT OF USE ASSETS CONTINUED

Company

	Property £
Cost or valuation	
At 1 August 2019	–
Additions	2,770,305
At 31 July 2020	2,770,305
At 1 August 2020	2,770,305
At 31 December 2021	**2,770,305**
Depreciation	
At 1 August 2019	–
Charge for year	129,858
At 31 July 2020	129,858
At 1 August 2020	129,858
Charge for the period	735,862
At 31 December 2021	**865,720**
Carrying amount	
At 31 December 2021	**1,904,585**
At 31 July 2020	2,640,447

15 INVESTMENTS

Group subsidiaries

Details of the group subsidiaries are as follows:

Name of subsidiary	*Principal activity*	*Registered office*	Proportion of ownership interest and voting rights held: 31 December 2021	31 July 2020
InfraStrata UK Limited*	Intermediate holding and gas storage project research company	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%
Islandmagee Energy Limited	Gas storage and energy infrastructure development and operation	8 Portmuck Road Islandmagee County Antrim BT40 3TW Northern Ireland	100%	100%
Islandmagee Energy Hub Limited	Dormant	8 Portmuck Road Islandmagee County Antrim BT40 3TW Northern Ireland	100%	100%
InfraStrata Energy UK Limited	Dormant	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%

15 INVESTMENTS CONTINUED

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 31 December 2021	31 July 2020
Harland and Wolff (Appledore) Limited	Ship building, ship repair and maintenance	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%
Harland & Wolff (Belfast) Limited	Ship building, heavy engineering, ship repair and maintenance	C/o Donaldson Legal Consulting LLP Shore Studios 18c Shore Road Holywood, BT18 9HX Northern Ireland	100%	100%
Harland and Wolff Technical Services Limited	Dormant	C/o Donaldson Legal Consulting LLP Shore Studios 18c Shore Road Holywood, BT18 9HX Northern Ireland	100%	100%
Harland & Wolff Holdings Limited*	Holding company	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	0%
Harland and Wolff (Methil) Limited	Fabrication	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	0%
Harland and Wolff (Arnish) Limited	Fabrication	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	0%
Harland and Wolff (People & Skills) Limited	Recruitment	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	0%

* indicates direct investment of the company

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

15 INVESTMENTS CONTINUED

Summary of the company investments

	£
Subsidiaries	
Cost	
At 31 December 2021 and 31 July 2020	15,247,011
Provision for impairment	
At 31 December 2021 and 31 July 2020	(15,247,011)
Net investment	
At 31 December 2021	–
At 31 July 2020	–

16 INVENTORIES

	Group		Company	
	31 December 2021 £	31 July 2020 £	31 December 2021 £	31 July 2020 £
Raw materials and consumables	34,279	–	–	–
Work in progress	715,850	20,872	–	–
Other inventories	426,512	310,593	–	–
	1,176,641	331,465	–	–

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2021 £	31 July 2020 £	31 December 2021 £	31 July 2020 £
Trade receivables	2,310,323	225,276	–	–
Receivables from related parties	–	–	45,549,667	17,158,325
Accrued income	2,084,519	–	–	–
Other receivables	1,103,328	1,397,183	261,662	158,539
Prepayments	1,327,774	310,795	91,997	61,647
	6,825,944	1,933,254	45,903,326	17,378,511

The trade and other receivables classified as financial instruments are disclosed below. The group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 25 (Financial risk review).

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2021 £	31 July 2020 £	31 December 2021 £	31 July 2020 £
Cash on hand	–	109	–	–
Cash at bank	5,278,002	6,723,127	233,277	6,686,057
Cash and cash equivalents in statement of cash flows	5,278,002	6,723,236	233,277	6,686,057

Included within cash and cash equivalents for the Group at 31 December 2022 is £4 million pledged as a collateral provision in relation to the Saipem contract.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2021 £	31 July 2020 £	31 December 2021 £	31 July 2020 £
Trade payables	7,897,248	2,127,487	1,137,817	202,039
Social security and other taxes	4,779,356	1,786,782	113,829	1,028,267
Outstanding defined contribution pension costs	60,510	50,352	28,376	2,626
Other payables	491,439	278,347	21,566	12,321
Accruals and deferred income	9,060,224	1,860,015	84,357	69,456
	22,288,777	6,102,983	1,385,945	1,314,709

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 25 (Financial risk review).

20 LOANS AND BORROWINGS

	Group		Company	
	31 December 2021 £	31 July 2020 £	31 December 2021 £	31 July 2020 £
Current loans and borrowings				
Short-term borrowings	–	863,655	–	–
Lease liabilities – right of use	1,390,287	1,087,885	680,000	513,000
Other borrowings	1,777,000	830,000	–	300,000
	3,167,287	2,781,540	680,000	813,000

	Group		Company	
	31 December 2021 £	31 July 2020 £	31 December 2021 £	31 July 2020 £
Non-current loans and borrowings				
Lease liabilities – right of use	13,916,460	13,699,579	1,716,824	2,287,378
Other borrowings	2,090,000	2,090,000	–	–
Financial liability	200,000	200,000	200,000	200,000
	16,206,460	15,989,579	1,916,824	2,487,378

Group

Other borrowings

Riverfort Global Opportunities PCC Limited Loan

Harland & Wolff (Belfast) Ltd ("HWB") obtained an unsecured short term loan amounting to £530,000. The loan had an interest rate of 1.5% per month. The loan balance remaining at 31 December 2021 of £27,000 was repaid in full by February 2022.

HWB also secured a new loan of £2,000,000 from Riverfort Global Opportunities PCC Limited at a fixed interest rate of 1.5% per month and a guarantee has been provided by the ultimate parent, Harland & Wolff Group Holdings Plc. As at 31 December 2021 £1,750,000 remained outstanding. In March 2022, the term loan was repaid in full.

Portnum Capitis Ltd Loan

HWB obtained a term loan amounting to £2,090,000 and has been secured by Portnum Capitis Ltd by way of a debenture over the assets of HWB and a guarantee has been provided by Harland & Wolff Group Holdings Plc.

The Portnum Capitis Ltd loan is an interest only loan and is repayable in full by February 2022. The loan has a fixed interest rate of 13.2% *per annum. In March 2022, the term loan was repaid in full.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

20 LOANS AND BORROWINGS CONTINUED

Moyle Investments
In December 2017, The Company's wholly-owned subsidiary, InfraStrata UK Limited increased its ownership in Islandmagee Energy UK Limited from 90% to 100% by acquiring the remaining interest from Moyle Energy Investments Limited ("Moyle") at par value. In recognition of the support by Moyle of the gas storage project at Islandmagee, Harland & Wolff Group Holdings Plc will pay Moyle £200,000 on first gas being injected into storage.

The loans and borrowings classified as financial instruments are disclosed in note 24 (Financial instruments).

The group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in note 25 (Financial risk review).

21 PENSION AND OTHER SCHEMES

Defined contribution pension scheme
The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £416,010 (2020: £102,841).

Contributions totalling £60,509 were payable to the scheme at the end of the period and are included in creditors (2020: £50,352).

22 SHARE CAPITAL

Allotted, called up and fully paid shares

	31 December 2021		31 July 2020	
	No.	£	No.	£
Ordinary shares 1p of £0.01 (2020: £0.01) each	**162,887,840**	1,628,878	**64,160,082**	641,601
Deferred shares 1p of £0.01 each	**895,424,391**	8,954,244	**895,424,391**	8,954,244
Second deferred shares 1p of £0.01 each	**18,616,118,301**	1,861,612	**18,616,118,301**	1,861,612
	19,674,430,532	12,444,734	**19,575,702,774**	11,457,457
Preference shares of £0.25 each	–	–	**50,000**	12,500
	19,674,430,532	12,444,734	**19,575,752,774**	11,469,957

New shares allotted
During the year 5,079,528,490 Ordinary shares 0.01p having an aggregate nominal value of £507,953 were allotted for an aggregate consideration of £Nil.

Redeemable preference shares
The Redeemable preference shares of £1 each are redeemable at the option of the Company. They are redeemable at £1 per share and carry no voting rights. The preference shares carry the right to an annual dividend out of distributable profits of 0.00001% per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The Company may redeem the shares at any time by giving preference shareholders one week's notice. Preference shareholders may require the Company to redeem their shares at any time by giving six months' notice. In each case, any redemption is at par and is subject to the provisions of the Companies Act. The preference shares are treated as short-term liabilities and included within trade payables.

Authorised share capital
The Company's articles do not specify an authorised share capital.

Objectives, policies and processes for managing capital
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's forecast cash flows and long-term commitments and when necessary issues new shares. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

Ordinary share capital in issue is managed as capital.
The Group is not subject to any externally imposed capital requirements and there are no restrictions in place over the different types of shares.

23 WARRANTS

As at the date of this report, the Company has the following warrants outstanding that remain to be exercised and converted into the Company's ordinary shares:

Expiry date	Number of warrants	Strike Price £ per share	Value £
08/03/2025	10,419,766	0.1425	1,484,817
Total	10,419,766		1,484,817

The fair value of warrants is determined using the Black-Scholes valuation model.

24 FINANCIAL INSTRUMENTS

Financial assets at amortised cost

	Group		Company	
	31 December 2021 £	31 July 2020 £	**31 December 2021 £**	31 July 2020 £
Trade and other receivables	**6,825,944**	1,933,254	**353,659**	220,186
Due from subsidiary undertakings	**–**	–	**45,549,667**	17,158,325
Cash and Cash Equivalents	**5,278,002**	6,723,236	**233,277**	6,686,057

Financial liabilities at amortised cost

	Group		Company	
	31 December 2021 £	31 July 2020 £	**31 December 2021 £**	31 July 2020 £
Current liabilities				
Trade and other payables	**22,288,777**	6,102,983	**1,385,945**	1,314,709
Lease liabilities – right of use	**1,390,287**	1,087,885	**680,000**	513,000
Other borrowings	**1,777,000**	830,000	**–**	300,000
Costain loan	**–**	785,095	**–**	–
	25,456,064	8,884,523	**2,065,945**	2,127,709
Non-current liabilities				
Lease liabilities – right of use	**13,916,460**	13,699,579	**1,716,824**	2,287,378
Other borrowings	**2,090,000**	2,090,000	**–**	–
Moyle investments	**200,000**	200,000	**200,000**	200,000
	16,206,460	15,989,579	**1,916,824**	2,487,378

25 FINANCIAL RISK REVIEW

Group

This note presents information about the group's exposure to financial risks and the group's management of capital.

Credit risk

The credit risk on liquid funds is limited because the Group and Company policy is to only deal with counter parties with high credit ratings. The Group has held funds in Bank of Scotland and Barclays Bank during the last three years. In the directors' view there is a low risk of the bank holding the Group's funds at year end failing in the foreseeable future. The carrying amount of financial assets represents the maximum credit exposure.

No receivables are past due but not impaired.

Interest rate risk

Under the terms of the Green Corporate Debt Facility announced on 9 March 2022, the Company pays the lenders of record interest based on the Secured Overnight Financing Rate ("SOFR") plus 9% per annum, with the floor of the SOFR set at 1%. The effective rate of interest till SOFR rises above 1% is 10% per annum. Should the Bank of England raise interest rates, the SOFR is likely to show a corresponding rise. Given that global inflation rates are at an all-time high, central banks around the world have been increasing their respective base lending rates in an attempt to cool rising inflation rates. The Company has an exposure to rising interest rates should SOFR breach the 1% floor. Should SOFR breach the 1% floor, the Company will be subject to a higher effective interest rate for the remainder of the term. Currently, the 180-day SOFR is priced at 0.517% therefore, the Company will still be using an effective interest rate of 10%

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

25 FINANCIAL RISK REVIEW CONTINUED

Liquidity risk
The total carrying value of Group and Company financial liabilities is disclosed in note 24 (Financial instruments) and in note 19 (Trade and other payables). The Company seeks to issue share capital, gain loan funding and/or dispose of assets when external funds are required. The reconciling items between the contractual maturities presented below and that presented in notes 24 and 19 are taxes and accruals.

The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

	Group		Company	
	31 December 2021 £	31 July 2020 £	**31 December 2021 £**	31 July 2020 £
Trade and other payables				
Within one month	**2,883,495**	2,185,362	**189,898**	247,380
More than one month less than one year	**5,012,371**	–	**947,102**	–
Financial liability (note 24)				
Within one month	–	–	–	–
More than one month less than one year	**6,607,287**	1,693,655	–	300,000
More than one year	**18,316,460**	2,290,000	**200,000**	200,000

The Group's trade receivables are all denominated in UK Sterling and the ageing of gross trade receivables is as follows:

	Group		Company	
	31 December 2021 £	31 July 2020 £	**31 December 2021 £**	31 July 2020 £
0-2 months	**1,169,359**	225,276		
2-3 months	–	–	–	–
Over 3 months	**1,140,964**	–	–	–
	2,310,323	225,276	–	–

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's forecast cash flows and long-term commitments and when necessary issues new shares. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

Ordinary share capital in issue is managed as capital. The Group is not subject to any externally imposed capital requirements and there are no restrictions in place over the different types of shares.

26 RELATED PARTY TRANSACTIONS

The Group utilised the services of Arrow Marine Management Limited ("AMM"), in which John Wood is sole director, for the various survey works and studies required to be undertaken in order to update the necessary environmental information required for the marine licence in relation to the Islandmagee gas storage project. The total fees paid for utilisation of the survey boat and personnel by the Group for the 17 months to 31 December 2021 was £185,760 (12 months to 31 July 2020: £258,930) and the balance outstanding at 31 December 2021 was £Nil.

Details of directors' remuneration is disclosed in note 7.

27 CONTROL OF THE GROUP

There is no ultimate controlling party of Harland & Wolff Group Holdings Plc.

28 POST BALANCE SHEET EVENTS

Green Corporate Debt Facility of $70 million

On 9 March 2022, the Company announced that it has entered into a group-wide $70 million Green Term Loan Facility (the "Facility") with affiliates of Riverstone Credit Partners, LLC ("RCP"), a dedicated credit investment platform managed by Riverstone Holdings LLC ("Riverstone") and focused on entities engaged in building infrastructure and providing infrastructure services to generate, transport, store and distribute both renewable and conventional sources of energy, as well as entities focused on or otherwise engaged in the energy transition from fossil-based, to a zero-carbon economy.

The Facility will be used to support growth in the business and supplement the Company's working capital requirements. The Facility will be split into two tranches:

- A committed facility of $35 million
- An uncommitted accordion facility of up to$35 million

The Facility matures on 09 September 2023 and will attract an interest rate of the published 90 day Secured Overnight Financing Rate (the "SOFR") plus 9% per annum, with the floor of the SOFR set at 1%. The Company may elect to extend the maturity date by six months at a time up to three times for a final maturity date no later than 09 March 2025. These extensions are subject to an extension fee of 0.50% for the first extension option and 1% for each of the second and third extension options, in addition to pro forma covenant compliance and certain other usual and customary conditions. The Facility has been structured as a Green Loan following the Green Loan Principles published by the LMA, APLMA, and LSTA and a Sustainability-Linked Loan with performance indicators focused on social responsibility. The Company is incentivised to upscale its group-wide apprenticeship programme aimed at the local communities in which Harland & Wolff operates. Harland & Wolff plans to build on its success to-date and seeks further contracts within the renewables and "green maritime" sectors, such as fabrication contracts for offshore wind and hydrogen projects, new vessel builds, retrofits with sustainability credentials and other such contracts that would promote the UK Government's agenda to achieving Net Zero by 2050. Proceeds from the Facility will be utilised to fund working capital and CAPEX associated with the fabrication of wind turbine generator jackets for the NnG offshore wind project, to fully repay the existing £2 million Asset Backed Loan ("ABL") at Harland & Wolff (Belfast) Limited, to fund an interest reserve account, and to pay transaction fees & expenses. The Facility also includes an uncommitted accordion feature of $35 million, for a total borrowing capacity of up to$70 million, and may be utilised to fund the Company's incremental working capital and CAPEX requirements associated with new contracts.

The Company will also grant Riverstone detachable warrants over new ordinary shares in the Company ("Warrants") as part of this transaction. A total of 10,419,766 Warrants will be issued as part of this transaction. Each warrant will carry an exercise price of 14.25 pence per share, which is the closing price of the Company's shares on 08 March 2022, being the latest practicable date prior to this announcement. The Warrants are exercisable at any time after the Facility has been put in place but must be exercised before 36 months from today's date. The Facility will be securitised against substantially all the assets of the Company, including land, property, plant and machinery and receivables. In addition, an agreement has been reached with the vendors of Harland & Wolff (Appledore) Limited in relation to the outstanding deferred consideration payable by the Company. Under the terms of the revised payment schedule, the Company will pay the vendors instalments as follows:

- 31 March 2022: £500,000
- 30 June 2022: £500,000
- 25 August 2022: £2.50 million (£2.10 million in cash and£0.40 million in the Company's shares)
- 25 February 2023: £2 million (£1.60 million in cash and£0.40 million in the Company's shares)

Until the deferred consideration has been paid in full, Riverstone will take second charge on the assets of Harland & Wolff (Appledore) Limited with the current vendors retaining a first charge on the assets.

Contract announcements

On 1 June 2022, the Company announced that it has been awarded an initial contract worth approximately £8.5 million with Riverside Resource Recovery Limited, part of the Cory Group of companies ("Cory") for the fabrication of eleven barges.

The barges will be used by Cory to transport London's recyclable and non-recyclable waste on the River Thames.

Fabrication will take place at the Harland & Wolff Belfast site, with first steel being cut within approximately eight weeks' time. The programme schedule allows for four barges to be built in tandem, with the entire build programme ending around Q2 2023. Fully fabricated barges will be sequentially delivered to Cory with the client taking delivery on the River Thames.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

28 POST BALANCE SHEET EVENTS CONTINUED

On 13 July 2022, the Company announced that the Company has been successfully awarded the M55 Regeneration Programme (M55 Contract) by the Ministry of Defence (MOD) on behalf of the Lithuanian Defence Materiel Agency (DMA) after a competitive bid process.

The contract value for this programme is £55 million, with a potential to increase this value through additional equipment and further upgrades at the client's option. The M55 Contract incorporates the delivery of a regenerated vessel, with stated mission and sonar systems, to an agreed operational condition, for final delivery to the Lithuanian Navy.

It is a landmark deal for the Company, being its first contract win within the defence sector. Following extensive discussions with the MoD and a competitive tender process, winning the M55 Contract is a clear validation of the strategic progress the Company has made in the last 2 years as well as the technical skills, expertise and facilities it now has in operation.

The M55 Contract is expected to commence in August and be completed within 18-24 months with the programme being undertaken at Harland and Wolff's Appledore site. Under the terms of the contract, no performance bonds will be required to be issued and an acceptable milestone payment plan has been agreed for the lifecycle of the programme. Contractual payments will be spread across FY 2022, FY 2023 and FY 2024, thereby creating a predictable, ongoing revenue stream for three financial years. The contract underpins the Company's FY22 and FY23 revenues, with margins also in line with management expectations.

The Board strongly believes that this contract will significantly enhance the Company's reputation in the market and pave the way to securing future defence and government contracts.

With this award now secured, the Company has delivered on its objective of becoming operational in its five key markets - cruise & ferry, commercial, energy, renewables and defence. In conjunction with the recent award of the Cory barge contract, all the Company's facilities are now operational and active on projects. The Company is progressing towards its stated medium-term goal of becoming a £500 million per annum turnover business.

On 19 July 2022, the Company announced that it has been awarded a second contract worth approximately £9.6 million by Riverside Energy Park Limited, part of the Cory Group of companies ("Cory") for the fabrication of twelve barges.

The barges will be used by Cory to transport London's recyclable and non-recyclable waste on the River Thames.

Fabrication will take place at the Harland & Wolff Belfast site, with first steel being cut in 2023, towards the end of the fabrication programme for the first set of eleven barges that were awarded in May 2022. A production line has now been set up at the Belfast facility that will provide seamless delivery of the twenty-three barges in total. This contract further underpins the contracted revenues for 2023 which now sits at c£40 million. As the Company moves into Q3 and Q4 of FY 2022, further announcements are expected to be made in relation to material contracts that are due to be awarded for 2023 and beyond.

COMPANY INFORMATION

DIRECTORS
Malcolm Groat Chairman and Non-Executive Director
John Wood Group Chief Executive Officer
Arun Raman Group Chief Finance Officer
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