Harland & Wolff

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

Harland & Wolff Group Holdings plc

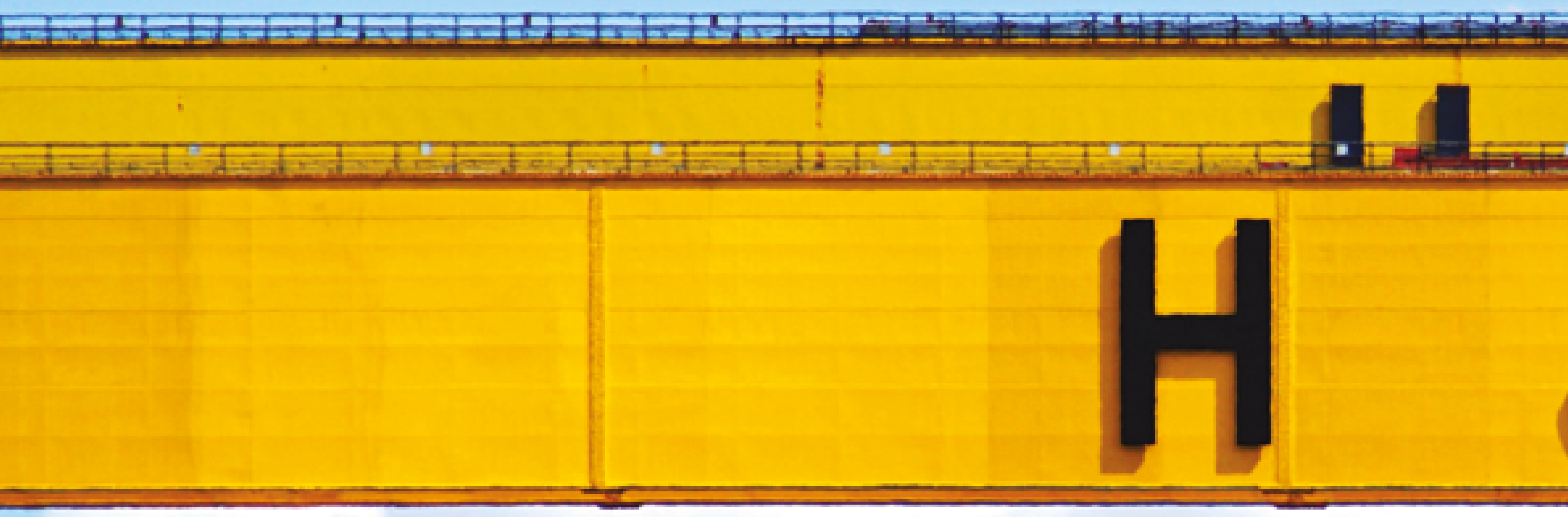
Harland & Wolff ANNUAL REPORT 2022

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.



Cautionary note regarding forward-looking statements
Statements in this Annual Report, including those regarding the possible or assumed future or performance of Harland & Wolff or its industry, as well as any trend projections or statements about Harland & Wolff or management's beliefs or expectations, may constitute forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, and other factors – many of which are beyond the controls of Harland & Wolff. These may cause the actual results, performance, or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that any forward-looking statements will prove to be correct. The information and opinions contained in this Annual Report do not purport to be comprehensive, are provided as at the date of the Annual Report and are subject to change without notice. Except as required by the AIM Rules and applicable law, Harland & Wolff undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

WHAT'S IN THIS REPORT

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

harland-wolff.com/investors

ACCELERATING GROWTH AND MOMENTUM

Building on 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 with a strong maritime heritage which is currently experiencing a shipbuilding renaissance. The UK Government's recent refresh to its 2017 National Shipbuilding Strategy seeks to make the UK a maritime superpower once again. Harland & Wolff is perfectly positioned to benefit from this renewed focus, with its unrivalled UK drydock and offshore fabrication capacity and multiple sites.

Harland & Wolff is a key operator in UK shipbuilding and heavy fabrication with a business strategy of diversified operations that has seen it win projects across five distinct markets: defence, cruise & ferry, commercial maritime, energy and renewables.

RELIABLE AND AGILE SERVICE OFFERING

Delivering value in the short-term

- Our ship repair services in Belfast have turned all ships around on time and to budget.
- We have unparalleled UK drydocking capacity and capability.
- With a multi-site operation, we can bring fabrication projects to fruition sooner whilst minimising risk.
- Flexible workforce with active apprenticeship scheme

Ensuring success in the long-term

- We believe our track record will continue to differentiate Harland & Wolff in the UK defence market, –.delivering 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.

WE HAVE A SOLID STRATEGY

Delivering value in the short-term

- Our track record of delivery across multiple sectors has resulted in repeat and growing business.
- We capitalised on the lack of large vessel drydocking capacity following 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 rapid growth in utilisation across our yards.

Ensuring success in the long-term

- Our strategy will see us take advantage of markets with strong long-term growth prospects such as renewables fabrication and defence.
- As an agile, innovative, and commercially minded business in a very archaic UK market, we have some unique advantages.
- We seek to put British shipbuilding back on the world map as a major participant in the industry's renaissance.

WE VALUE INVESTMENT IN OUR PEOPLE AND SKILLS

Delivering value in the short-term

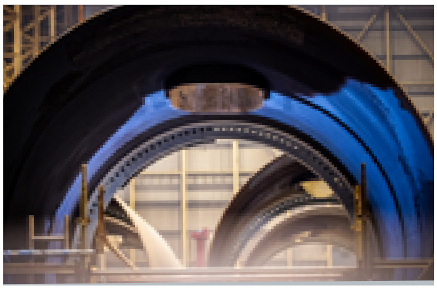
- We have engaged high-performing people working together as a driven and focused team.
- We prioritise safety, holding safety team moments at the beginning of every board meeting.
- Our strong performance can be attributed to the strength and skill of our people.

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.

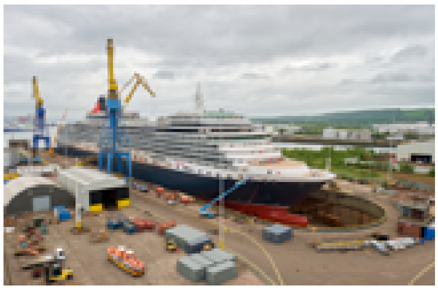

Brian Nelsh

THE YEAR IN PICTURES



GREEN CORPORATE DEBT FACILITY SECURED

NATIONAL SHIPBUILDING STRATEGY REFRESH



QUEEN VICTORIA DRYDOCKS IN BELFAST

SECRETARY OF STATE FOR DEFENCE VISITS APPLEDORE

CORY BARGES – TWO CONTRACT AWARDS

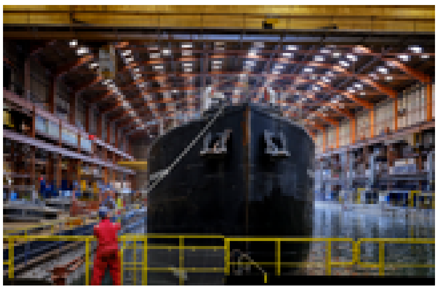
ACQUIRE HMS ATHERSTONE

M55 CONTRACT AWARD

APPRENTICESHIP NUMBERS GROW

MINISTER NUS GHANI VISITS BELFAST

IVAN MCKEE MSP IN METHIL

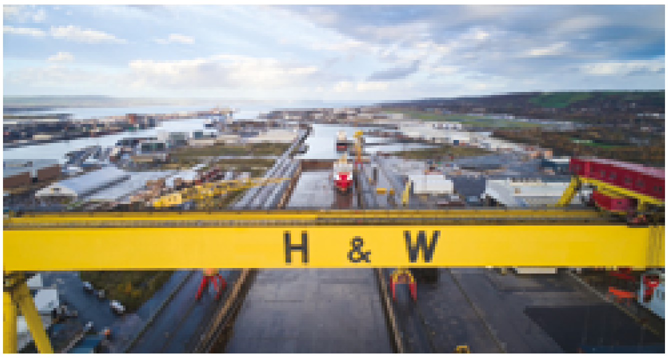


FULLY SETTLE APPLEDORE ASSETS

TEAM RESOLUTE SELECTED AS PREFERRED BIDDER

GROUP AT A GLANCE

OUR SITES



BELFAST

The 81-acre flagship Belfast site has the ability to service 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 30,000m^2 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 30,000m^2 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 energy-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 20,000m^2 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 165,000m^2, with covered fabrication areas of more than 20,000m^2 and open areas of more than 144,750m^2 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 domestic gas storage is the most economical and efficient mechanism 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 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 number of moving parts at this point including the pace of technological and commercial development but when there is eventually 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

Our collective achievements during 2022 are a credit to everyone at Harland & Wolff but particularly to the vision and dedication of our outstanding executive leadership team. Their hard work and resourcefulness are a shining example.

Green Term Loan Facility

$70 million

Major Contract Awards

M55 Regeneration

Cory Barges Fabrication

FSS Programme

Read our Corporate Governance Report on pages 29 to 44.

WE ARE WELL PLACED TO CONTINUE MOVING THE BUSINESS FORWARD.

Malcolm Groat
Chairman

Building our business involves many parts, but the most pleasing for me to witness are the expanding orderbook and the wealth of talent now joining us. All the effort of recent years is beginning to bear fruit as we win orders across five markets, notably of course the securing of the Royal Navy's Fleet Solid Support (FSS) Programme.

As Chairman of this growing enterprise, I am fortunate to have the support of wise and engaged Board colleagues, a strong and forward-thinking executive team, and a high calibre workforce working with dedication to deliver on our vision to redefine our industry and pioneer twenty-first century offshore and maritime engineering with daring ingenuity.

During 2022, the team secured a $70 million Green Term Loan Facility with an affiliate of Riverstone Partners, which was subsequently upsized to $100 million. Securing this facility has been instrumental in meeting the Group's growing capital needs as further investment was made to support the winning and execution of a wider range of fabrication contacts. The two barge fabrication contracts that Belfast secured from the Cory Group have set the fabrication halls in Belfast in motion and are preparing the workforce for the FSS fabrication programme. The award of the M55 Regeneration Programme marked 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 few years is finally yielding results. We aim to finish 2023 in a much stronger position and with a sizeable orderbook going into 2024.

Strong Foundations

Over the last year, our team has secured and delivered on projects at 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 through investment in the yards, in skills and in building a backlog in the orderbook. Whilst further advancing our original Islandmagee gas storage project, vital to UK gas supply, we have all the while been building Harland & Wolff into a fully-functioning four-site fabrication and ship repair business. In addition to filling the Belfast shipyard with increasingly complex dockings, the team is bringing shipbuilding back to Methil with the Cory barge contract split between Belfast and Methil; is fabricating mining infrastructure and exporting in Arnish; and delivering valuable defence projects in Appledore.

Our Future

As vessel dockings increase in complexity and major fabrication projects are secured across all markets in the medium term, we are well placed to continue moving the business forward, and significantly ramping up our revenue generation. With our strategy of serving five markets across six services encompassing the complete 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. I am particularly keen to see us further extend our environmental, social and governance (ESG) efforts. Sterling work is being done to ensure diversity and inclusion across the business, and you will see in this year's report for the first time, that we report on TCFD. Among other initiatives where we are already having an impact for good, we are proud of our apprenticeship programme which continues to grow, providing solid high-quality career paths for people in parts of our country that are in the vanguard for levelling-up.

Post the balance sheet date, we secured the manufacture subcontract for the FSS which will see a £77 million investment into technology in our Belfast yard, making it the most state of-the-art shipyard in the UK, also bringing a ramp up of 1,200 shipyard jobs across Belfast and Appledore. This contract award is a game-changer for the company and will allow us rekindle and modernise worldclass shipbuilding skills and trades that were otherwise dying out. FSS has enabled us to build a legacy that will provide secure and sustainable high-quality employment for decades to come.

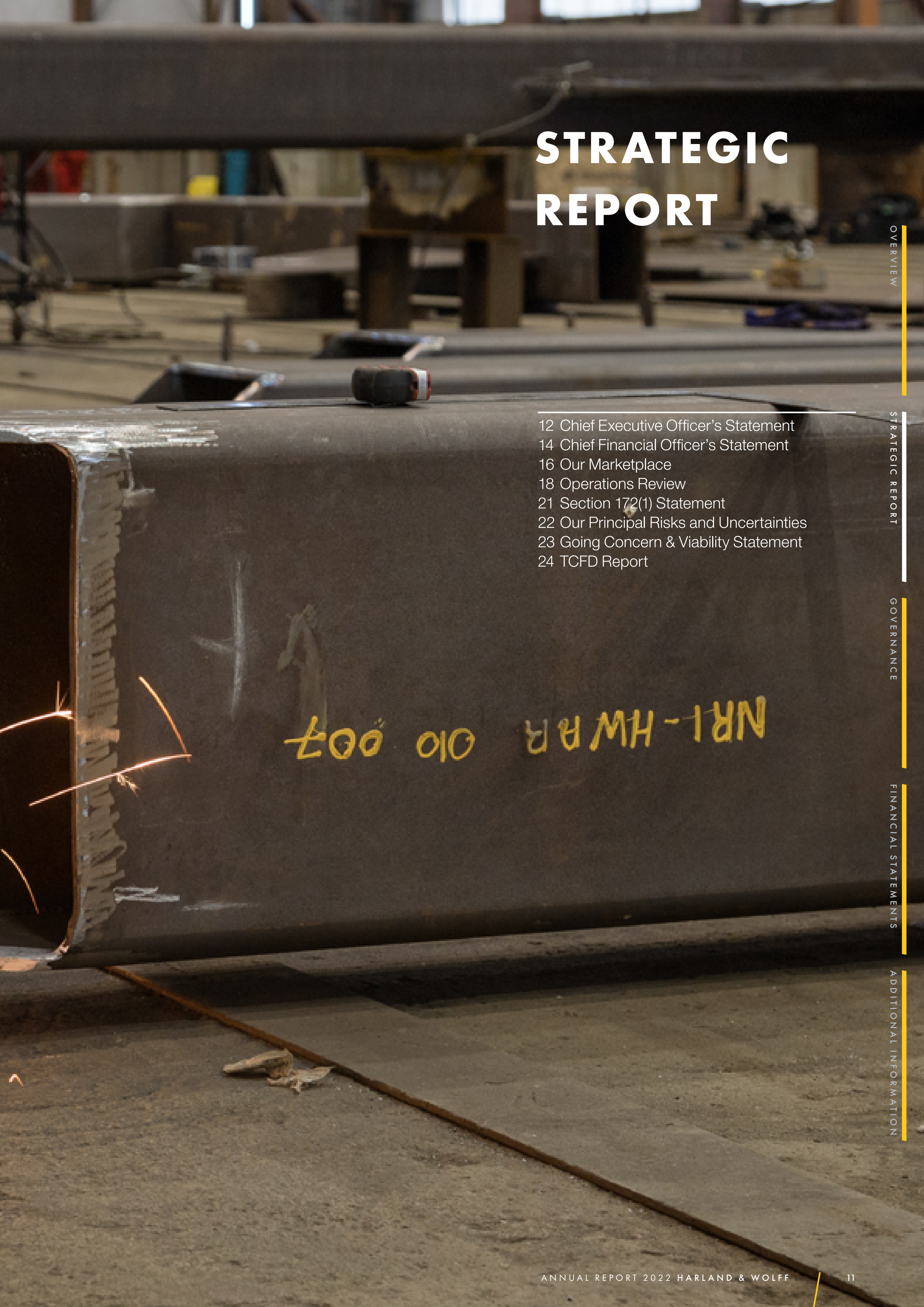
I would like to place on record my thanks to the hard-working and dedicated team who helped to secure this contract and to our close partners, Navantia and BMT. It is thanks to all of you that we have been able to bring complex shipbuilding back to Belfast.

Board of Directors
During the year, we welcomed Katya Zotova to the Board. Katya brings over 25 years of experience in strategy and business development, investment banking and private equity, and has already contributed greatly to the ongoing success of Harland & Wolff. Further development of our Board will take place alongside the very significant commercial expansion that is already 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

30 June 2023



STRATEGIC REPORT

CHIEF EXECUTIVE OFFICER'S STATEMENT

Harland & Wolff has continued to grow at a pace, having secured major contract wins such as the Fleet Solid Support (FSS) Programme and M55 regeneration programme, it is now well on its journey to revitalising shipbuilding and fabrication skills at all it sites.

Revenue increased

£27.96m

by the end of 2022

Backlog increased

£900m

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Read our Corporate Governance Report on pages 29 to 44.

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

John Wood
Group Chief Executive Officer

Looking over 2022, I am proud of how the Group has successfully navigated the impacts of the COVID-19 pandemic, a war in Ukraine, rapid inflation increases, and supply chain delays. Inevitably, some of these challenges will persist through 2023, but we continue to deliver on projects won, be awarded new contracted works and build our backlog in order to secure a financially strong performing business for our shareholders.

Harland & Wolff has continued to progress in 2022. 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, from zero revenues in December 2019 to £27.96 million by the end of 2022, and from securing contracts worth just thousands in 2021 to securing the FSS manufacture contract worth an expected c£750 million over a seven-year period (adjusted for inflation).

Our revenues for the period ended 31 December 2022 stood at £27.96 million representing a material increase over the £18.51 million achieved over a 17 month period to 31 December 2021. By any standards, we still have much to achieve. Given the contracted revenue flow already generated in 2023 for FY23 and FY24, we can reasonably expect FY23 revenues to be in the region of c£100-£115 million, consistent with market guidance. Our contracted revenues for FY24 have already exceeded £70 million at the date of this report. We are seeing significant traction in contract fruition going into Q3'23 and beyond, giving us confidence of achieving further growth as I have outlined in March of this year.

We have seen very healthy growth to our business since 2021 and key achievements include:

1. Contracted backlog increase from £110 million to £900 million (based on management estimates)
2. Largest single contract size increased from £55 million to £750 million
3. The workforce has grown to 769 personnel
4. Debt facility moving from $35 million to $100 million, with negotiations ongoing to complete a £200 million refinancing facility with UK Export Finance guarantees and a syndicate of private lenders and commercial banks
5. Uncontracted weighted pipeline of opportunities increased from £1.36 billion to over £2.50 billion over a five-year period
6. Securing our first export contract
7. Securing our first defence contract
8. Securing our first large commercial fabrication contract

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. To that extent, we have introduced a new Client Relationship Management (CRM) system that is used across the group to track opportunities and convert them to executed contracts.

We have worked tirelessly at converting our pipeline of opportunities into contracts. Our goal is to become a £500 million per annum turnover company within five years and aspire to maintain a blended gross margin of 24%-27%. This clock started ticking in 2020/21 and we are now in our third year of this turnaround strategy. I have firm belief that we can achieve this ambition given our growing backlog as well as pipeline of opportunities. We are deeply involved in two "sunrise markets" – defence and renewables. Whilst contracts in both these markets admittedly have long gestation periods to fruition, once contracted, they lend themselves to multi-year stable revenues that provide a solid baseline from where to grow. The cruise & ferry market is set to be buoyant from 2024 onwards given the level of inquiries and bid submissions that are leaving our door. We welcomed our first major cruise repair contract in the summer of 2022 – the Queen Victoria. With the successful redelivery of this vessel to the client, we have now grown to become a credible shipyard for cruise clients.

We were delighted to be awarded Preferred Bidder status for the prestigious three-ship Fleet Solid Support (FSS) Programme in November 2022. The relationship with the Ministry of Defence and Navantia was crystallised in February 2023 with the formal execution of the Sub-contract with Navantia. Following its execution, we have now embarked upon a £77 million regeneration programme in Belfast in preparation for fabrication of the first ship commencing in 2025. The FSS Programme will not only provide a baseload revenue line for the next seven years, but will also enable us to make Belfast one of the most modern, efficient and cost-effective shipyards in the UK and Europe. Notwithstanding the increased levels of productivity and optionality that this regeneration programme will provide to the Group, it will significantly enhance our social value outcomes across some of the most deprived communities in the UK. We have embarked on an aggressive apprenticeship programme and are reskilling / upskilling our workforce who will embrace the latest shipbuilding technologies along with utilising decades of experience that they already carry. The world is changing and we are changing too; embracing new technologies, introducing a flexible work culture and creating stimulating opportunities for the next generation of Harland & Wolff employees are things that will enable us to grow and thrive in an increasingly competitive and volatile global environment. We are delighted to be partnering with Navantia and BMT on the FSS Programme and look forward to a mutually fruitful relationship in the years to come.

There is a substantial opportunity within our five markets, our biggest operational inhibitor is an appropriately skilled workforce to secure and execute on the growth opportunity. To address this the Group has a fast-growing apprenticeship scheme. We employed our first intake of 37 apprentices in 2021 and to see this increase to 64 in 2022. We will continue to increase our total number of apprentices to over 100 during the next academic year. We are building for the future and taking this path is critical to ensure enough skills are available as we continue to grow the business.

One of the keys to achieving our growth objectives 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. Our first ever corporate debt facility for $35 million was entered into in March 2022 and was upsized to $100 million at the end of year. We will continue to seek larger levels of financing at lower cost as we continue to win new contracts and stabilise the business.

Our Islandmagee gas storage project has been effectively future proofed with a pre-FEED study conducted for the storage of hydrogen making it of strategic importance. The Group continues to work on the judicial review after having been awarded the marine licence and expect to receive the outcome of this in the second half of 2023. Having sought legal opinion, we have been advised that the application has limited chance of success. We will continue to explore several funding options for this project with ongoing engagement from interested parties. Alongside exploring the development of the project the Group has also received interest to sell the project in its entirety. The Board will review the options available to the Group with a view to securing a commercial solution that is in the best interests of shareholders.

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. With this in mind, we will be looking to strengthen our senior leadership team over the course of 2023 to ensure we have the appropriate experience and talent in place to achieve our vision. Our workforce is the bedrock of our success, and we will look to keep upskilling them and growing these numbers as we move forward.

I wish to thank the Ministry of Defence and the National Shipbuilding Office for their unstinting support and guidance through the year. I also wish to thank all our clients and the ever-growing supply chain for the confidence that they have shown in us over the last year. I look forward to working closely with them in the coming months and years. Finally, I wish to place my thanks to all our shareholders and wider stakeholder group for the support that they have provided to Harland & Wolff.

Our aim is to capitalise on this massive growth opportunity and to build a large and sustainable business that delivers value for all of our stakeholders and I look forward to reporting on our successes over the course of 2023 and beyond.

Health, safety and environment first

There were no reportable health, safety or environmental incidents during the financial year.

John Wood
Group Chief Executive Officer

30 June 2023

CHIEF FINANCIAL OFFICER'S STATEMENT

Gross profits

£5.75m

Debt facility upgraded to

$100m

Read our Corporate Governance Report on pages 29 to 44.

"WE GENERATED REVENUES OF £27.96 M, A SIGNIFICANT INCREASE OVER THE PREVIOUS PERIOD."

Arun Raman
Group Chief Finance Officer

I am pleased to write to shareholders and stakeholders to share my views on the year gone past and the outlook for the future.

Having emerged from the COVID-19 pandemic that ravaged the global economy, we were struck by two new challenges, once again, that had global ramifications; rapid inflation caused predominantly by a very stretched supply chain and the onset of the Russia-Ukraine war. High inflation rates across the world persisted throughout 2022 and has continued into 2023. Whilst we believe that it has now peaked, it remains unclear how long it will take to unwind. The rate of inflation has caught everybody by surprise and there are very limited tools to counter it. Consistent hikes in the base rates by central banks around the world have caused an increase in the cost of capital. For a high growth company like Harland & Wolff, that has growing capital needs, this has proven to be a difficult path to go down, as evidenced by higher financing costs recorded at the year-end. The Russia-Ukraine conflict continues to weigh on the global economy. Whilst energy prices peaked in Q3/Q4 last year but mitigated to some extent with the onset of summer, a combination of energy supply volatility and transitioning into renewables and green energy could well see energy prices on the upswing post-summer. Whilst we have been able to contain our energy costs through a series of fixed price contracts over winter, our energy consumption is a function of the volume of work going through our yards. For the months in which we receive or conduct a large volume of additional works the Group has to buy energy on the spot market leaving us exposed to prevailing energy prices that sit outside of our hedged position. We are in a business that competes globally, therefore, whilst increased costs are shared with clients, we need to be mindful of the quantum of such pass-through. Whilst we aim to maintain a blended gross margin of between 24%-27% in the medium term, we expect to see a drop in these margins in the short term before they recover, as evidenced from the gross margins achieved in FY 2022. The mitigating measure for a loss in the gross margin rate is to drive larger volumes of work through the yard and we continue to do so in 2023 and for 2024.

For the 12-month period to 31 December 2022, we generated revenues of £27.96 million (2021: £18.51 million), a significant increase over the previous period given that the previous reporting period was a 17-month period. Gross profits were £5.75 million (2021: £5.22 million) and we achieved a gross margin of 20.57% (2021: 28.21%). For the financial year 2022, we expected to see a 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) and defence (M55). It has also taken time for incremental costs to flow into contracts which allow for cost escalation. Looking ahead, we have put in place a number of cost mitigation measures such as group bulk procurement for consumables, energy hedges, steel price exposure to clients' account and inflation indexation clauses on multi-year contracts. As these measures feed into the system, we expect margin improvements in FY 2023 and future years.

Operating losses stood at £58.06 million (2021: £22.37 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. A large number of personnel were hired in preparation for key contracts such as the M55 Regeneration Programme, Cory barges and for FSS. Delays to the formal execution of contracts in order to commence work on these programmes have caused the workforce to be "benched" in 2022 and this should reverse itself out in 2023. Having said that, it is imperative that we keep growing our team and build key skills in-house. Whilst this strategy has an adverse short-term impact of skewing operating costs, over the longer term, we believe it will lead to significant cost savings by avoiding the excessive use of external consultants, who are typically more expensive than an in-house skilled workforce. We expect to keep building this core base of skilled personnel in 2023 whilst we prepare for the FSS programme and other large contracts that we expect to win in the short term. Inevitably, we will go through the "benching" process in FY 2023 as well which we believe should correct itself in FY 2024.

I am delighted to report that we signed our first significant corporate debt deal with Riverstone Credit Partners, a New York based private credit fund. From an initial committed amount of $35 million, we have upsized the facility to $100 million during FY 2022. This deal has put us firmly in the corporate debt market. In order to bring down the cost of capital, we expect to refinance Riverstone out of the Company in 2023. As part of the refinancing process, we are engaged with UK Export Finance (UKEF) and other high street lenders with a view to achieving two objectives; bringing down the overall cost of capital and further upsizing our facility to £200 million. As part of this process, we were subject to a highly detailed five-month due diligence process conducted by Grant Thornton on behalf of UK Export Finance. The Independent Business Review Report (IBR) was formally published by Grant Thornton at the end of May and validated our strategy of operating in five markets and six services as well as confirming the substantial addressable markets and weighted pipeline that we have been building since 2020. The report also highlights criticality of human and capital resources to take this business to a £500 million p.a. company. We recognise the challenge and are gearing up on both fronts in a methodical manner.

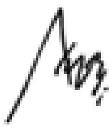
We are now at an advanced stage in our negotiations with UKEF and our lending consortium. This is a five-year deal and it is important that we get the economics right. Our current cashflows allow us to take the time and get the best possible deal for the Company and its shareholders. We will be making announcements on this deal as it matures and comes to fruition.

As we become more mature as an organisation and pick up higher levels of debt, one of the important metrics that we will be reporting on is the net debt level at periodic intervals. Accordingly, our net debt as at the end of FY 2022 stood at £82.51 million (2021: £14.05 million). This highlights the fact that we are under-capitalised and would need to balance our capital stack in due course.

Total loss for the year stood at £70.35 million (2021: £25.50 million) which was reflective of increased borrowing costs and an increase in the size of our core workforce from 410 to 769. We also incurred additional legal, professional and consulting fees of £4.50 million (2021: £1.95 million) which further reinforces our position of acquiring in-house skills. We absorbed further costs of £6.38 million as a result of incurring non-capital development costs and increased labour costs to provide the Company with the ability to ramp up as quickly as possible for extensions to existing contracts and in anticipation of new contracts.

Looking ahead, FY 2023 and FY 2024 are years of growth and consolidation. We will continue to make investments across the Group especially in preparation for the FSS Programme. A £77 million capital expenditure has been approved for the refurbishment of Belfast, which is expected to convert Belfast into one of the most modern and productive yards in Europe. We will also be making investments in our other sites to improve productivity and cross-yard optionality with a view to driving economies of scale and increasing margins. The impacts of these investments may not be felt immediately within the financial year but will reap long term rewards. The goal is set; £500 million per annum by the time we get to the end of our 5 year turnaround strategy. We are now in our third year of our five year strategy.

Finally, I would like to thank all our shareholders, internal and external stakeholders for their unstinting support. We are on a journey and with each passing month, we are making progress on all fronts.



Arun Raman
Group Chief Financial Officer

30 June 2023

OUR MARKETPLACE

CRUISE & FERRY

As the world moves on from the pandemic, we have continued to see an upswing from a market that has struggled with intermittent lockdowns and travel complications and whose focus remains on revenue growth rather than maintenance spend. Many cruise operators continue 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 still remain cautious.

Whilst the demand for newbuilds remains slow, we are noting an increase in enquiries for repair and refurbishment works that would set to commence in 2024. We have also seen that large drydock space is limited and this has meant Belfast has piqued the interest of cruise vessel operators.

Ferry dockings continue to make up the core baseline for our Belfast ship repair business and relationships with ship owners continue to grow. Discussions about green retrofits and conversions are picking up pace as is the interest in how we deliver our services effectively whilst reducing our carbon footprint.

COMMERCIAL MARITIME

Over the last year, we have noticed a marked increase in enquiries for LNG and bulk carriers to enter our building dock in Belfast. Limited availability of large drydocks matched with required skills and capabilities has helped propel Belfast to the forefront of minds in this market. We envisage that this market will continue to grow as our ferry business has with increased frequency and complexity of docking works.

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 carried out the 33rd Licensing Round for North Sea oil and gas projects, held between 07th October 2022 and 12th January 2023, with an additional 34 blocks on offer and 115 bids submitted. The results are due to be announced in Q2 2023 so with 115 bids submitted by 76 different companies there will be a great deal of new investment in the North Sea.

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 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 conversion contract and FSS Programme Subcontract, Harland & Wolff has seen its international profile within naval defence propelled and discussions with several NATO allies continue. It is clear through discussions we have had with the Royal Navy, that they are hungry to bring commercial learning into their through-life support and Harland & Wolff's five market, full lifecycle strategy, sets it in good stead to capitalise on this.

RENEWABLES

The UK offshore wind market is developing at pace with multiple developers and EPCI contractors actively pursuing the opportunities associated with the ScotWind leasing round announcement that gave the green light to 17 projects off the east coast of Scotland. The Irish Sea, Celtic Cluster and INTOG offshore wind farms are also generating significant interest in the Harland & Wolff yards.

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 similar leasing round announcements for Ireland, England and Wales are planned over 2023, 2024 and beyond.

Over the next 15 years plus this will generate a multi-billion-pound investment into the Scottish renewables supply chain. Harland & Wolff have been involved in discussions with multinationals seeking partners/contractors/subcontractors to deliver these projects and it will be a major part of Harland & Wolff's future revenue streams.

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 sets 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 minor ship repairs in 2020 to the FSS Programme Subcontract award, Belfast has come a long way. Ferry dockings have progressively grown in complexity and contract value over the course of financial year 2022, with the Belfast team proving time and time again that Harland & Wolff delivers on time and to budget. Belfast is fabricating and building barges for the Cory Group, allowing it to ramp up its skills, processes and workforce ahead of commencement of FSS fabrication. As the company moves ahead to implement its business strategy of five markets, we continue to invest in facilities, processes, and infrastructure.

2022 has seen the Belfast pipeline continually improve, achieving an 80% occupancy rate in the repair dock – our highest yet. Feedback from clients continues to improve and is ensuring we continue to win repeat business.

We continue to welcome new apprentices into the yard, realising the ambition of passing British shipbuilding skills on to the next generation.

Harland & Wolff (Belfast) has established 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.

Since then, it has been growing its business from the RNLI Thames pontoon fabrication project worth £2.2 million contract to the 24-month contract signing for the M55 Project worth £55 million. All the while, boosted by other projects, such as the docking of AI Avocet and various vessel dockings on the patent slip facility and in the lifeboat shed and most of all by a collaboration with BAE Systems which saw the yard deliver a SMITE Frame.

From the start of 2022, Appledore has increased its workforce by circa 120 full time equivalent employees, resulting in a 95%+ increase in social value generated by the yard, through local employment, apprenticeships and support from the employees for local charities.

The patent slip winch was upgraded to allow +300t vessels to be repaired and refurbished, allowing the yard to increase its offering to the market. Investment is now under way into improved extraction capability and welding equipment to enhance yard capability.

METHIL

Harland and Wolff (Methil) Ltd has been operating since February 2021 and over the period has been carrying out fabrication works on Neart na Gaoithe Offshore Wind Farm project located in the outer Firth of Forth in Scotland.

This project was terminated at the end 2022 by mutual agreement with the client and, since then, the yard has various works planned over 2023 across various sectors including the fabrication of barges for the commercial maritime sector, equipment for the North Sea oil & gas sector, primary and secondary steel structures for the offshore renewables market and pontoons for the civil construction market.

Over the course of 2021/2022 the Methil site has been the subject of significant capital investment which has seen the installation of carefully selected new plant and equipment such as the installation of a UK-first pipe profiling machine. Harland & Wolff has also invested to reduce our carbon footprint and 3 blast and paint facilities on the Methil site have been transferred over from diesel power to electric power with the installation of new compressors, compressor buildings and infrastructure along with several technological upgrades and ground refurbishments.

The business development team continues working with potential clients and we look forward to the continued development and growth of the business over its journey to become one of the class leading fabrication facilities in Europe.

ARNISH

Arnish boasts a reputation for excellence in specialist welding and heavy rolling equipment.

In 2022 the site successfully delivered projects across a number of markets including civil infrastructure, energy, nuclear, renewables and mining infrastructure.

It successfully completed the suction anchor piles for a Black Sea energy project that required large diameter cans to be rolled and assembled. The yard secured and completed its first Nuclear project rolling 50mm thick 5.2m diameter cans made from SuperDuplex material, a first in the history of the yard.

The yard completed the secondary steelwork of boat landings, platforms and ladders for an Offshore Renewable project and has successfully secured secondary steelwork fabrication contract from an overseas mining company. The team has also delivered on a number of local infrastructure projects in supporting the new Stornoway Deep Water Port development. The yard has delivered all these projects with zero weld repairs.

The workforce grew from 23 in January 22 – to 95 by December 22, this includes 15 apprentices all based on the island of Lewis, providing above average salaries and contributing significantly to the local economy.

OPERATIONS REVIEW

ISLANDMAGEE GAS STORAGE PROJECT

Following the grant of the marine construction licence in late 2021, a judicial review has been launched by local protest groups with a court hearing that was completed in May 2023. 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 determination of the judicial review now remains in the hands of the high court and we expect to receive a decision within FY 2023.

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. Given the strategic nature of the project, we are evaluating the following options to monetise the asset:

1. Standard North Sea type farm-out model in which the incoming counterparty will acquire the bulk of the project equity for consideration with the Company retaining a minority equity interest

2. Funding on the basis of a long term debt structure via the National Infrastructure Bank or other government agencies either on a Regulated Asset Base (RAB) model or a Contract for Difference (CfD) model by setting a floor on the annual storage capacity charge in order to protect the economics of the project

3. Trade sale of the project in its entirety

The Company has been in discussions with counterparties across all three monetising methodologies. Further announcements will be made as soon as tangible progress has been made on any of these fronts.

SECTION 172(1) STATEMENT

As is referenced in the Corporate Governance Report, this section describes how the directors have had regard to the matters set out in Section 172(1)(a) to (f) Companies House Act 2016, (the “Act”), in exercising their duty to promote the success of the company for the benefit of its members as a whole.

In July 2019, the UK Corporate Governance Code reinforced the importance of Section 172 of the Act, which requires the directors to have regard (amongst other matters) to the interests of wider stakeholders, as well as:

- Likely consequences of any decisions in the long-term
- The interests of the company’s workforce
- The need to foster the company’s business relationships with suppliers, customers and others
- Impact of the company’s operations on the community and environment
- High standards of business conduct
- The need to act fairly as between members of the company

As is normal for public limited companies, shareholders delegate authority for day-to-day management of the company to the board of directors and engage management in setting, approving and overseeing the execution of the strategy and related policies.

During the year we reviewed the company’s financial and operational performance; key transactions, including acquisitions, regulatory, funding, stakeholder engagement and diversity and inclusion.

The Board received papers and reports on these matters which were then reviewed, discussed and approved, as necessary.

The directors have regard for matters set out in section 172 (1) (a-f) of the Companies Act 2006 when discharging their section 172 duties. One example of a decision taken by the Board during the year, and the considerations given to stakeholders’ interest and impact was the purchase of Harland & Wolff (Appledore) Limited (which took place on 25 August 2020) in order to reduce the time to profitability and shorten the time toward positive cash flows.

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 26 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 and financing for capital expenditure programmes in order to modernise the facilities are 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

The Company has built a significant pipeline of opportunities since 2020 that it is pursuing. Further additions to that uncontracted pipeline will be made over the course of the next few years. There is no doubt that the amount of fabrication work available over the net decade far outstrips the capacity of the industry as a whole. Notwithstanding these opportunities, there is a risk that this pipeline may not materialise per the Company's expectations or will take longer than expected to come to fruition. This will have a bearing on the overall liquidity situation which can be mitigated through fresh infusion of debt and equity capital whilst contracts some to fruition. The Company is faced with a high inflation environment which is systemic rather than Company specific. Whilst the Company has taken several steps as outlined in the CFO report to mitigate the effects of a high inflation regime, there is a risk that the Company will need to absorb some of these increased costs that will reduce targeted gross margins.

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. 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. The Company has a dedicated team or senior management professionals who have been tasked with recommending and implementing the Company's ESG metrics and policies. In addition, the Company has a mature HSE function that is involved in making sure that a robust safety culture is embedded across all sites.

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, drilling engineering services 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. As a Company that is engaged in operations in some of the most deprived regions of the UK, the Company has grown and maintained strong relationships with the local communities. The Company has engaged in a number of fund raising drives and is a passionate supporter of the Sea Farers Charity. As the FSS Programme starts to take shape, the Company will be involved in a series of projects and activities to meet its social value goals under this Programme. The projects an activities envisaged include apprenticeships, reskilling, STEM based opportunities, career workshops and working with a deep supply chain to generate as much local content and value as possible.

GOING CONCERN & VIABILITY 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, Methil and Arnish throughout the year in addition to the multi-year M55 Regeneration Programme worth £55 million and the fabrication of 23 barges for the Cory group worth £18 million. Post the balance sheet date, the Group has announced that it has secured the Fleet Solid Support Programme under a Subcontract with Navantia UK Limited (Navantia). This Subcontract will yield circa £750 million (inflation adjusted) over a seven year period that provides a baseload of revenues over the next few years. 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 2022. 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.

The auditors have included material uncertainty in relation to going concern in the audit opinion.

TCFD REPORT

2022 Emissions (T CO2e)

2232.7

Scope 3

Read our Corporate Governance Report on pages 29 to 44.

MORE THAN EVER, WE NEED TO WORK TOGETHER – TO INNOVATE, FIND SOLUTIONS, TAKE RESPONSIBILITY, AND MAKE SURE WE HAVE A SUSTAINABLE FUTURE.

Malcolm Groat
Chairman

I'm pleased to share our first TCFD report for Harland & Wolff, replying to recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).

INTRODUCTION FROM THE CHAIRMAN

The world is facing monumental global challenges. These have only been exacerbated by COVID-19, disruptions in maritime shipping routes and the war in Ukraine, which has challenged our societies and systems, revealing their fragility. All of this has created extensive disruption to business activities and supply chains which are likely to only become more so through climate change related impacts such as extreme weather.

More than ever, we need to work together – to innovate, find solutions, take responsibility, and make sure we have a sustainable future.

Environmental considerations are critical to our future success as a maritime and offshore business. Our entire business is reliant on our oceans and waterways, as well as the climate and environmental considerations that go with that. We're committed to supporting our clients and supply chain, governments, and society in our collective efforts to decarbonise, and make a positive contribution to tackle climate change – arguably the most important problem of our time.

Building trust requires organisations to challenge themselves to be more transparent. But trust in our systems goes far beyond shareholders reading a set of financial statements. We must also look after the needs of a much wider group of stakeholders. So, we must report not just the financial impact of organisations, but also their environmental impacts.

As a disruptive and forward-thinking UK and global maritime and offshore player, we must become a leader in the way we deal with climate risks and opportunities and share this with our stakeholders through our reporting. This year, we're sharing insights into our business, reflecting our commitment to transparency and being that 21st century pioneering business.

This TCFD report represents an important step as we begin our strategy to deliver trust and sustained outcomes, bringing our purpose to life and working with the wider maritime community on climate-related challenges. We understand that change requires action. Our review has given us a deeper understanding of the strategic risks and opportunities facing our business as a result of climate change.

Introducing this new reporting lens is just one of the changes we're making. We will start to transform and develop greater levels of business resilience, use our experience to support clients on their journeys, and emerge stronger.

I look forward to sharing our progress with you in future reports.

Malcom Groat
Chairman

INTRODUCTION

What is the TCFD?
The TCFD was established by the Financial Stability Board in response to a request from the G20 Finance Ministers and Central Bank Governors. In 2015 Mark Carney and the Financial Stability Board established the Task Force to help identify the information needed by investors, lenders and insurance underwriters to understand and assess climate-related risks and opportunities and their impacts on businesses.

The Task Force has 31 members, drawn from a range of industries and countries, with perspectives as reporters or users of this type of information. Support for the TCFD has grown to over 4,000 organisations, including financial institutions representing over US$27tn of financial assets.

It is our expectation that TCFD reporting will become more common as investors and lenders require disclosures from their investee companies and customers to help them understand the risks and opportunities the businesses face.

What are the aims of the TCFD recommendations?
Disclosure on climate-related issues has traditionally evolved through a sustainability lens with businesses reporting on their impact on the environment and society. The TCFD recommendations pivot this to understanding the impacts climate change may have on the business, and to what extent those impacts are understood and identified within the decision-making processes of that organisation.

The TCFD framework helps business leaders make sure their organisations spot, assess and deal with the risks and opportunities from climate change. This includes how they set and execute strategy, how their risk management processes identify issues and how they govern their business. It also includes the metrics they use to track progress against targets.

We've based our report on these pillars as defined in the TCFD framework. This report contains the first set of disclosures against the recommendations of the TCFD for the group of Harland & Wolff sites.

GOVERNANCE

Our governance structure is a key mechanism in enabling our climate-related strategic priorities.

The Board of Directors is made up of the Chairman, Non-Executive Directors, Chief Executive Officer and Chief Financial Officer. The Board of Directors sets the overall strategy for the Harland & Wolff Group and the standards to which each site adheres. The Board of Directors provides strategic direction (including in the area of Enterprise Risk Management (ERM)). The Chief Finance Officer (CFO) has delegated responsibility for risk management strategy, including ERM.

The ESG Working Group, chaired by the CFO and comprising members of the Senior Leadership Team (SLT) and subject matter experts, provides ESG recommendations and advice for ESG risk management strategy, including consideration of strategic risks and input into the ERM programme, to the Renumerations, Nomination and Corporate Governance Committees. All Harland & Wolff sites agree to abide by certain standards which cover a number of areas including that of the ERM.

The Group standard for ERM requires each site to establish an ERM programme and integrate this within its business operations. They are also required to perform an enterprise-wide risk assessment to identify and prioritise the components of enterprise-level risk, and develop specific action plans to mitigate each identified risk.

Governance over our own climate strategy

In 2022, Board of Directors approved our net zero commitment. Responsibility for delivering this commitment is delegated to the ESG Working Group, led by the CFO. Governance and oversight of our net zero programme is provided by the Board of Directors. It makes sure there is business ownership and accountability.

The ESG Working Group will closely monitor progress towards our commitment, including our science based targets. It will report to the Board of Directors periodically including our climate change risks and opportunities for our business.

BOARD OF DIRECTORS

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RENUMERATIONS, NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

With oversight of all governance and leadership matters, the RNCG Committee is responsible for approving the Executive Leadership Team's (ELT) annual plans and overseeing the performance of the ELT.

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EXECUTIVE LEADERSHIP TEAM (ELT)

Made up of the CEO and CFO, the ELTs set the overall strategy for the Harland & Wolff Group

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SENIOR LEADERSHIP TEAM (SLT)

The Senior Leadership team is responsible for overseeing that the Group's business strategy is delivered

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ESG WORKING GROUP

Chaired by the CFO and comprising of members of the Senior Leadership team and subject matter experts, provides ESG recommendations and advice for ESG risk management strategy, including consideration of strategic risks and input into the ERM programme.

RISK MANAGEMENT

Identification of climate-related risks combines 2 principal strands. Recognising the need for more in-house subject-matter expertise, the first half of 2023 has seen the recruitment of an Health, Safety, Quality & Environment Director, Group Environment Manager and Social Value Manager. Building on our ISO14001:2015 certification we consider how the aspects and impacts of our operation may evolve as climate change effects build. This specialist subject expertise is blended with our deep knowledge of our markets embedded within our continuous research, contacts with industry and government figures and our interactions with customers, suppliers and partners.

We have adopted a specific risk matrix for climate change. Severity scales consider the perspectives of our people, environment, asset, reputation and legal and regulatory obligations and demands. The risk frequency spectrum considers not only our own organization but companies and sectors that could be considered a close proxy to provide early warning and a better source for trend analysis. The combined risk derived from the severity and frequency factors allow us to consider, and most importantly update, a view on how climate change will likely impact our business.

As risks escalate or timelines require decisions, the board and senior leadership team can use the assessments through the usual nearer-term governance structures to support and challenge investment decisions and changes to business strategy and operation.

STRATEGY

This is the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

The key short term risks associated with climate change for Harland & Wolff is assessed as;

- **Costs for transition to lower emissions technology**
- **Uncertainty in markets**
- **Raw materials costs**

Balancing these with near and medium term opportunities for our services and markets to grow;

- **Renewable energy construction and servicing growth**
- **Modification of existing fleets and capabilities to reduce emissions**

Climate change risks are assessed as neutral to net positive for our current business and approach. Climate change risks are considered against more traditional risk criteria in feeding our business decisions.

METRICS AND TARGETS

There are our metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Scope 1 GHG Emissions

	2022 Emissions ($T\ CO_2e$)	Specific exclusions, percentage this represents for the relevant scope & explanation	Percentage of data which is estimated	Base year comparison (to be included in future annual reports)
Fuel use	236.07	None	0%	
Process emissions	158.33	None	0%	
Fugitive emissions		None	0%	
Scope 1 Total		**None**	**0%**	

Scope 2 GHG Emissions

Significant opportunity exists to reduce scope 2 emissions as our energy – principally electrical power – procurement practice matures.

	2022 Emissions ($T\ CO_2e$)	Specific exclusions, percentage this represents for the relevant scope & explanation	Percentage of data which is estimated	Base year comparison (to be included in future annual reports)
Belfast	932.88	None	0%	
Appledore	253.94	None	0%	
Methil	49.89	None	0%	
Arnish	164.24	None	0%	
Scope 2 Total		**None**	**0%**	

Scope 3 GHG Emissions

As the business grows close stewardship of our waste management will be essential to guard against risks not only to the environment but also the cost implications as regulation rightly tightens over time. Each of our sites have supported significantly bigger workforces in the recent past but are closely monitoring the risks of employee commuting as a contributor to emissions as pressure increases to attract the talented staff we need to continue growing.

	2022 Emissions ($T\ CO_2e$)	Specific exclusions, percentage this represents for the relevant scope & explanation	Percentage of data which is estimated	Base year comparison (to be included in future annual reports)
Business travel	34.23	None	0%	
Employee commuting	1503.48	None	80%	
Waste generated in operations	74.38	None	0%	
Upstream transportation & distribution	420.14	None	80%	
Downstream transportation & distribution	64.57	None	0%	
Water use	23.3	None	10%	
Transmission & distribution	112.6	None	0%	
Scope 3 Total	**2232.7**	**None**	**69%**	

The principal metrics used to assess climate related risks and opportunities are the risk assessment derived values and the overall TCO_2e per £M revenue.

Current sustainability and emission-reduction initiatives include our energy sourcing, energy saving audits and opportunity identification, building awareness of our sustainability goals with our team to secure their engagement, engagement with our supply chain partners particularly with regard to minimising packaging as well as CAPEX plans for more efficient equipment installation.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

At the financial year end, the Board comprised two executive directors and three non-executive directors (of whom one is also non-executive chairman) 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

KATYA ZOTOVA
Non-Executive Director

I A R

Appointed: September 2022

Katya has 25 years' experience in strategy and business development, investment banking and private equity. Between 2014 and 2020, she was Non-Executive Director for Vedanta Resources plc, a globally diversified natural resources company with revenues of more than $10 billion. She currently acts as an adviser at Antler, a global early-stage venture capital fund and a Board Director for LithiumBank Resources Corp., a Lithium exploration company in Canada.

Earlier in her career, Katya was Managing Director at Mizuho International PLC, a major financial services firm and previously held positions as Senior Advisor to McKinsey & Co., Principal at LetterOne Energy LLP/Pamplona Capital LLP, Head of International Acquisitions and Divestments at Citigroup plc and various Strategy and M&A roles at Shell PLC.

Katya holds an MBA from Rotterdam School of Management and completed an Executive program in Disruptive Innovation from Harvard Business School.

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, John worked as a consultant for the company, and was closely involved in negotiating and agreeing FEED contracts for the Islandmagee gas storage facility. During that time, John managed all FEED related activities on behalf of the company.

He is a well-known and a highly respected industry professional and extensive experience of working within maritime and offshore engineering.

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

BOARD OF DIRECTORS

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 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: 8	Audit Committee Scheduled: 2	Remuneration, Nomination and Corporate Governance Committee Scheduled: 1
Executive Directors			
John Wood	8 of 8	2 of 2	NA
Arun Raman	8 of 8	2 of 2	NA
Non-Executive Directors			
Malcolm Groat	8 of 8	2 of 2	1 of 1
Sir Jonathan Band	8 of 8	2 of 2	1 of 1
Katya Zotova (appointed 01/09/22)	2 of 8	2 of 2	1 of 1

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.

CORPORATE GOVERNANCE STATEMENT

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.

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 three non-executive directors. The board considers the non-executive directors to be independent. 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 (iii) monitoring and upholding corporate governance standards.

CORPORATE GOVERNANCE STATEMENT

QCA Code Principle	Application	What we do and why
		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.

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.

CORPORATE GOVERNANCE STATEMENT

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 year ended 31 December 2022.

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 173,047,211 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; post year end movements are detailed in note 30.

RESULTS AND DIVIDENDS

The Group recognised cash revenue from continuing operations of £27,969,837 (2021: £18,518,239). Management, administrative and other operating expenses totalled £64,262,739 (2021: £28,091,756). The Group incurred an operating loss of £58,063,468 (2021: loss of £22,371,495). The loss for 2022 including finance costs when added to the cumulative losses of £65,373,396 brought forward and movements between reserves leaves a retained loss of £135,730,729 to be carried forward. The directors do not recommend the payment of a dividend (2021: £Nil).

DIRECTORS

The following were directors of the company during the period ended 31 December 2022 and at the date of this report:

- Malcolm Groat (appointed Interim Chairman on 27th September 2021, Chairman on 18 March 2022)
- Sir Jonathan Band (appointed on 1 September 2021)
- Katya Zotova (appointed 1 September 2022)
- John Wood
- Arun Raman

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 below.

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	970,993	0.56
Arun Raman	249,887	0.15

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.

DIRECTORS' REPORT

The company has also received notification of the following interests in 3% or more of the company's issued share capital as at 20 February 2023. The holdings and percentages presented are at the date of notification.

Shareholder	Ordinary Shares as % of Issued Share Capital
Hargreaves Lansdown Asset Management	10.60
Interactive Investor (Glasgow)	10.23
Killik Asset Management (London)	6.92%
Walker Crips Stockbrokers (London)	5.06%
Halifax Share Dealing (Halifax)	4.74
Allianz Global Investors (London)	4.56
AJ Bell Securities (Tunbridge Wells)	3.42
Sankofa Strategic Equity Fund Ltd (UK)	3.32
IG Markets (London)	3.08

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 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

Katya Zotova is currently the Chair of the Audit Committee with Malcolm Groat and Sir Jonathon Band as the non-executive director members. There were two meeting of the Audit Committee during the financial year which were 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 Katya Zotova and Sir Jonathon Band as its non-executive director members. The committee met once in the year to 31 December 2022. 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' 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

Fleet Solid Support Programme – Contract Win

On 1 February 2023, the Company announced that it has formally executed the Subcontract with Navantia UK Limited (the "**Subcontract**").

Under the terms of the Subcontract, the Company will be responsible for delivering works which are expected to generate revenues of between £700 million and £800 million to the Company by the time the final vessel is delivered. This is a significant win for Harland & Wolff and will propel the Company to the next stage of its development.

The Subcontract is for a duration of seven years commencing in 2023 and ending in 2031. As part of this Programme, the Company will be responsible for the fabrication of various blocks including some mega blocks (i.e., a block incorporating several standard sized blocks) as well as the procurement of a number of items of equipment to be installed on each vessel in Belfast. Given Appledore's experience in the fabrication of the bow sections for the Queen Elizabeth Class aircraft carriers - HMS Queen Elizabeth and the Prince of Wales, all three bow sections for this Programme will be fabricated in Appledore prior to being transported to Belfast. The three vessels will have all the blocks assembled, consolidated, fully integrated and commissioned before proceeding to sea trials from the Belfast facility, marking a return to shipbuilding in Belfast after over twenty years.

Full scale fabrication is due to commence in 2025 with the vessels due to be delivered to meet the MOD's objective to bring three ships into service by 2032. However, the Company expects to generate approximately £25 million in revenues from pre-fabrication works in 2023, and a similar sum in 2024. The Programme's gross margins are expected to maintain the Group's previously advised overall blended gross margins.

The Belfast and Appledore facilities will benefit from a £77 million capital investment programme ("**Recapitalisation Plan**") during the next 24 months., In Belfast, an extension to the fabrication halls will be undertaken to facilitate a highly dynamic material and sub-structure production flow along with a highly efficient manufacturing and production process. Investments will be made in technologically advanced robotic and autonomous equipment that includes material movement, marking, plate cutting, panel lines and robotic welding. In addition, new larger paint buildings will be constructed to facilitate larger and more efficient block painting. The investments in this site will ensure that the Company has one of the most technologically advanced marine fabrication facilities in the United Kingdom with the latest state-of-the-art machinery and production flows. Appledore will benefit from upgrades to the shipyard roof along with investments in additional automated machinery that includes the relocation of the existing micro panel line from Belfast.

DIRECTORS' RESPONSIBILITIES

This Subcontract will be a significant and historic step change to Harland and Wolff's capabilities and will make the Company an important participant in the international shipbuilding industry. Specifically, with modern shipyards and a proven track record post FSS, the Company will be able to capitalise on further multi-billion-pound fabrication and heavy engineering opportunities within the defence, renewables and commercial maritime markets globally. Following the planned investments and upgrades to its sites, the Company hopes to capitalise on the significant number of floating wind projects for which fabrication is expected to commence between 2024 and 2030, which would diversify and complement the Company's revenues from FSS. Work has been ongoing in relation to the Recapitalisation Plan with Mott McDonald acting as consultant and owner's engineer, whilst Royal Haskoning, a specialist shipyard designer, has been engaged to define the production flow as well as plant & machinery requirements. The Company's partnership with Navantia will further lead to invaluable transfer of technology over the next seven years. Pre-planning applications have already been submitted and demolition works are expected to start shortly in Belfast, with the new facility coming to life over the next two years.

The UK government has implemented the National Ship Building Strategy to, inter alia, improve productivity rates in UK shipbuilding & fabrication, reduce waste and to drive the transition to Net Zero. In line with this strategy, the Company has been working with numerous parties to maximise investments in the shipyard to achieve these goals alongside delivering projects on time and on budget. The Company will be receiving a significant proportion of the investment required for the Recapitalisation Plan from the project directly. The Company will also look to capitalise on production savings with new plant and equipment. It is envisaged that £32m will be financed through additional long term leasehold improvements, medium term asset finance and the Company's proposed new enlarged debt facility with Astra, which is expected to be completed by the end of Q1 2023. Further, there may be opportunities to access other external funding such as new technology grants and carbon reduction grants that the Company will be working through over the next twelve months in order to maximise funding and optimise the Group's capital stack.

In collaboration with its partners in Team Resolute, Navantia and BMT, the Company will continue to engage as a team in future phases of this Programme as well as on other opportunities in the UK and globally. Further announcements will be made in due course should any of these opportunities materialise.

The Company will be measured on its social value contribution through the life of the Programme. This will include, inter alia, deepening and strengthening of the UK supply chain, taking on graduates and apprentices as the next generation of ship-builders and crucial technology transfer between Navantia and the Company. At the peak of the Programme, the Company will be providing employment to over 1,200 personnel (900 in Belfast and 300 in Appledore) and over 100 graduates and apprentices in Belfast and Appledore generating substantial social value across the UK. This Programme not only provides the Company with a significant baseload revenue line for the next seven years, but also enables the Company to leave a positive and lasting legacy in communities across the UK.

On behalf of the Board.

Malcolm Groat
Chairman

30 June 2023


JACKSON

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 year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and 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 2022 and of the group's loss for the year 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.

Material uncertainty related to going concern
We draw attention to Note 2 in the financial statements, which indicates that the group is reliant on the recurring nature of the cruise and ferry business, new contractual wins and additional funding to successfully execute the new and existing contracts and to meet its working capital requirements as they fall due. The company is in discussion with potential funders (both debt and equity) to raise the required funds. Whilst there is no indication at the date of signing of these financial statements that this financing will not be forthcoming, there can be no certainty that it will be successful. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 ability to continue to adopt the going concern basis of accounting included:

- consideration of the group's objectives, policies and processes in managing its working capital as well as exposure to financial, credit and liquidity risks;
- checking the mathematical accuracy of the forecast used to model future financial performance;
- reviewing management's future financial performance and discussions with management regarding the future plans and availability of funding;
- obtaining corroborative supporting for the key assumptions and estimates used in the cashflow forecast and challenging the reasonableness of the key assumptions included thereto; and
- reviewing the adequacy and completeness of disclosures in the financial statements.

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

Our application of materiality
For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as a magnitude of misstatement, including omission, that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We have also considered those misstatements including omissions that would be material by nature and would impact the economic decisions of a reasonably knowledgeable person based our understanding of the business, industry and complexity involved.

We apply the concept of materiality both in planning and throughout the course of audit, and in evaluating the effect of misstatements. Materiality is used to determine the financial statements areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

In determining materiality and performance materiality, we considered the following factors:

- our cumulative knowledge of the group and its environment, including industry specific trends;
- the change in the level of judgement required in respect of the key accounting estimates;
- significant transactions during the year;
- the stability in key management personnel; and
- the level of misstatements identified in prior periods

Materiality for the group financial statements was set at £383,000 (2021: for Statement of Financial Position ('SOFP') audit at £440,000 and for Income Statement ('IS') audit at £140,000). This was calculated based on 1.5% of year-end revenue from the draft financial information received during planning (2021: SOFP based on 2% of net assets and IS based on 2% of revenue). Using our professional judgement, we had determined this to be the principal benchmark within the group financial statements as it was most relevant to stakeholders in assessing the financial performance of the group, given the significant increase in revenue and the key focus of the group to optimise its infrastructure through new revenue contract wins.

Performance materiality for the group financial statements was set at £268,000 (2021: for SOFP audit at £308,000 and for IS audit at £100,000) being 70% of headline materiality for the group financial statements as a whole.

Materiality for the parent company financial statements was set at £335,000 (2021: £430,000). This was calculated based on 1% of net assets at the year-end (2021: 2% of net assets). Using our professional judgement, we had determined this to be the principal benchmark within the parent company financial statements as it was most relevant to stakeholders in assessing the financial performance of the parent company, given the significant increase in receivables from subsidiaries and borrowing. The future recoverability of the amounts due from subsidiaries for the timely payment of borrowing will be a key determinant in the future success of the wider group which the parent company heads up.

Performance materiality for the parent company financial statements was set at £234,500 (2021: £301,000) being 70% of headline materiality for the parent company financial statements as a whole.

The materiality and performance materiality thresholds for the significant components of the group were calculated considering the same factors as for group and parent company materiality.

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 £46,000 and £335,000 (2021: £50,000 and £410,000). Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed to report to those charged with governance all corrected and uncorrected misstatements we identified through our audit with a value in excess of £19,000 (2021: £22,000) and for the parent company a value in excess of £16,750 (2021: £20,500). We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

We applied the concept of materiality in planning and performing our audit and in evaluating the effect of misstatement. No significant changes have come to light during the audit which required a revision to our materiality for the financial statements as a whole.

Our approach to the audit

Our audit was risk based and was designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size. The scope of our audit was based on the significance of component's operations and materiality. Each component was assessed as to whether they were significant or not to the group by either their size or risk.

The group includes the listed parent company and 11 subsidiaries, all of which are based in the United Kingdom. Out of the 12 components, 9 are active and 3 are dormant. Out of 9 active components, 6 are trading and 3 are holding companies.

Out of the 9 active components, 6 components were identified as significant component due to its size and identified risks. We performed full scope audit on all the significant components. The work on the significant components of the group has been performed by us as group auditor.

On the 3 non-significant components to the group financial statements, group analytical procedures were performed. There are no component auditors.

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements, considering the structure of the group.

We considered those areas which were deemed to involve significant judgement by the directors, such as the key audit matters relating to the revenue recognition on long term contracts, carrying value of intangible assets, carrying value of investments and recoverability of intercompany balances in the parent company financial statements. Other areas where judgement and estimates were involved were

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

carrying value of assets in operations, capitalisation of cost, recoverability of trade receivables, determination of the useful life of assets, valuation of share options and warrants and the consideration of future events that are inherently uncertain.

We also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The group's and parent company's accounting function is based in United Kingdom and the audit was performed by our team in London with regular contact maintained with the group and parent company throughout.

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 year 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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter (KAM)	How our scope addressed this matter
Revenue recognition of long-term contracts (including Saipem contract) (Group) (Note 3) **(Accuracy and Cut-off)**	
The group generates revenue from multiple streams including shipbuilding, engineering (e.g. fabrication of wind turbines) and ship repairs and maintenance. 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) this can be complex with significant management judgement and estimation required. The Saipem Contract is a significant contract within the Group and this was cancelled on 30 December 2022. As a result, there is a risk that revenue has not been accurately recognised in the correct accounting year. Revenue Recognition is considered to be a KAM due to: 1) Deemed fraud risk over revenue recognition; 2) The highly material nature of revenue; 3) The level of subjectivity and complexity involving estimates and judgements used for revenue recognition on long term contracts; and 4) The risk of onerous contracts arising due to the nature of long-term contracts and the cancellation of the Saipem contract during the year.	Our work in this area included but not limited to: • Updating our understanding of the information systems and related controls relevant to each material income stream; • Performing a walkthrough for the different revenue streams to understand the point of recognition of the revenue and ensured that the revenue was recognised in accordance with the agreed contract and IFRS 15- *Revenue from contracts with customers*; • Obtaining and reviewing signed contracts to agree performance obligations and terms; • For long term contracts that were in-progress as at the year-end, reviewing the revenue recognised by obtaining the revenue computations and corroborating them to acceptance/ certificates from customers where applicable to ensure that the performance milestones required to recognise revenue had been met; • Understanding and reviewing estimates made in regards to revenue recognition and challenging management thereon; • Reviewing contract margins to ensure profitability and whether or not any onerous contracts existed; and • Reviewing RNS announcements and other available information to identify any contracts during the year not recognised. Specific Saipem procedures included: • Reviewing revenue recognised under the contract and ensuring recoverability of accounts receivable; and • Reviewing the settlement agreement to ensure proper accounting and disclosure in the financial statements. Overall reviewed disclosure and presentation the financial statements to ensure compliance with IFRS 15.

Key Audit Matter (KAM)	How our scope addressed this matter
Carrying value of intangible assets – Islandmagee (Group) (Note 13) **(Valuation and presentation)** 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 but not limited to: • Obtaining and reviewing management assessment in respect of the reasonableness of the carrying value assessment; • Considering and challenging managements assumptions in the assessment; • Ensuring all costs capitalised in the year met the capitalisation criteria; • Obtaining the marine license issued by DAERA to ensure that the Group has the rights to the asset; • Reviewing documentation for the legal case surrounding the marine license and speaking with the legal team regarding status; • Considering management's plans and any linked announcements for the project to assess classification; and • Reviewing Board minutes and RNS announcements.
Carrying value of Investments and recoverability of intercompany receivables (Parent Company) (Note 16 and 18) **(Valuation)** The carrying value of investments and recoverability of intercompany receivables are risks since this involves significant values and managements judgement and estimation uncertainty surrounding the profitability of the entities and the ability to repay the loans. There is an additional risk of impairment due to cancellation of contracts and legal challenges as discussed above.	Our work in this area included but not limited to: • Obtaining and reviewing management assessment in respect of the reasonableness of the carrying value assessment; • Considering and challenging managements assumptions in the assessment; • Obtaining supporting documentation to corroborate management's assessment; • In regard to the valuation of Islandmagee, reviewed this along with managements intangible asset valuation; and • Reviewing management assessment of expected credit losses under IFRS 9 in respect of the intercompany loan balances outstanding at the year end.

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.

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

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 year 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' responsibility statement within director's report, 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 the parent company and the sector in which it operates 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, industry research and experience of the sector or similar sectors. We also selected a specific audit team with experience of auditing entities facing similar audit and business risks.

- We determined the principal laws and regulations relevant to the group in this regard to be those arising from:
  - AIM Rules for Companies;
  - QCA Corporate Governance Code;
  - UK-adopted international accounting standards;
  - UK Companies Act 2006;
  - UK Employment Laws and Health and Safety Regulations;
  - UK Tax Laws;
  - General Data Protection Regulations;
  - Anti-Bribery Act;
  - Anti-Money Laundering Regulations; and
  - Environmental regulations.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group with those laws and regulations. These procedures included, but were not limited to:
  - enquiries of management;
  - enquiries of the in-house legal counsel;
  - reviewing of board minutes RNS announcements; and
  - reviewing the nature of legal and professional fees incurred in the year.

- 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 and revenue recognition, inappropriate application of the going concern assumption in the preparation of financial statements and management bias in determining key accounting estimates and in relation to the revenue recognition on long term contracts, carrying value of intangible assets, carrying value of investments and recoverability of intercompany balances in the parent company financial statements. We addressed this by challenging the estimates/judgements made by management when auditing these significant accounting estimates/judgements (refer to the key audit matter and going concern section).

- 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 testing of journals, reviewing key accounting judgement and estimates for evidence of bias (refer to the key audit matter section and going concern section) 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. 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.

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 our engagement letter dated 22 September 2022. 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

30 June 2023

15 Westferry Circus
Canary Wharf
London
E14 4HD

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Continuing operations			
Revenue	3	27,969,837	18,518,239
Cost of sales		(22,214,534)	(13,293,198)
Gross profit		5,755,303	5,225,041
Other operating expenses	4	(10,847,232)	(3,372,861)
		(5,091,929)	1,852,180
Management and administrative expenses	4	(53,415,507)	(24,718,895)
Other operating income	5	443,968	495,220
Operating loss		(58,063,468)	(22,371,495)
Net finance costs	6	(12,293,865)	(3,136,775)
Loss before tax		(70,357,333)	(25,508,270)
Taxation	11	–	–
Loss for the year		(70,357,333)	(25,508,270)
Total comprehensive loss for the year		(70,357,333)	(25,508,270)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(70,357,333)	(25,508,270)
Earnings Per Share			
Basic and diluted	12	(42.73)p	(26.59)p

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Registration number: 06409712)

	Note	31 December 2022 £	31 December 2021 £
Non-current assets			
Intangible assets	13	**12,481,331**	11,923,019
Property, plant and equipment	14	**24,370,329**	24,734,782
Right of use assets	15	**18,245,627**	12,955,693
Total non-current assets		**55,097,287**	49,613,494
Current assets			
Inventories	17	**1,734,564**	1,176,641
Trade and other receivables	18	**7,846,913**	6,825,944
Cash and cash equivalents	19	**1,979,825**	5,278,002
Total current assets		**11,561,302**	13,280,587
Current liabilities			
Trade and other payables	20	**(30,454,452)**	(22,288,777)
Loans and borrowings	21	**(64,915,031)**	(3,167,287)
Total current liabilities		**(95,369,483)**	(25,456,064)
Net current liabilities		**(83,808,181)**	(12,175,477)
Non-current liabilities			
Loans and borrowings	21	**(19,458,325)**	(16,006,460)
Financial liability	21	**(200,000)**	(200,000)
Total non-current liabilities		**(19,658,325)**	(16,206,460)
Net (liabilities)/assets		**(48,369,219)**	21,231,557
Shareholders' funds			
Share capital	22	**12,546,328**	12,444,734
Share premium		**59,360,117**	58,736,711
Merger reserve		**8,988,112**	8,988,112
Share based payment reserve		**392,058**	360,501
Revaluation reserve		**6,074,895**	6,074,895
Retained earnings		**(135,730,729)**	(65,373,396)
Total equity		**(48,369,219)**	21,231,557

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 30 June 2023 and signed on its behalf by:

Mr J M Wood
Director

The notes form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Registration number: 06409712)

	Note	31 December 2022 £	31 December 2021 £
Non-current assets			
Intangible assets	13	**184,177**	184,177
Property, plant and equipment	14	**62,213**	46,763
Right of use assets	15	**1,385,153**	1,904,585
Investments in subsidiaries	16	**100**	–
Total non-current assets		**1,631,643**	2,135,525
Current assets			
Trade and other receivables	18	**92,605,100**	45,903,326
Cash and cash equivalents	19	**1,897,599**	233,277
Total current assets		**94,502,699**	46,136,603
Current liabilities			
Trade and other payables	20	**(2,245,667)**	(1,385,945)
Loans and borrowings	21	**(62,616,189)**	(680,000)
Total current liabilities		**(64,861,856)**	(2,065,945)
Total current assets		**29,640,843**	44,070,658
Non-current liabilities			
Loans and borrowings	21	**(1,206,445)**	(1,716,824)
Financial liability	21	**(200,000)**	(200,000)
Total non-current liabilities		**(1,406,445)**	(1,916,824)
Net assets		**29,866,041**	44,289,359
Shareholders' funds			
Share capital	22	**12,546,328**	12,444,734
Share premium		**59,360,117**	58,736,711
Merger reserve		**8,466,827**	8,466,827
Share based payment reserve		**392,058**	360,501
Retained earnings		**(50,899,289)**	(35,719,414)
Total equity		**29,866,041**	44,289,359

The loss for the year dealt with in the financial statements of Harland & Wolff Group Holdings Plc was £15,179,875 (17 months to 31 December 2021: £4,385,684). 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 30 June 2023 and signed on its behalf by:

Mr J M Wood
Director

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Share premium £	Revaluation reserve £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
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	24,813,359	–	–	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
At 1 January 2022	12,444,734	58,736,711	6,074,895	8,988,112	360,501	(65,373,396)	21,231,557
Loss for the year	–	–	–	–	–	(70,357,333)	(70,357,333)
Total comprehensive expense	–	–	–	–	–	(70,357,333)	(70,357,333)
Shares issued	101,594	623,406	–	–	–	–	725,000
Share option expense	–	–	–	–	31,557	–	31,557
Total transactions with owners recorded directly in equity	101,594	623,406	–	–	31,557	–	756,557
At 31 December 2022	**12,546,328**	**59,360,117**	**6,074,895**	**8,988,112**	**392,058**	**(135,730,729)**	**(48,369,219)**

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.

The notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Company	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
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)
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	25,213,539	–	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
At 1 January 2022	12,444,734	58,736,711	8,466,827	360,501	(35,719,414)	44,289,359
Loss for the year	–	–	–	–	(15,179,875)	(15,179,875)
Total comprehensive expense	–	–	–	–	(15,179,875)	(15,179,875)
Shares issued	101,594	623,406	–	–	–	725,000
Share option expense	–	–	–	31,557	–	31,557
Total transactions with owners recorded directly in equity	101,594	623,406	–	31,557	–	756,557
At 31 December 2022	**12,546,328**	**59,360,117**	**8,466,827**	**392,058**	**(50,899,289)**	**29,866,041**

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Cash flows from operating activities			
Loss for the year		**(70,357,333)**	(25,508,270)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	4	**3,460,651**	3,372,861
Foreign exchange loss		**938,942**	3,702
Finance income	6	**(943)**	(278)
Finance costs	6	**12,294,808**	3,137,053
Share option expense		**31,557**	234,828
		(53,632,318)	(18,760,104)
Working capital adjustments:			
Increase in inventories	17	**(557,923)**	(845,176)
Increase in trade and other receivables	18	**(1,020,969)**	(4,815,927)
Decrease in deferred income		**–**	678,278
Increase in trade and other payables	20	**8,321,763**	9,249,933
Net cash outflows from operating activities		**(46,889,447)**	(14,492,996)
Cash flows from investing activities			
Interest received	6	**943**	278
Acquisitions of property, plant and equipment	14	**(1,825,781)**	(15,652,972)
Acquisition of intangible assets	13	**(586,909)**	(719,017)
Net cash outflows from investing activities		**(2,411,747)**	(16,371,711)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		**725,000**	25,800,816
Proceeds from borrowings, net of debt issuance costs		**54,336,234**	6,235,973
Repayment of borrowings and lease liabilities		**(5,317,690)**	(1,615,143)
Interest paid	6	**(3,740,527)**	(1,002,173)
Net cash inflows from financing activities		**46,003,017**	29,419,473
Net decrease in cash and cash equivalents		**(3,298,177)**	(1,445,234)
Cash and cash equivalents at the beginning of the period		**5,278,002**	6,723,236
Cash and cash equivalents at the end of the period		**1,979,825**	5,278,002

The notes form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Cash flows from operating activities			
Loss for the year		**(15,179,875)**	(4,385,684)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	4	**536,836**	752,241
Foreign exchange loss		**693,999**	392
Finance income	6	**–**	(51)
Finance costs	6	**9,742,161**	440,051
Share option expense		**31,556**	234,828
		(4,175,323)	(2,958,223)
Working capital adjustments:			
Increase in trade and other receivables	18	**(46,417,859)**	(28,815,716)
Increase in trade and other payables	20	**859,725**	61,762
Net cash outflows from operating activities		**(49,733,457)**	(31,712,177)
Cash flows from investing activities			
Interest received	6	**–**	51
Acquisitions of property plant and equipment	14	**(38,354)**	(35,404)
Acquisition of intangible assets	13	**–**	(162,445)
Net cash outflows from investing activities		**(38,354)**	(197,798)
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		**725,000**	26,300,816
Proceeds from borrowings, net of debt issuance costs		**54,336,234**	–
Repayment of borrowings and lease liabilities		**(680,000)**	(778,000)
Interest paid	6	**(2,945,101)**	(65,621)
Net cash inflows from financing activities		**51,436,133**	25,457,195
Net increase/(decrease) in cash and cash equivalents		**1,664,322**	(6,452,780)
Cash and cash equivalents at the beginning of the period		**233,277**	6,686,057
Cash and cash equivalents at the end of the period		**1,897,599**	233,277

The notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 year 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.

As at 31 December 2022, the Group was organised into 6 segments: Cruise & Ferry, Commercial, Energy, Defence, Renewables and other being Head Office related. The segmental analysis for the year ended 31 December 2022 is shown in note 3.

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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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, Methil and Arnish throughout the year in addition to the multi-year M55 Regeneration Programme worth £55 million and the fabrication of 23 barges for the Cory group worth £18 million. Post the balance sheet date, the Group has announced that it has secured the Fleet Solid Support Programme under a Subcontract with Navantia UK Limited (Navantia). This Subcontract will yield circa £750 million (inflation adjusted) over a seven year period that provides a baseload of revenues over the next few years. 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 2022. 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.

The Company is in advanced discussions with potential funders (both debt and equity) to raise additional funds. Whilst there is no indication at the date of signing of these financial statements that this financing will not be forthcoming, there can be no certainty that it will be successful. Should the Company not be successful in raising these additional funds and continues to retain its current cost base, a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

The auditors have included material uncertainty in relation to going concern in the audit opinion

Revenue

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.

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. 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:

- Assets and liabilities are translated using exchange rates prevailing at the balance sheet date.
- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 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 to 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.

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	Not depreciated
Trademarks	Not depreciated
Software	Over 5 Years Straight line basis
Gas storage facility	None until facility available for use
Developments 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 goods 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 when the group has a right to consideration that is unconditional (subject only to the passage of time before the payment is due). Trade receivables do not carry interest and are stated at initial cost reduced by appropriate allowances for expected credit losses.

The group applies the simplified approach to measurement of expected credit losses in respect of trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables, estimated by reference to past experience and forward-looking factors.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- 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.

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 13

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 ACCOUNTING POLICIES CONTINUED

Estimates

Carrying value of gas storage project asset - Note 13

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% (2021: 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 (2021: 40 years). It is assumed that 100% (2021: 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.

The Islandmagee gas storage project has been effectively future proofed with a pre-FEED study conducted for the storage of hydrogen. This pre-FEED study has concluded that the project has the technical capability to store large volumes in the seven caverns once Northern Ireland and the UK transition from natural gas to hydrogen. The salt caverns will be created using the existing drilling and leaching methodologies and will retain their integrity when hydrogen is injected into and withdrawn from them. The only changes to the project would be in relation to the above ground installations where hydrogen compliant compressors, dehydrators and pipelines would need to be installed.

Valuation of assets, including receivables from relates parties – Note 14

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 2022. From a post balance sheet perspective, the Company has announced that it has formally executed the Subcontract with Navantia UK Limited (the "Subcontract").Under the terms of the Subcontract, the Company will be responsible for delivering works which are expected to generate revenues of between £700 million and £800 million to the Company by the time the final vessel is delivered. This is a significant win for Harland & Wolff and will propel the Company to the next stage of its development. Current gross margins are running at between 25% and 27% 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 year from continuing operations is as follows:

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Rendering of services	16,247,109	18,384,712
Sale of goods	11,722,728	133,527
	27,969,837	18,518,239

All revenue above is recognised over time and is wholly generated in the UK.

Two customers individually account for over 10% of the group's revenue during the year.

3 REVENUE CONTINUED

(b) Segmental revenue
As at 31 December 2022, 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 2022 is as follows:

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Cruise & Ferry	**5,752,137**	9,561,467
Commercial	**5,814,674**	2,522,476
Renewables	**8,085,249**	6,426,796
Energy	**1,081,854**	–
Defence	**7,235,923**	–
Head Office	**–**	7,500
	27,969,837	18,518,239

4 EXPENSES

(a) Other operating Expenses
The analysis of the group's other operating expenses for the year is as follows:

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Costs for discontinued contracts	**6,389,791**	–
Depreciation of owned assets	**2,190,234**	2,307,445
Depreciation of right of use assets	**1,241,821**	1,062,588
Amortisation expense	**28,596**	2,828
Training costs	**719,381**	–
Stock write down adjustments	**157,409**	–
Warranty provisions	**120,000**	–
	10,847,232	3,372,861

During the year £6,389,791 was incurred in Methil in relation to non-capital development costs and increased labour costs to provide the Company with the ability to ramp up as quickly as possible for extensions to existing contracts and in anticipation of new contracts. Those costs whose potential benefits will accrue in future years, have been booked in the current financial year. A further sum of £719,381 was incurred in Belfast as preparatory works and training of a larger workforce for the FSS Programme. A warranty provision of £120,000 has been booked for works completed in Belfast.

(b) Management and administrative expenses
The analysis of the group's management and administrative expenses for the year is as follows:

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Staff Costs	**27,116,209**	12,749,339
Premises and vehicle costs	**5,488,637**	988,602
Maintenance	**9,873,822**	1,729,986
Legal and professional	**4,212,646**	1,114,105
Insurance	**1,591,999**	1,595,268
Other expenses	**5,132,194**	6,541,596
	53,415,507	24,718,896

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5 OTHER OPERATING INCOME

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

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Government grants	185,394	235,410
Other income	258,574	259,810
	443,968	495,220

6 FINANCE INCOME AND COSTS

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Finance income		
Interest income on bank deposits	943	278
Total finance income	943	278
Finance costs		
Interest expense on other financing liabilities	(10,195,452)	(1,001,781)
Other finance costs	(2,099,356)	(2,135,272)
Total finance costs	(12,294,808)	(3,137,053)
Net finance costs	(12,293,865)	(3,136,775)

7 STAFF COSTS

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

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Wages and salaries	28,334,239	9,637,047
Social security costs	3,177,407	1,676,705
Other short-term employee benefits	147,647	66,910
Pension costs, defined contribution scheme	651,557	416,010
Redundancy costs	236,587	–
Share-based payment expenses	31,557	234,828
	32,578,994	12,031,500

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

	12 months to 31 December 2022 No.	17 months to 31 December 2021 No.
Management	30	29
Operations	582	202
Administration and support	26	36
	638	267

7 STAFF COSTS CONTINUED

Company

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

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Wages and salaries	**1,658,291**	2,264,214
Social security costs	**225,374**	281,925
Other short-term employee benefits	**74,465**	701
Pension costs, defined contribution scheme	**95,497**	70,877
Share-based payment expenses	**31,557**	234,828
	2,085,184	2,852,545

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

	12 months to 31 December 2022 No.	17 months to 31 December 2021 No.
Management	**13**	5
Administration and support	**4**	–
	17	5

8 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

Year ended 31 December 2022	Salary & Fees £	Bonus £	Pension £	Total £
Executive Directors				
John Wood	**369,288**	**–**	**30,046**	**399,335**
Arun Raman	**352,791**	**–**	**32,879**	**385,671**
Non-Executive Directors				
Malcolm Groat	**11,000**	**–**	**440**	**11,440**
Judith Tweed	**42,000**	**–**	**1,680**	**43,680**
Jonathon Band	**45,000**	**–**	**–**	**45,000**
Katya Zotova (appointed 1st September 2022)	**15,000**	**–**	**–**	**15,000**
	835,079	**–**	**65,045**	**900,126**

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	15,000	–	–	15,000
	1,119,628	–	38,123	1,157,751

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9 AUDITORS' REMUNERATION

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
For the audit of these financial statements	97,500	81,000
Other fees to auditors		
For the audit of the subsidiaries	65,000	54,000
Total Remuneration	162,500	135,000

10 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 year.

	2022 Number	2022 WAEP £	2021 Number	2021 WAEP £
Outstanding at the beginning of the year	79,458,597	0.0088	79,458,597	0.0088
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Outstanding at the end of the year	79,458,597	0.0088	79,458,597	0.0088
Exercisable at the end of the year	26,486,199	0.0088	26,486,199	0.0088

During the period, no options were granted.

After the reporting period no options lapsed.

Options are exercisable annually or in one tranche at the end of the grant period noted above with estimated dates ranging from January 2020 through to end 2027 at an average price of 0.0088p per share. The options will expire after five years.

The weighted average remaining option life for the share options outstanding at 31 December 2022 is 2 years (2021: 3 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 year is £31,557.

11 INCOME TAX

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2022 - the same as the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	12 months to 31 December 2022 £	17 months to 31 December 2021 £
Loss before tax	**(70,357,333)**	(25,508,270)
Corporation tax at standard rate	**(13,367,893)**	(4,846,571)
(Decrease)/increase from effect of capital allowances depreciation	**(423)**	31,480
Increase from effect of expenses not deductible in determining taxable loss	**1,620,368**	34,422
Increase from effect of unrelieved tax losses carried forward	**–**	5,041,908
Increase from effect of unrelieved tax losses	**11,918,958**	–
Other tax effects for reconciliation between accounting profit and tax income	**(171,010)**	(261,239)
Total tax credit	**–**	–

No tax charge/ credit arises in 2022 or in 2021 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 £62,732,366 (2021: £28,145,431) 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 realise said asset.

12 EARNINGS PER SHARE

	2022 £	2021 £
Loss		
The loss for the purposes of basic and diluted loss per share being the net loss attributable to equity shareholders		
Continuing Operations	**(70,357,333)**	(25,508,270)
Number of shares		
Weighted average number of ordinary shares for the purpose of:		
Basic earnings per share	**164,647,988**	95,905,732
Basic and diluted earnings per share		
Continuing Operations	**(42.73)p**	(26.59)p

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13 INTANGIBLE ASSETS

Group

	Artefacts £	Trademarks £	Computer Software £	Development £	Gas Storage Development £	Project Costs £	Total £
Cost							
At 1 August 2020	647,395	863,192	–	55,000	9,621,766	21,732	11,209,085
Additions	–	150,000	–	–	406,572	162,445	719,017
At 31 December 2021	647,395	1,013,192	–	55,000	10,028,338	184,177	11,928,102
At 1 January 2022	647,395	1,013,192	–	55,000	10,028,338	184,177	11,928,102
Additions	–	–	181,273	–	405,635	–	586,908
At 31 December 2022	**647,395**	**1,013,192**	**181,273**	**55,000**	**10,433,973**	**184,177**	**12,515,010**
Amortisation							
At 1 August 2020	–	–	–	2,255	–	–	2,255
Amortisation charge	–	–	–	2,828	–	–	2,828
At 31 December 2021	–	–	–	5,083	–	–	5,083
At 1 January 2022	–	–	–	5,083	–	–	5,083
Amortisation charge	–	–	25,846	2,750	–	–	28,596
At 31 December 2022	–	–	**25,846**	**7,833**	–	–	**33,679**
Net Book Value							
At 31 December 2022	**647,395**	**1,013,192**	**155,427**	**47,167**	**10,433,973**	**184,177**	**12,481,331**
At 31 December 2021	647,395	1,013,192	–	49,917	10,028,338	184,177	11,923,019

Intangible assets carried at revalued amounts
The fair value of the group'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 group'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 2020	21,732
Additions	162,445
At 31 December 2021	184,177
At 1 January 2022	**184,177**
At 31 December 2022	**184,177**
Carrying amount	
At 31 December 2022	**184,177**
At 31 December 2021	184,177

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings £	Office equipment £	Motor vehicles £	Plant & machinery £	Total £
Cost or valuation					
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
At 1 January 2022	11,951,519	274,975	554,517	15,200,892	27,981,903
Additions	–	537,798	–	1,292,533	1,830,331
Reclassification	(5,500)	5,500	–	–	–
Disposals	–	(4,550)	–	–	(4,550)
At 31 December 2022	**11,946,019**	**813,723**	**554,517**	**16,493,425**	**29,807,684**
Depreciation					
At 1 August 2020	276,050	63,865	55,478	544,283	939,676
Charge for period	605,890	72,559	63,364	1,565,632	2,307,445
At 31 December 2021	881,940	136,424	118,842	2,109,915	3,247,121
At 1 January 2022	**881,940**	**136,424**	**118,842**	**2,109,915**	**3,247,121**
Charge for the year	**428,129**	**147,204**	**56,164**	**1,558,737**	**2,190,234**
At 31 December 2022	**1,310,069**	**283,628**	**175,006**	**3,668,652**	**5,437,355**
Carrying amount					
At 31 December 2022	**10,635,950**	**530,095**	**379,511**	**12,824,773**	**24,370,329**
At 31 December 2021	11,069,579	138,551	435,675	13,090,977	24,734,782

Included within the net book value of plant and machinery is £2,965,352 (2021: £3,267,466) in respect of assets under construction which has been capitalised.

Revaluation
The fair value of the group'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 group'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 group'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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

The fair value of the group'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.

Company

	Land and buildings £	Office equipment £	Total £
Cost or valuation			
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
At 1 January 2022	5,500	61,679	67,179
Additions	–	37,404	37,404
Reclassification	(5,500)	5,500	–
Disposals	–	(4,550)	(4,550)
At 31 December 2022	**–**	**100,033**	**100,033**
Depreciation			
At 1 August 2020	–	4,037	4,037
Charge for period	–	16,379	16,379
At 31 December 2021	–	20,416	20,416
At 1 January 2022	–	20,416	20,416
Charge for the year	–	17,404	17,404
At 31 December 2022	**–**	**37,820**	**37,820**
Carrying amount			
At 31 December 2022	**–**	**62,213**	**62,213**
At 31 December 2021	5,500	41,263	46,763

15 RIGHT OF USE ASSETS

Group

	Property £
Cost or valuation	
At 1 August 2020	14,302,132
Disposals	(235)
At 31 December 2021	14,301,897
At 1 January 2022	14,301,897
Additions	6,531,755
At 31 December 2022	**20,833,652**
Depreciation	
At 1 August 2020	283,616
Charge for period	1,062,588
At 31 December 2021	1,346,204
At 1 January 2022	1,346,204
Charge for the year	1,241,821
At 31 December 2022	**2,588,025**
Carrying amount	
At 31 December 2022	**18,245,627**
At 31 December 2021	12,955,693

15 RIGHT OF USE ASSETS CONTINUED

Company

	Property £
Cost or valuation	
At 1 August 2020	2,770,305
At 31 December 2021	2,770,305
At 1 January 2022	2,770,305
At 31 December 2022	**2,770,305**
Depreciation	
At 1 August 2020	129,858
Charge for period	735,862
At 31 December 2021	865,720
At 1 January 2022	865,720
Charge for the year	519,432
At 31 December 2022	**1,385,152**
Carrying amount	
At 31 December 2022	**1,385,153**
At 31 December 2021	1,904,585

16 INVESTMENTS

Group subsidiaries

Details of the group subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
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%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16 INVESTMENTS CONTINUED

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
Harland and Wolff (Appledore) Limited	Shipbuilding, ship repair and maintenance	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%
Harland and Wolff (Belfast) Limited	Shipbuilding, 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%	100%
Harland and Wolff (Methil) Limited	Fabrication	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%
Harland and Wolff (Arnish) Limited	Fabrication	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%
Harland and Wolff (People & Skills) Limited	Recruitment	Fieldfisher Riverbank House 2 Swan Lane London EC4R 3TT England and Wales	100%	100%

* indicates direct investment of the company

16 INVESTMENTS CONTINUED

Company

	31 December 2022 £
Investments in subsidiaries	100

Subsidiaries	**£**
Cost	
At 1 August 2020	**15,247,011**
Revaluation	(15,247,011)
At 31 December 2021	–
At 1 January 2022	**15,247,011**
Additions	100
Revaluation	(15,247,011)
At 31 December 2022	100

Net book value	
At 31 December 2022	**100**
At 31 December 2021	–

17 INVENTORIES

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Raw materials and consumables	**109,427**	34,279	**–**	–
Work in progress	**1,054,693**	715,850	**–**	–
Other inventories	**570,444**	426,512	**–**	–
	1,734,564	1,176,641	**–**	–

The write-down of inventories recognised in other operating expenses is disclosed in Note 4.

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Current				
Trade receivables	**1,868,096**	2,310,323	**–**	–
Receivables from related parties	**–**	–	**92,107,734**	45,549,667
Accrued income	**3,877,015**	2,084,519	**–**	–
Prepayments	**520,214**	1,327,773	**78,395**	91,997
Other receivables	**1,581,588**	1,103,329	**418,971**	261,662
	7,846,913	6,825,944	**92,605,100**	45,903,326

The group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 26 "Financial risk review".

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Cash at bank	**1,979,825**	5,278,002	**1,897,599**	233,277

Included within cash and cash equivalents for the group at 31 December 2021 is £4 million pledged as a collateral provision in relation to the Saipem contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20 TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Trade payables	**19,538,846**	7,897,251	**808,472**	1,137,817
Social security and other taxes	**2,823,460**	4,779,356	**246,681**	113,829
Outstanding defined contribution pension costs	**107,299**	60,510	**20,065**	28,376
Other payables	**1,475,811**	491,437	**34,377**	21,566
Accruals and deferred income	**6,509,036**	9,060,223	**1,136,072**	84,357
	30,454,452	22,288,777	**2,245,667**	1,385,945

The group's exposure to market and liquidity risks, including maturity analysis, relating to trade and other payables is disclosed in note 26 "Financial risk review".

21 LOANS AND BORROWINGS

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Current loans and borrowings				
Lease liabilities – right of use	**3,028,842**	1,390,287	**730,000**	680,000
Other borrowings	**61,886,189**	1,777,000	**61,886,189**	–
	64,915,031	3,167,287	**62,616,189**	680,000

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Non-current loans and borrowings				
Lease liabilities – right of use	**19,458,325**	13,916,460	**1,206,445**	1,716,824
Other borrowings	**–**	2,090,000	**–**	–
Financial liability	**200,000**	200,000	**200,000**	200,000
	19,658,325	16,206,460	**1,406,445**	1,916,824

Lease payments for the group during the year amounted to £1,595,598.

Group
Other borrowings

Riverstone Credit Partners LLC (RCP)

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 Company upsized the facility on 1 March 2023 to a total of $100 million with the entire facility maturing on 31 December 2024. The Facility 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 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.

The Facility will be securitised against substantially all the assets of the Company, including land, property, plant and machinery and receivables.

21 LOANS AND BORROWINGS CONTINUED

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 was provided by the ultimate parent, Harland & Wolff Group Holdings Plc. As at 31 December 2021 £1,750,000 remained outstanding. This loan was repaid in full on 9 March 2022.

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

The Portnum Capitis Ltd loan was an interest only loan and was repaid in full by February 2022. The loan had a fixed interest rate of 13.2% per annum. This loan was repaid in full and debenture as well as guarantee, discharged on 9 March 2022.

Moyle Investments
In December 2017, The Company's wholly-owned subsidiary, InfraStrata UK Limited increased its ownership in IMEL from 90% to 100% by acquiring the remaining interest from Moyle Energy Investments Limited at par value. In recognition of the support by Moyle of the gas storage project at Islandmagee, InfraStrata plc will pay Moyle £200,000 on first gas storage.

The group's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in note 26 "Financial risk review".

22 SHARE CAPITAL

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	**No.**	£
Ordinary shares 1p of £0.01 each	**173,047,211**	1,730,472	**162,887,840**	1,628,878
Deferred shares 1p of £0.01 each	**895,424,391**	8,954,244	**895,424,391**	8,954,244
Second deferred shares 0.01p of £0.00 each	**18,616,118,301**	1,861,612	**18,616,118,301**	1,861,612
	19,684,589,903	12,546,328	**19,674,430,532**	12,444,734

New shares allotted
During the year 10,159,371 Ordinary shares 0.01p having an aggregate nominal value of £101,594 were allotted for an aggregate consideration of £725,000

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.

Deferred share capital
On 21 January 2015, following approval at the Company's AGM, the existing ordinary shares of 10p each were subdivided into one new Ordinary share of 1p and nine Deferred shares of 1p each. The Deferred shares do not carry any rights to vote or any dividend rights. The Deferred shares will not be admitted to AIM and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of the Ordinary shares has received a payment of £10,000,000 on each such share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23 PENSION AND OTHER SCHEMES

Defined contribution pension scheme
The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £651,557 (17 months to 31 December 2021: £416,009).

Contributions totalling £107,299 (17 months to 31 December 2021: £60,509) were payable to the scheme at the end of the year and are included in creditors.

24 WARRANTS

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

Expiry date	Number of warrants	Strike price £ per share	Value £
08/03/2025	1,754,386	0.1425	250,000
08/03/2025	8,665,380	0.0623	540,590
08/03/2025	8,573,044	0.0565	484,377
Total	18,992,810		1,274,967

25 FINANCIAL INSTRUMENTS

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Trade and other receivables	**7,846,913**	6,825,944	**497,366**	353,659
Due from subsidiary undertakings	**–**	–	**92,107,734**	45,549,667
Cash and Cash Equivalents	**1,979,825**	5,278,002	**1,897,599**	233,277

Financial liabilities at amortised cost

	Group		Company	
	31 December 2022 £	31 December 2021 £	**31 December 2022 £**	31 December 2021 £
Current liabilities				
Trade and other payables	**30,454,452**	22,288,777	**2,245,667**	1,385,945
Lease liabilities – right of use	**3,028,842**	1,390,287	**730,000**	680,000
Other Borrowings	**61,886,189**	1,777,000	**61,886,189**	–
	95,369,483	25,456,064	**64,861,856**	2,065,945
Non-current liabilities				
Lease liabilities – right of use	**19,458,325**	13,916,460	**1,206,445**	1,716,824
Other borrowings	**–**	2,090,000	**–**	–
Moyle investments	**200,000**	200,000	**200,000**	200,000
	19,658,325	16,206,460	**1,406,445**	1,916,824

Accretion interest on the lease liabilities – right of use at 31 December 2022 is £2,203,074 to be recognised within one year and £82,631,916 to be recognised after more than one year. The figures above include a land lease with an expiration term of 47 years.

26 FINANCIAL RISK REVIEW

Foreign exchange risk
The Company's contracts are predominantly GBP denominated and, therefore, there is limited forex risk on the realisation of receivables. As the Company expands its supply chain, especially for the FSS Programme, outside the UK, the Company will be buying equipment and supplies of higher values. These contracts are likely to be in Euros. In order to mitigate against currency fluctuations, the Company tends to fix the foreign exchange rate at the time of contract execution an either creates a hedge with its corporate bank or has the supplier take forex risk on the transaction. The Company's largest forex exposure is towards the corporate loan facility with Riverstone Credit Partners. The forex risk is currently unhedged and payments are made by converting GBP to USD in the spot market. The Company maintains a deposit in an interest reserve account in USD so that interest payments are made directly in USD without the need for any spot conversion.

26 FINANCIAL RISK REVIEW CONTINUED

Liquidity risk

The total carrying value of Group and Company financial liabilities is disclosed in note 25 (Financial instruments) and in note 20 (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 25 and 20 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 2022	31 December 2021	**31 December 2022**	31 December 2021
Trade & other payables (Note 20)				
Within one month	**22,169,062**	2,883,495	**1,109,595**	189,898
More than one month less than one year	**8,285,390**	5,012,371	**1,136,072**	947,102
Financial liability (Note 21)				
Within one month	**504,806**	-	**60,833**	-
More than one month less than one year	**64,410,225**	6,607,287	**62,555,356**	-
More than one year	**19,658,325**	18,316,460	**1,406,445**	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 2022	31 December 2021	**31 December 2022**	31 December 2021
0-2 months	**1,868,096**	1,169,359	**–**	–
2-3 months	**–**	–	**–**	–
Over 3 months	**–**	1,140,964	**–**	–
	1,868,096	2,310,323	**–**	–

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.

27 RELATED PARTY TRANSACTIONS

During the course of the year, the Company utilised the services of Arrow Marine Management Limited ("AMM"), in which John Wood is sole director, for 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 Company was £43,614 (17 months to 31 December 2021: £185,760) and the balance outstanding at 31 December 2022 was £Nil (2021: £Nil).

Details of directors' remuneration is disclosed in Note 8.

28 CONTROL OF THE GROUP

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

29 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements at 31 December 2022 amounted to £500,660 (2021: £Nil). These commitments relate to plant and machinery.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

30 POST BALANCE SHEET EVENTS

Fleet Solid Support Programme – Contract Win
On 1 February 2023, the Company announced that it has formally executed the Subcontract with Navantia UK Limited (the "Subcontract").

Under the terms of the Subcontract, the Company will be responsible for delivering works which are expected to generate revenues of between £700 million and £800 million to the Company by the time the final vessel is delivered. This is a significant win for Harland & Wolff and will propel the Company to the next stage of its development.

The Subcontract is for a duration of seven years commencing in 2023 and ending in 2031. As part of this Programme, the Company will be responsible for the fabrication of various blocks including some mega blocks (i.e., a block incorporating several standard sized blocks) as well as the procurement of a number of items of equipment to be installed on each vessel in Belfast. Given Appledore's experience in the fabrication of the bow sections for the Queen Elizabeth Class aircraft carriers - HMS Queen Elizabeth and the Prince of Wales, all three bow sections for this Programme will be fabricated in Appledore prior to being transported to Belfast. The three vessels will have all the blocks assembled, consolidated, fully integrated and commissioned before proceeding to sea trials from the Belfast facility, marking a return to shipbuilding in Belfast after over twenty years.

Full scale fabrication is due to commence in 2025 with the vessels due to be delivered to meet the MOD's objective to bring three ships into service by 2032. However, the Company expects to generate approximately £25 million in revenues from pre-fabrication works in 2023, and a similar sum in 2024. The Programme's gross margins are expected to maintain the Group's previously advised overall blended gross margins.

30 POST BALANCE SHEET EVENTS CONTINUED

The Belfast and Appledore facilities will benefit from a £77 million capital investment programme ("Recapitalisation Plan") during the next 24 months., In Belfast, an extension to the fabrication halls will be undertaken to facilitate a highly dynamic material and sub-structure production flow along with a highly efficient manufacturing and production process. Investments will be made in technologically advanced robotic and autonomous equipment that includes material movement, marking, plate cutting, panel lines and robotic welding. In addition, new larger paint buildings will be constructed to facilitate larger and more efficient block painting.

The investments in this site will ensure that the Company has one of the most technologically advanced marine fabrication facilities in the United Kingdom with the latest state-of-the-art machinery and production flows. Appledore will benefit from upgrades to the shipyard roof along with investments in additional automated machinery that includes the relocation of the existing micro panel line from Belfast.

This Subcontract will be a significant and historic step change to Harland and Wolff's capabilities and will make the Company an important participant in the international shipbuilding industry. Specifically, with modern shipyards and a proven track record post FSS, the Company will be able to capitalise on further multi-billion-pound fabrication and heavy engineering opportunities within the defence, renewables and commercial maritime markets globally. Following the planned investments and upgrades to its sites, the Company hopes to capitalise on the significant number of floating wind projects for which fabrication is expected to commence between 2024 and 2030, which would diversify and complement the Company's revenues from FSS. Work has been ongoing in relation to the Recapitalisation Plan with Mott McDonald acting as consultant and owner's engineer, whilst Royal Haskoning, a specialist shipyard designer, has been engaged to define the production flow as well as plant & machinery requirements. The Company's partnership with Navantia will further lead to invaluable transfer of technology over the next seven years. Pre-planning applications have already been submitted and demolition works are expected to start shortly in Belfast, with the new facility coming to life over the next two years.

The UK government has implemented the National Ship Building Strategy to, inter alia, improve productivity rates in UK shipbuilding & fabrication, reduce waste and to drive the transition to Net Zero. In line with this strategy, the Company has been working with numerous parties to maximise investments in the shipyard to achieve these goals alongside delivering projects on time and on budget. The Company will be receiving a significant proportion of the investment required for the Recapitalisation Plan from the project directly. The Company will also look to capitalise on production savings with new plant and equipment. It is envisaged that £32m will be financed through additional long term leasehold improvements, medium term asset finance and the Company's proposed new enlarged debt facility with Astra, which is expected to be completed by the end of Q1 2023. Further, there may be opportunities to access other external funding such as new technology grants and carbon reduction grants that the Company will be working through over the next twelve months in order to maximise funding and optimise the Group's capital stack.

In collaboration with its partners in Team Resolute, Navantia and BMT, the Company will continue to engage as a team in future phases of this Programme as well as on other opportunities in the UK and globally. Further announcements will be made in due course should any of these opportunities materialise.

The Company will be measured on its social value contribution through the life of the Programme. This will include, inter alia, deepening and strengthening of the UK supply chain, taking on graduates and apprentices as the next generation of ship-builders and crucial technology transfer between Navantia and the Company. At the peak of the Programme, the Company will be providing employment to over 1,200 personnel (900 in Belfast and 300 in Appledore) and over 100 graduates and apprentices in Belfast and Appledore generating substantial social value across the UK. This Programme not only provides the Company with a significant baseload revenue line for the next seven years, but also enables the Company to leave a positive and lasting legacy in communities across the UK.

COMPANY INFORMATION

DIRECTORS
Malcolm Groat Chairman and Non-Executive Director
John Wood Group Chief Executive Officer
Arun Raman Group Chief Finance Officer
Sir Jonathon Band Non-Executive Director
Katya Zotova Non-Executive Director

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