

# Lamprell reimagined



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With nearly half a century of experience and expertise in complex energy engineering and fabrication projects, we deliver high-quality onshore and offshore solutions to our clients through our three business units — renewables, oil & gas and digital. Based on our commitment to completing our projects safely, efficiently and cost-effectively, we work to generate value for all of our stakeholders.

Lamprell's purpose is to provide competitive project services and solutions to the energy industry for the benefit of all stakeholders.

We deliver this through the implementation of our strategic objectives, underpinned by our culture and core values.

[Read more on >>> 54](#)

## Front cover

Lamprell's theme for our 2020 report is 'Lamprell reimagined' and our cover represents our three transformed business units: renewables, oil & gas and digital. As a business working in the energy industry, we are fully aligned with the transition taking place in this sector and the desire for more sustainable and differentiated solutions. With that in mind we have acted, adjusted our strategy, and Lamprell reimagined was born.



## Online shareholder information

To keep shareholders fully up-to-date, we have comprehensive financial and Company information on our website. Our shareholders can access all the information they require, 24 hours a day. This report will be freely available on our website for at least 10 years and can be downloaded in the 'Investor Centre' section under 'reports and presentations'.

[www.lamprell.com](http://www.lamprell.com)

# Highlights

Revenue (USD m)

## 338.6

2019: 260.4

Net loss (USD m)

## (53.4)

2019: (183.5)

Net cash\*  
(USD m)

## 112.4

2019: 42.5

GHG emissions  
(tonnes CO<sub>2</sub>e gross)

## 26,268

2019: 14,993

EBITDA\* (USD m)

## 3.9

2019: (64.6)

Loss per share, diluted (US cents)

## (15.63)

2019: (53.71)

Safety TRIR\*  
(Rate per 200,000 hours)

## 0.15

2019: 0.19

Training  
('000 hours)

## 218.7

2019: 440.9

- USD 120-150 million capital raise planned for Q3 2021 to strengthen balance sheet and address current liquidity challenges, building on improvement in financial performance in 2020
- Signed two major contracts worth USD 550 million
- World-class safety performance with a TRIR of 0.15
- Effective management of COVID-19 pandemic to keep our workforce safe and deliver our projects
- Key new contracts announced in 1H 2021 under Saudi Aramco's Long Term Agreement programme
- Unrestricted cash of USD 56.8 million at year-end, reducing to USD 18.6 million by May 2021
- Strategic reorganisation into three business units

\* Throughout the Annual Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including total shareholder return, overheads, EBITDA, EBITDA margin and net cash are not defined under IFRS, and are termed 'APMs'. Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help evaluate the ongoing financial performance and position of the Group. We have defined and explained the purpose of each of these measures on => 144 and 145 where we provide more detail, including reconciliations to the closest equivalent measure under IFRS. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APMs may not be comparable with similarly titled measures and disclosures by other companies. However, we consistently apply the definition of these measures year-on-year.

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# Chairman's introduction

## Evolving with the energy transition

"Despite the shockwaves of the pandemic crippling industries across the globe, Lamprell looks back on 2020 as a year of solid strategic progress and improved performance. Our immediate goal is to raise significant capital and strengthen our balance sheet in order to navigate short term liquidity challenges, complete ongoing projects and convert our growing bid pipeline."



**Over the past four years, Lamprell has made remarkable progress in its strategic journey: we successfully broadened our addressable markets geographically and by industry, and now have a strong foothold in both the global renewables sector and the world's most prolific oil & gas region =>> 12.**

We transformed the way we operate to become one of the early movers in serial fabrication for offshore windfarm projects, securing a reputation in an emerging industry as it enters a period of tremendous growth. Using our experience and expertise, we are developing cutting edge digital solutions for our clients. 2020 was a year of reassessment for many. As the world worked through the impacts of COVID-19, we sharpened our focus on near-term cost control, working capital management and on the long-term future of the business. It became clear that our business needed to undergo an operational reorganisation, downsizing our footprint to improve efficiencies and deliver sustainable overhead reductions. These measures translated into an improved financial position by year-end =>> 40 and I would like to thank our employees for their exemplary effort in delivering such positive results despite the tumult across our peer group.

During the year, we listened to our shareholder and client views, and the energy transition is playing out as we expected, meaning that Lamprell is well-positioned to move to the next phase. We reorganised to maximise opportunities across our addressable markets. The decision to create three distinct business units of renewables, oil & gas and digital, aligns our strategy with the evolution of the energy industry. We are a key link in the supply chain, and bring our expertise to the developing offshore wind industry to help clients in the green energy market to meet their ambitious growth targets. We will continue to deliver high-quality assets to the hydrocarbon industry, which will remain a major energy source for several decades. We are also rapidly advancing several digital ventures aimed at improving performance in both these end markets. The way the world produces and consumes energy is transforming, and we look forward to playing an integral part in this. In 2021, the pandemic continues to affect the industry and debt markets. Against this backdrop and with the current liquidity challenges facing the business, a material uncertainty exists in respect of the Company's going concern position. As a result, the Board concluded that the business urgently requires additional capital, through debt and/or equity. This will strengthen the balance sheet as we deliver ongoing major projects for our partners and make further strategic investments to take Lamprell through the next step in its transformation. Until this funding is secured, the Group will need to manage working capital carefully including agreeing extended credit terms with some suppliers.

**John Malcolm**  
Chairman

# Lamprell reimagined

**'Lamprell reimagined' has been the most inclusive strategic business review we have undertaken to date. We invited workstream teams across the organisation to contribute their views and challenge each other on solutions for a better, more efficient Lamprell. We looked at the requirements of our customers, shareholders, investors and lenders, considered the interests of our partners, communities and workforce, and created a platform that will help maximise value for each of our core expertise areas.**

Our renewables, oil & gas and digital business units are intrinsically linked with the energy transition, however, each has a different opportunity set as well as varying bidding processes, and operational and capital requirements. We remain an organisation driven by the same values and purpose, but one that allows each of the businesses to maximise operational efficiency, enhance engagement with clients and tailor capital allocation to specific needs.



## Renewables

The renewables business will focus on foundation fabrication and other services to offshore wind projects. Our bid pipeline and expertise in this segment has grown continuously over the past four years.

[See more =>> 4](#)



## Oil & gas

Oil & gas comprises our activities in EPC(I), rig construction/refurbishment and other services in this industry, including our participation in Saudi Aramco's LTA programme and Lamprell's investment in the IMI joint venture in Saudi Arabia.

[See more =>> 6](#)



## Digital

In our newest business unit, we are developing proprietary digital products through our strategic partnerships with Injazat/G42 and Akselos. Our core focus includes asset integrity, engineering design, smart non-destructive testing, predictive maintenance and robotics.

[See more =>> 8](#)

# Delivering sustainable growth

## Renewables

### Introduction

We have seen a continuing evolution from traditional energy sources towards the renewables sector with an increasing emphasis on its importance in supporting the global energy transition. Lamprell has been one of the pioneer companies working in the renewables arena since its first award in this sector in 2007 with a contract to build two self-propelled windfarm installation vessels.

Building on this, since 2016 we have successfully built over 100 high-quality wind turbine generator substructures, including jackets, pin piles and transition pieces. Our proven track record in this market continues with the award in 2020 of our third renewables project for the construction of 30 jackets and suction caissons for use in a North Sea based offshore windfarm.



*Jackets fabricated by Lamprell en route to the Moray East wind farm in the North Sea.*

## USD 48 million

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

## 108

jackets safely delivered to our clients

## 30

foundation substructures currently under construction in our Hamriyah yard

### Our renewables growth strategy

Lamprell is actively targeting its addressable market in the growing renewables industry with strong bidding activity in its traditional European markets as well as new geographies including the US and Asia, which are gaining traction.

While Lamprell’s historical focus has been around building multi-purpose liftboats and jacket-based foundations, we also seek opportunities to leverage our fabrication capacity to move up the value chain into a wider EPC(I) role, in partnership with design companies and/or transportation and installation providers operating in this field. Due to the commercialisation of floating wind, we expect significant opportunities in the near future.

For the past four years we have seen a steady flow of offshore windfarm fabrication projects through our yards, each adding to our track record and expertise as we embed lessons learned from each project to enhance our capabilities and to improve our build quality and safety in subsequent projects. We are aiming to build on our reputation as a leader in this market where we see rapid global growth in the coming years.

### The future

Our renewables bid pipeline at 31 December 2020 was USD 2.5 billion. It has almost doubled over the last three years and now includes a number of active bids in Europe, Asia and most recently the US.

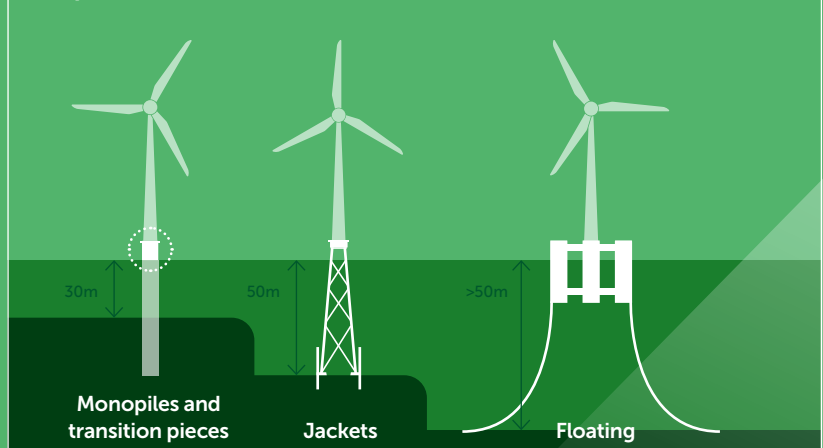
*We currently fabricate the entire jacket component of offshore wind turbine structures including the transition pieces and suction caissons or piles. We also work with our partners to offer a full EPCI capability for HVAC platforms.*



The scale of offshore renewables projects continues to grow to achieve economies of scale, and we see opportunities to increase our revenue per project accordingly. In combination, Lamprell’s experience, capabilities and central geographic location provide the Group with a strong position to access the expansion of offshore wind globally, an industry forecast to require over USD 300 billion of capex in the next five years alone. We expect our renewables pipeline to continue to grow in the medium term.

*Further complementing our renewables portfolio, to date we have delivered a total of six wind farm installation vessels for the renewables industry.*

### Lamprell builds foundations for offshore windfarm structures



# Delivering world-class projects

Oil & gas



## Introduction

Lamprell's credentials and experience in the oil & gas sector span nearly half a century. We have one of the world's leading facilities, which includes a deepwater quayside, for the construction of new build jackup drilling rigs. Additionally, we build land rigs and provide a full suite of refurbishment services for both offshore and onshore rigs including recertification, conversions and major upgrades.

We also offer contracting services which provide project support for onshore plants and terminals, and smaller-scale fast-track EPC construction projects.

Finally, we have experience constructing and providing maintenance solutions for complex process modules, living quarters, wellhead decks, topsides, FPSO units and various other offshore fixed facilities.



2

new build jackup rigs currently under construction in Hamriyah

28

new build jackup rigs delivered since 2006

17

rig refurbishment projects awarded in 2020 and 16 delivered in the year

**Our oil & gas growth strategy**

Our oil & gas strategy is focused primarily on the Middle East, the region with the lowest hydrocarbon lifting costs globally.

Lamprell is particularly proud of the progress we have made to date in relation to our Saudi strategy. Our efforts and investment helped us to establish a strong foothold in the Kingdom and in 2017, we formed a joint venture partnership in the IMI yard in Ras Al Khair. We actively support Saudi Arabia's In Kingdom Total Value Add and Saudisation programmes, which both form part of the Saudi Vision 2030.

In 2018, Lamprell was accepted as a contractor onto Saudi Aramco's LTA programme, which includes large scale EPCI projects. That year the Lamprell Saudi Arabia joint venture was formed to support our efforts to bid on the LTA programme and in 1H 2021, we were delighted to be awarded with two CRPO awards under the LTA.

We also continue to pursue opportunities in the UAE with major clients such as ADNOC, with whom we have a long history of successfully delivering major projects. More recently we have successfully completed a project for SNOC.

With our well-established presences in both the UAE and Saudi Arabia, we have generated a high local content score which is a key metric for success in winning new awards from the NOCs of these countries. Investing and operating in these countries helps to create a sustainable cycle of new project awards and further investment.

*In addition to rigs, we have fabricated multiple offshore fixed facilities including process modules, living quarters, wellhead decks, FPSO units and topsides.*

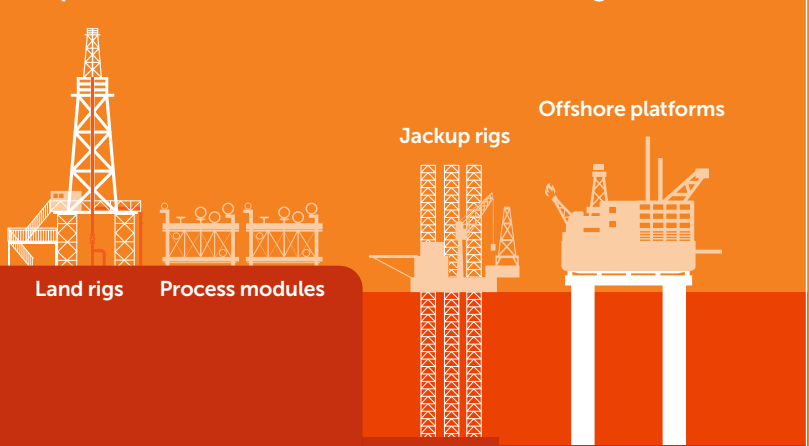


**The future**

Our efforts in the Middle East continue to deliver revenue-generating opportunities. Approximately USD 3.5 billion of our USD 6 billion pipeline originates from oil & gas projects in the Middle East, with the LTA component remaining strong. We are in active discussions with a number of clients for potential projects in the oil & gas market. In 2020, in collaboration with IMI, we initiated an apprentice programme for young Saudi nationals looking to enter the workplace, supporting Saudisation and the Saudi Vision 2030. The apprentices are actively working alongside our teams and will continue to do so for the foreseeable future.

*We have built and delivered a total of 11 new build land rigs to clients across the Middle East.*

**Lamprell fabricates various structures for the oil & gas market**



# Delivering innovative solutions

## Digital

### Introduction

Arising from our experience in both the renewables and oil & gas industries, Lamprell identified the need for innovative digital solutions which have the potential to enhance our business strategy, and improve our efficiency and quality, creating further value for our shareholders. In 2018 we started piloting several digital initiatives encompassing robotics, facial recognition and real-time analytics that optimise how we utilise assets and human capital across our business. Following this, Lamprell started working with Injazat/G42 to develop digital concepts and turn them into commercial ventures. This has recently been converted into a full joint venture dedicated to commercialising digital opportunities.

Also in 2020, Lamprell and Akselos signed an exclusive distributor agreement which allows us to provide customers with unique digital twin technology, to assist them with their asset management activities.



Tracking real-time data, statistics and yard movements via our mission control centre

Robotic innovation underway to improve production

Strategic collaborations in place with Injazat/G42 and Akselos

### Our digital growth strategy

Part of our Lamprell reimagined strategy is to improve our business through innovation and digital technologies. With the global pandemic crisis accelerating the drive for improvements in digitalisation, we are redoubling our efforts to realise the opportunities that we have identified in this new business unit.

Lamprell has partnered with leading experts in both the digital and artificial intelligence fields to provide cost-efficient and highly effective solutions, primarily to the energy industry, which can be transferred to other industries, particularly in the fields of construction and fabrication.

Our timely focus on digital solutions will also ensure that we are capable of not only addressing our clients' emerging requirements and delivering innovative solutions for the global energy industry, but also opening up new revenue streams to the Group.

We view digitalisation as a key enabler for growth and a differentiator that will enhance our competitiveness in renewables and oil & gas projects.



### The future

Clients are seeking to work with innovative companies that are committed to helping them improve their capital investment business cases and lower the cost of operations. The energy industry is working to realise the benefits of collecting and using electronic data to improve performance and Lamprell is adopting digitalisation measures to make our offerings even more attractive.

Lamprell's vision is to develop new digital prospects so they can be investable, stand-alone and self-supporting businesses, based on limited capital investment. We also plan to continue to implement new digital technologies into our business to reduce our ongoing cost base, improving our overall competitiveness.

*We use face-ID technology which helps us to optimise how we utilise assets and human capital across our business making much of our manual entry a thing of the past.*

*We are developing proprietary digital twin technology with our partner Akselos for use in the renewables industry with a current focus on jacket fabrication.*



# Our response to COVID-19

## Proud of our 'we care' culture

**COVID-19 has forced changes in industrial businesses and, at Lamprell specifically, at a pace nobody could have possibly foreseen. The dedication and resilience of our personnel have been a shining beacon as we have adapted, time and again, to respond to multiple, constantly-changing and complex challenges resulting from the pandemic affecting every aspect of our supply chain. We express our sincere sympathies to those of our colleagues that have suffered from COVID-19.**

### The beginning of the journey

As countries around the world began responding to the impact of the virus at the start of 2020, Lamprell quickly mobilised a COVID-19 crisis management team to lead the organisation's response to the pandemic with the goal of protecting the welfare of its employees and many stakeholders.

The legislative landscape in the UAE, where most of the Group's workforce and operations are located, was being updated rapidly as the local authorities worked to contain the spread of the virus. We had to react equally swiftly. With robust regional lockdowns and global travel restrictions in place from early on in the year, the challenges were multi-faceted.

### Our immediate actions

We took an early decision requiring all staff to work from home unless they were working on essential business activities, as was the case for some of our ongoing major projects such as Moray East which was entering a critical phase in early 2020. We took measures to increase social distancing between our workers by securing extra employee accommodation units and leasing more buses; we heightened awareness of the importance of hand-washing and mask-wearing with the purchase of industrial volumes of hand sanitiser and face masks, and we installed disinfection chambers across our facilities.

While these were just some of the measures we put in place, we also educated our workforce about the risks arising from the virus; this was reinforced by the publication of a detailed COVID-19 protocol document. We did not just comply with the laws relating to COVID-19, we implemented measures which went far beyond this and were instrumental in our response.

As a result, Lamprell was able to keep operating throughout the pandemic while at the same time keeping our people safe and controlling the spread of the virus among our staff.

### Our response

It is a testament to the resilience of all our employees that they have performed extremely well during this unprecedented period. Whether working inside our facilities or at home, people have shown amazing courage and strength. Key to our overall response regime has been our rigorous quarantine protocols, and contact tracing and testing programme. If an employee felt unwell, we took action without waiting for COVID-19 test results – immediate steps were taken to quarantine that person along with any close contacts. If the test result was positive, the individual was given appropriate medical support, with all close contacts remaining in quarantine and being tested. If the outcome was negative, our trained medical personnel cleared the individual as fit for work.

Employees travelling to the UAE must be tested in their home countries before departure, retested on arrival in the UAE and complete ten days of quarantine before being permitted to attend the workplace. Further, for our large group of camp-based employees, we undertake an additional test on the sixth day of their quarantine as an additional mitigation measure. This has been highly effective and essential for mobilising the large numbers of yard workers that the Group hired in 2020, where at a peak we employed around 5,000.

### Where we are now

Until the virus is fully under control and the UAE's vaccination programme has been fully rolled out, we will continue to operate with the same robust, risk-assessed measures that we set in place during 2020, underpinned by the legislative framework in the UAE. In January 2021, Lamprell started working closely with the UAE authorities to roll out a voluntary vaccination programme across its entire workforce.

Close to 3,500 personnel participated during our first stage on-site vaccination campaign in mid-January comprising our employees and several of our on-site stakeholders, with second vaccinations received in the following weeks. We have continued to support the roll-out of the vaccination programme in the UAE. At the time of going to press approximately 83% of Lamprell's workforce have received both doses of the vaccination.



### Case study:

#### The medical response

Our Company doctor and a team of paramedics have been providing 24/7 medical support through our on-site medical facility. We are conscious that COVID-19 has affected both the physical and emotional well-being of our staff. Extra paramedics were recruited during the year to provide medical support across all our accommodation units and the yard facilities, and we have been running multiple COVID-19 education and awareness sessions to help support the mental and emotional well-being of our employees.

#### The containment response

A consistent theme of our COVID-19 response has been our team's innovative ways of enhancing the sterilisation measures within our facilities. Living our values of 'safety' and 'teamwork' through and through, our asset management team came up with the idea of constructing bespoke disinfection tunnels at the many entrance points to our facilities. All employees and anyone visiting pass through the tunnels on arrival and departure. We also invested in the purchase of several disinfection machines which are being used proactively across our buses, offices and employee accommodation.

## Our people

### Resilient and courageous

We could not have had a more testing twelve months. Our yard employees have been required to go through vigorous health checks, in particular when the pandemic first hit and also during 2H when construction on the Seagreen offshore wind and IMI rig projects started in earnest. Where an employee was found to either have COVID-19 or have been in close contact with someone who has it, we undertook rigorous testing and tracing, established isolation blocks and requiring affected staff, as well as their close contacts, to undergo strict quarantine periods to ensure their safety and that of those around them.

We maintained open lines of communication from management to our workforce through weekly communications from our CEO, regular COVID-19 newsletters and toolbox talks. We took accountability by providing training and education around COVID-19, and our teams came up with innovations such as foot-operated door handles and disinfection tunnels, as well as mats and perspex barriers to reduce potential virus exposure. Our staff attrition rate also improved by 1.29% compared to 2019. United by our values, we acted decisively and responded collaboratively. All of our employees should be immensely proud of their efforts to manage this global threat.

## Our clients

### Creating trust through teamwork

We managed to maintain strong relationships, even when our people and clients suddenly found themselves operating from home. Lamprell's employees quickly stepped up to the challenge and through our strong value of teamwork, supported one another and implemented various new ways to communicate. Since the start of the pandemic, there has been a massive increase in the use of video-conferencing and we are focused on understanding our clients' needs through virtual face-to-face meetings, webinars, podcasts and more. And our efforts have proven successful. Starting in May and through into 2H 2020, while lockdowns were in place globally, Lamprell secured the Seagreen renewables project and two oil & gas projects, namely the EPIC Mahani project in Sharjah and the IMI 2030 rig design engineering contract.

The pandemic has accelerated the clean energy transition and we have started bidding for many new renewables projects with potential clients in new geographic locations who have recognised our experience and track record.



## Our projects

### In the face of adversity, we keep delivering

Managing contracts effectively and working collaboratively with clients to overcome the issues presented by COVID-19 during 2020 was critical. Our project and yard teams had to react quickly to constantly changing local restrictions and new social distancing requirements. Despite the challenges presented, our projects progressed well. While our Moray East project was entering its critical delivery phase of six batches of foundations right in the middle of the pandemic, our team still managed to deliver the project as planned by September 2020, with congratulations from the ultimate client. We also successfully delivered the Mahani project as planned in early 2021. Our two major rig projects, and the new IMI engineering contract and renewables project are all progressing well. Most impressively however, we completed 16 rig refurbishment projects during the year, which required timely completion to meet client needs.

Our project teams have performed very well in 2020, evidencing that our systems, execution processes and procedures are effective and adaptable enough to be able to respond to the ever-changing legislative landscape caused by COVID-19, as well as the pressures on the supply chain and the transportation delays, all of which were disruptive.

## Our partners

### Responding to COVID-19 has strengthened our relationships

Lamprell works with many business partners – a key stakeholder group – and the challenges of 2020 placed additional burden on these relationships, where we had to work ever more closely with our partners than previously.

We focused on areas such as how best to support our subcontractors and suppliers, working collaboratively with them to get through multiple issues presented by the pandemic. The Company had recognised the risk of counterparty failure, as the pandemic was putting immense strain on the supply chain and threatening the existence of some of our partners. Our supply chain management team worked hard to create optionality in procuring project materials by ensuring we had a wide network of suppliers on whom we could rely to help us deliver our projects on time.

We also worked very closely with the local authorities in the UAE and, particularly, with the Hamriyah Free Zone to implement new local travel restrictions and social distancing requirements while keeping yards operational. Most recently we have worked closely with local authorities to support the global COVID-19 vaccination campaign with thousands of employees and other stakeholders participating.

# At a glance

## Our business

Our new geographic markets of the US and Asia account for nearly 25% of our bid pipeline and our central location in the heart of the world's largest energy region gives us ease of access to our key and potential customers.

### 2020 highlights

#### Renewables

- Seagreen windfarm project awarded for the UK North Sea with 30 jackets and suction buckets currently under construction
- Moray East project operationally complete and fully handed over to client
- Completed contract settlement on East Anglia ONE project
- Increased bid pipeline and geographies

#### Oil & gas

- Secured two new build jackup rig contracts in 2020 for our client, IMI
- Detailed engineering contract for new generation jackup rig 'IMI 2030' also awarded by IMI
- Mahani gas field project awarded by SNOOC in 2020 and completed in early 2021
- Steady stream of awards from rig refurbishment segment throughout 2020 with 17 new arrivals and 16 departures
- Awarded first LTA contract by Saudi Aramco in early 2021

#### Digital

- Continued digital initiative development with partner Injazat/G42 and formed joint venture in early 2021
- Distributor agreement signed with Akselos to develop digital twin market
- Welding robots currently being tested and deployed for use on the Seagreen project
- Three additional welding robots procured and on order for use on other projects



### Current geographies

#### Northern European seas

Lamprell has successfully fabricated and delivered major projects for use in the Northern European seas including oil & gas platforms and foundations for windfarm projects.

#### Middle East

Lamprell has worked in the Middle East region for well over 40 years with prominent clients, delivering a wide array of projects including rigs, modules and other services. Our investment in Saudi Arabia continues through our joint venture partnership in IMI and our recent LTA award.

### Bid pipeline for current geographies as at 31 December 2020

# USD 4.6 billion

### Active bidding opportunities as at 31 December 2020

# 35

#### Renewables

# 15

USD 1.1 billion

#### Oil & gas

# 20

USD 3.5 billion



### New geographies

Lamprell is pursuing opportunities in new markets, with a focus on renewables projects in Northern Europe, the US and Taiwan. Our bid pipeline will continue to grow rapidly as we expand into building monopile transition pieces, and as floating wind projects emerge across these and other geographic areas.

### Bid pipeline for new geographies as at 31 December 2020

# USD 1.4 billion

### Active bidding opportunities as at 31 December 2020

# 7

Renewables

# Chief Executive Officer's review

## Lamprell reimagined

"Since 2016, against major economic headwinds, Lamprell has established a new footing in a changing energy landscape. We entered 2021 with a focus on three core growth areas and are well-positioned to evolve with the energy transition. Diligent cost control, excellent operational performance and a dedicated team have helped us to deliver improved results and gain access to markets with significant growth outlooks. Following the planned capital reorganisation, we will be able to navigate the near term liquidity challenges faced by the Group and be ready to enter the next phase in our strategic journey."



**Challenge and response were the key modes of operation across the world in 2020 as we navigated the impacts of the COVID-19 pandemic and assessed its long-term effect on the wider industry and on our business. For Lamprell, it has been a year of reimagining itself, a natural step alongside the global energy transition.**

### Operational excellence

I am pleased to report that in this challenging year we continued to deliver our projects safely, with a world-class TRIR of 0.15 at the end of 2020. This is a testament to our uncompromising commitment to safety and quality. We continued to operate throughout the worst of the pandemic, protecting our employees with timely tests, health checks, vaccinations and increased social distancing measures.

Early in the year we commenced work on the two new build jackup rigs contracted through the IMI joint venture => 39. It is a significant award for Lamprell, the first for rigs in the market over the past five years, and a signal of long-term oil & gas fundamentals in the Middle East region => 16. It is an industry in which we have built unparalleled expertise over decades. Project flow from the region was then boosted by the EPIC contract for the Mahani gas field in Sharjah and we were very pleased to welcome seven rigs for large scope refurbishment from ADNOC later in the year.

Much of the year was also dedicated to delivering our second major renewables project, Moray East, where we demonstrated a strong operational performance, utilising recent upgrades in our yards despite challenges presented by the pandemic, which was spreading rapidly as the project entered the critical delivery phase. With our activities on Moray East further expanding our experience in serial foundation fabrication, we were pleased to secure another 30-jacket offshore wind project, Seagreen => 39. Our credentials in the renewables industry are growing and by the end of 2021, we will have fabricated nearly 150 jacket foundations for three of the UK's biggest offshore wind projects.

Some of the new efficiencies we achieved on Moray East and continue to deploy on the Seagreen project are the result of our focused and timely entry into digital solutions. We have made significant progress in robotic technology and, crucially, in establishing strategic partnerships with Injazat/G42, one of the region's leading digital developers backed by Mubadala Investment Company and Silver Lake Partners; and Akselos, a leading developer of simulation technologies.

### Resilience, perseverance, progress

Over the past few years of the oil industry downturn, which spiralled into new lows through the COVID-19 pandemic, Lamprell continued to focus on the delivery of its strategic objectives. Entering new markets in a period of volatility requires discipline and perseverance. I am therefore pleased to report delivery against all our strategic goals => 20 and an improved financial performance of positive EBITDA despite the significant headwinds and working through ongoing projects with lower margins. The management team was collectively driven to manage our cashflows and we ended the year in a much stronger cash position than when we started it.

We continued to win and execute new projects both in renewables and oil & gas, where our regional clients continue to see us as a trusted partner. We forged new strategic partnerships in the digital segment that will allow us to remain competitive while also offering innovative solutions to our clients and providing us with additional revenue streams.

### Playing a part in the energy transition

The developments in the energy industry over the past few months have reinforced our commitment to offshore wind, where in less than five years, we have gone through a steep learning curve to build a solid global standing. We are now looking at a rapidly-growing global opportunity set and potential to broaden our involvement and move up the value chain. The industry is on the verge of explosive growth with multiple large-scale projects in the US and Asia about to join the continuing European offshore wind expansion => 17. The technology and scale of this evolving sector are also changing, and our focus on jacket fabrication has the potential to expand to base structures for floating offshore wind and central platforms.

Our timely entry into digital ventures is providing us with a differentiated offering in this area of vast opportunities. We have already commenced successful deployment of robotic welding technologies => 8 on some of our projects and we are developing proprietary technologies in asset integrity, engineering design, smart non-destructive testing, predictive maintenance and robotics, all of which have broad applications across the energy industry.

We are proud of our reputation, expertise and relationships with clients in the oil & gas sector, specifically our growing presence in Saudi Arabia, and we recognise the continuing role of hydrocarbon development during the energy transition. With our oil & gas projects continuing to support the strong, structural long-term growth prospects in our other business units, we look forward to playing a role in hydrocarbon development in the region over the next few decades.

## Key drivers during 2020

- Protecting the safety and welfare of our workforce
- Managing cash and improving liquidity of the business
- Implementing our strategy to evolve with the energy transition

### Outlook for 2021 and liquidity

We see significant opportunities in all our addressable markets in 2021. Our bid pipeline is at USD 6 billion, based on strict bidding criteria, and includes approximately USD 2.5 billion of prospective renewables projects. The sector continues to receive focused support from governments around the world and is seeing rapid growth; we anticipate over USD 6 billion of new renewables projects to enter the bid pipeline over the next 12 months. Our backlog at 31 December 2020 was USD 522 million, with approximately USD 457 million scheduled to run off in 2021. However, 2021 is a key year for our major projects with significant, near-term working capital requirements, which have put severe pressure on our balance sheet and require additional funding to complete. A raise of capital in Q3 2021 is required to strengthen the Group's balance sheet. Until this injection of funding is secured, a level of extended credit from suppliers will continue to be required to maintain liquidity.

We are also focused on creating a lean and agile organisation that enables us to extract maximum value from our expertise and market potential with a strategic reorganisation into three new business units – renewables, oil & gas and digital => 4. Each business unit has different priorities and needs, and the Group must improve its liquidity headroom by raising additional capital now, supporting disciplined execution and investing to maximise returns from its existing capabilities. These steps will provide the Group with improved financial resilience and a more appropriate balance sheet structure to ensure ongoing project deliveries, pursue larger contracts and also ensure that we maintain a suitable capital structure for the markets in which we operate.

While we are optimistic about Lamprell's future and our secured backlog indicates further year-on-year revenue growth, we will make every effort to control costs, manage working capital and demonstrate to investors that an improved liquidity position (through the new debt and equity capital raise) will allow us to access the many attractive opportunities in our chosen markets. We are encouraged by bidding dynamics in our end markets and we are confident of our ability to build on the 2020 results in the coming years.

**Christopher McDonald**

Chief Executive Officer

# Market review

## Global impact of the COVID-19 pandemic

**COVID-19 has fundamentally changed the way the world works. Over a year on from the start of the pandemic, global economies have just started to climb from the depths reached in 2020. Recovery remains fragile and the future trajectory of energy markets will depend on the speed of successful vaccine deployment across the world.**

### Renewables

The global offshore wind market remained strong throughout 2020 and is forecast to continue a steep upward trajectory of investment over the coming decades<sup>1</sup>. Opportunities continue to grow in our core European market but it is the rapid emergence of the US market, particularly on the East Coast, that brings an additional opportunity set into focus. In January 2021 the new US President committed to doubling US offshore wind to 41GW by 2030<sup>2</sup> and it is this market that represents the increase in our pipeline.

### Oil & gas

The collapse in demand for hydrocarbons in 2020 was unprecedented in quantum and speed, with a decline of 12 MMbpd in 2020<sup>3</sup>, and in April 2020 we briefly experienced a truly remarkable event with the first ever negative oil-futures price<sup>4</sup>. The oil price has recovered somewhat but great uncertainty remains about the ability of energy prices to move back to and remain above the pre-pandemic level of USD 60/bbl<sup>5</sup>.

### Digital

Digital transformation is not a choice but a must and companies across different sectors and markets need to have a clear strategy in place for how they will adapt to a rapidly digitising world. Lamprell has embraced this with the formation of its new digital arm =>> 8.

### Market trends

#### Energy transition accelerates in 2020

The global pandemic has accelerated the move away from hydrocarbons and it is possible that peak oil may be behind us. Government lockdowns across the world demonstrated that a significant portion of the workforce could work from home productively and this change is expected to continue after the pandemic ends, reducing demand for transportation fuels. While there will be some offset with the energy demand growth in the developing world, the direction of travel for reduced demand for hydrocarbons is clear.

#### Regional NOCs spending constrained

Like most energy companies, following the collapse of energy prices in 1H 2020, Saudi Aramco and ADNOC limited major capital awards, preferring to preserve cash and delay projects until the immediate impact of the global pandemic was better understood. As the oil price recovered in 2H, both companies continued to tender their project portfolios and we anticipate that a number of these will be awarded as from 2021 since they are needed to replace declining production and meet future targets set by national governments.

### How we are responding

We have a proven track record and expertise in delivering products and services intended for use in traditional oil & gas projects, as well as in the offshore wind sector. Our business model, diversified portfolio and strategic location in the Middle East allow us to participate extensively in both sectors.

The Middle East has the lowest cost of hydrocarbon production in the world and regional NOCs will continue to invest as they support government spending needs. We have a strong relationship with Saudi Aramco under the LTA and have invested nearly USD 85 million in the IMI joint venture. Our high In-Country Value score in the UAE gives us a preferential bidding position with ADNOC.

### Link to strategy

- Diversified range of services in renewables and oil & gas markets
- Bid pipeline is at USD 6 billion with large increase in renewables projects
- Lamprell awarded CRPO 61 and CRPO 67 under the Saudi Aramco LTA programme
- We maintain a strong relationship with our Middle Eastern clients
- Building local content elements through the IMI joint venture and our facilities in the UAE
- Award of IMI rig contracts, 17 rig refurbishment projects and two Saudi Aramco LTA CRPO contracts

### Link to principal risks

1 3 6

1 5 10

1. **Global offshore wind report 2020:** <https://gwec.net/global-offshore-wind-report-2020/>
2. **Windpower monthly article:** <https://www.windpowermonthly.com/article/1705783/biden-commits-doubling-offshore-wind>
3. **Rystad webinar:** January 2021
4. **Global Risk Insights website article:** <https://globalriskinsights.com/2020/05/making-history-coronavirus-and-negative-oil-prices/#:~:text=April%2020th%2C%202020%20was%20the,where%20oil%20recorded%20negative%20prices.>
5. **The Wallstreet Journal article:** <https://www.wsj.com/articles/oil-demand-recovery-set-to-fall-short-of-pre-pandemic-levels-this-year-11610626800>
6. **The Independent article:** <https://www.independent.co.uk/climate-change/news/biden-paris-agreement-rejoin-executive-order-b1789555.html>
7. **RCG Global Offshore Wind Annual Report** October 2020
8. **IEEFA article:** <https://ieefa.org/finance-exiting-oil-and-gas>

## Growth in renewables and offshore wind

In January 2021, the US once again signed up to the Paris Accord to limit global warming to 1.6C<sup>6</sup>. Investment continues to flow into offshore wind projects as investors and lenders recognise the long-term value of renewables, and listen to wider sentiment for ethical investing. Governments are seeking to commit large sums into infrastructure spending to meet climate objectives and to help their economies recover from the ravages of the pandemic. Offshore wind will benefit greatly from this, driving ever faster the increase in the current 335GW<sup>7</sup> global portfolio.

We demonstrated our competitive offering in offshore wind with the award of our third major project, for the delivery of 30 foundations to Seaway 7 on the Seagreen project. We improved the capacity and efficiencies of our facility and we expanded our bidding activity to the fast-growing US market.

- Growing reputation for offshore wind with new clients and expanding bidding activity into new geographies
- Developing partnerships to allow us to move up the value chain on renewables projects

## Investment flows into the green economy

Investment is rapidly being deployed away from oil & gas and into clean energy. Over 100 globally significant financial institutions<sup>8</sup> have announced moves away from hydrocarbons (including Norwegian Pension Funds, Asian Development Bank, Barclays, EBRD, The World Bank) as they seek to align their portfolios with the Paris Accord.

Many international oil companies, including BP, Shell and Total, are also pivoting into renewables projects and in particular offshore fixed and floating wind, leveraging their balance sheets and offshore expertise to decarbonise their portfolios and improve long-term shareholder returns.

Lamprell reorganised into three business units – renewables, oil & gas and digital – to increase our focus on the energy transition, increase customer alignment and enable us to take advantage of the opportunities in our core markets. On the back of the Seagreen award and in collaboration with HSBC, we issued the first ‘green’ trade finance facility in the Middle East to support execution.

- Strategic reorganisation into three business units; need for a major refinancing
- Expanded and robust bid pipeline in offshore fixed and floating wind projects, to ensure new and repeat business

## Years of digitisation compressed into months

The pandemic immediately forced the world to adopt online working practices, with vast numbers of people suddenly having to work remotely away from traditional business locations. In addition, companies recognised the ability of digital innovations to improve business efficiencies and generate new revenue streams. These rapid changes in working practices are unprecedented and have demonstrated the value of digital technology. It is certain that many changes will remain. Virtual interactions with customers, automated buying decisions and many industrial activities are moving to a digital platform.

We have launched a joint venture with Injazat/G42, a leading regional digital developer, and are building on our partnership with Akselos, a major developer of simulation technologies, to offer a range of digital products. In addition, we have already successfully implemented digital technologies in our facilities, including adaptive robotic welding and a proprietary quality management system, to enhance productivity.

- Work with key partners to offer digital products, improving efficiencies and generating revenue streams in our new business unit
- Embrace remote working to be more competitive and to attract talent

# Our business model

## Continuing to grow strongly

### Our inputs

#### People

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

#### Financial assets

No debt and positive cash. Plan to raise capital funding through debt and/or equity by the end of Q3 2021, to address current liquidity challenges and to support strategy implementation and fund growth of business units.

#### Infrastructure

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

#### Business development

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

#### Suppliers

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

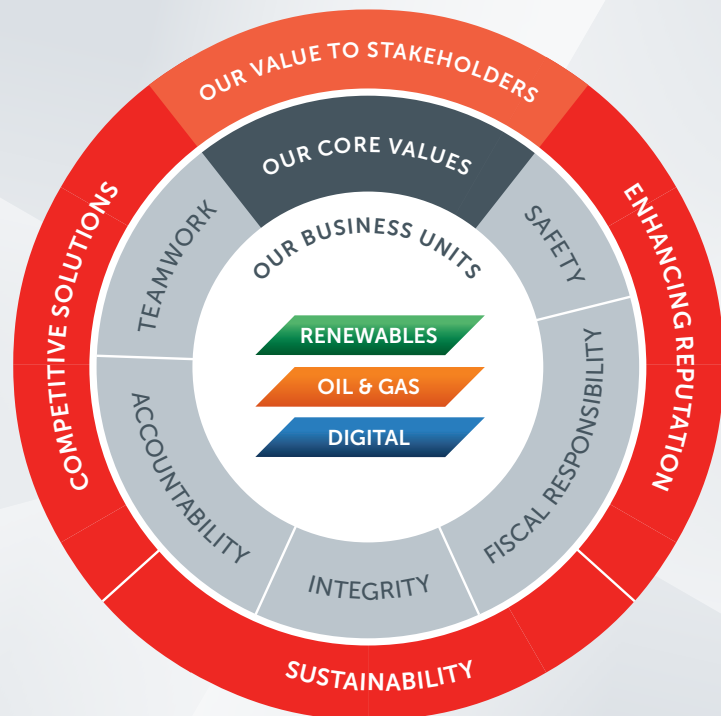
#### Processes

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

#### Intellectual property

Over four decades of know-how in energy industry projects, including proprietary rig designs and new digitalisation propositions.

### Our business units



#### Renewables

Having delivered six wind farm installation vessels and over 100 wind farm jacket foundations for the renewables industry, and with 30 further jackets currently under construction in our yards, Lamprell is well-placed to continue providing its expertise and services to this fast-growing global market.

[Read more >>> 4](#)

#### Oil & gas

We have nearly five decades of experience fabricating onshore and offshore structures such as rigs, modules, wellhead decks, living quarters and FPSO units for the oil & gas industry, and we build these projects either in our yards in the Middle East or construct them on location.

[Read more >>> 6](#)

#### Digital

Lamprell is working with strategic partners to develop our yards and digital solutions for its clients in a rapidly changing world. With a focus on proprietary product development, asset integrity, engineering design, smart non-destructive testing, predictive maintenance and robotics, our digital business unit aims to service the renewables and oil & gas markets, as well as other industries and sectors.

[Read more >>> 8](#)

Underpinned by our robust governance and risk framework

[Read about our principal risks >>> 46](#)

**Our business model adapts to changing circumstances and is designed to be flexible and resilient to support our broad and international customer base. With our robust strategy and dedicated management, we are committed to working collaboratively and transparently, to deliver predictable, sustainable and profitable performance over the long term.**

## Our key differentiators

### First-class safety and quality

With a new proprietary quality management system which is aligned with all major international standards and a world-class TRIR of 0.15 in 2020, our Board and entire workforce are committed to executing projects safely throughout their lifecycles and producing an end product to the highest standards of quality.

### Value for money

We deliver Tier 1 quality fabrication and EPC services to recognised international standards, frequently delivering against exacting schedules with a strong focus on cost competitiveness. We are implementing optimisation and new digital technologies in our yards which will improve efficiencies and realise value for all our stakeholders.

### Client satisfaction

Integrity and accountability are two of our core values. We believe that repeat customers are the foundation of long-term success and we are committed to meeting client expectations on quality, safety, schedule and cost.

### Skilled workforce

We have a core workforce of long-standing employees in both yard and project management. Our in-house training school helps to ensure that the staffing needs are met in order to execute our projects and to unlock the potential of our higher performers.

### Strategic location

We are located in the heart of the world's largest energy-producing region with close proximity and ease of access to our key customers. Our central position allows us to leverage our low-cost base to deliver competitively to international markets.

### Embracing technology

Lamprell recognises the importance of embedding digitalisation into the way that operations are performed and its new digital business unit encompasses technology developments to make us more efficient, reduce the risk in various activities and also to provide differentiated digital offerings to our clients.

## Creating value for our stakeholders

### Customers

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

### Shareholders

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

### Employees

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

### Business partners

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

### Communities

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

[Read more](#) on how we engage with our stakeholders =>> 28

## Underpinned by our strategic priorities

[Read about](#) our strategic priorities =>> 20

# Our strategy

## Strategic reorganisation focused on the energy transition and digital world

Lamprell has established a track record as one of the leading providers of fabrication services to the renewables industry.

The Group has also accelerated its focus on digital innovation and continued to advance its traditional business of providing jackup rigs and related energy infrastructure to the oil & gas industry. Reflecting the Group's evolution and to ensure a lean and agile organisation to maximise opportunities across these markets, Lamprell has strategically reorganised into three distinct business units: renewables, oil & gas and digital. This reorganisation increases the Group's focus on renewables and the energy transition, aligns well with our customers and enables us to take full advantage of the significant opportunities in our core markets.

### 2020 strategic goals

### 2020 targeted priorities

## 1 Solidify core business and financial position

**Refinance the business and maintain continuity of work in our renewables and oil & gas markets, to ensure the Company's sustainability**

- Progress a major refinancing option to completion
- Convert a 2019 renewables proposal into a full contract award, and progress other renewables bids towards future awards
- Sign IMI rigs 1 and 2 contracts and commence execution; support IMI rig project team

## 2 Move up the value chain in EPCI

**Leverage our position in renewables and on Saudi Aramco's LTA programme to move further into EPCI execution**

- Continue to selectively bid on LTA projects and win one or more EPCI contract(s)
- Continue to bid on renewables projects where possible in consortium with installation partners, and convert a major contract in 2020 or 2021
- Qualify as a bidder on EPCI projects in another target market

## 3 Enter new geographies and markets

**Build on our entry into the Saudi Arabian market by securing new contract awards; pursue prospects in the renewables market, either with new clients or for new geographies**

- Define optimal timing for equity investment into IMI joint venture
- Secure EPCI work under the LTA and implement our local content programme during execution
- Secure contract in the renewables market, either with a new client or for a new geography

## 4 Innovate through digital technologies

**Leverage Lamprell's fabrication and project execution skill set into one or more digital product offerings**

- Secure stakeholder alignment and financing to enter into development phase for new digital ventures
- Take up to four of the businesses into development so they can be investable, stand-alone and self-supporting companies, based on limited capital investment

## Our progress in 2020

<ul style="list-style-type: none"> <li>• Bid for ADNOC new build jackup rig(s) when tendered</li> <li>• Create fit-for-purpose overhead cost model, including consolidated yard space</li> </ul>	<ul style="list-style-type: none"> <li>• Access to capital financing constrained due to COVID-19 pandemic; discussions with potential lenders ongoing =&gt; 41</li> <li>• Third offshore windfarm contract for the delivery of 30 foundations to the Seagreen project secured</li> <li>• Contracts for IMI rigs 1 and 2 signed in January 2020 and construction well under way</li> </ul>	<ul style="list-style-type: none"> <li>• No tender by ADNOC for new build jackup rig(s) in 2020; refocussed efforts on rig refurbishment projects</li> <li>• All operations consolidated into Hamriyah yard; exited Sharjah yard and Jebel Ali yard mothballed</li> <li>• Year-on-year overhead reduction of USD 29.7 million (excluding one-off items) achieved</li> </ul>
<ul style="list-style-type: none"> <li>• Reduce overhead costs throughout the business to align with new reality in market conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple LTA bids submitted but no LTA awards in 2020 due to crash in energy markets driven by COVID-19 pandemic</li> <li>• In June client awarded Lamprell a very large<sup>1</sup> contract for the construction of foundations on the UK's Seagreen windfarm project</li> <li>• The bid pipeline has grown from USD 5.5 billion to USD 6 billion, partly due to growth in renewables in the US</li> </ul>	<ul style="list-style-type: none"> <li>• Lamprell participated in top-line EPCI bidding but the bids were not successful, or are still in the pipeline</li> <li>• Strategic reorganisation into three business units, to align with customer needs and energy transition</li> </ul>
<ul style="list-style-type: none"> <li>• Develop Lamprell Saudi Arabia's resources and competencies, and market our commitment to local Saudi content</li> </ul>	<ul style="list-style-type: none"> <li>• IMI equity contribution of USD 26 million made in November 2020</li> <li>• Major oil &amp; gas clients deferred all major contract awards in 2020 due to crash in energy markets caused by pandemic</li> <li>• Lamprell won 17 rig refurbishment projects, including seven for ADNOC, as clients looked to maximise returns on existing assets</li> </ul>	<ul style="list-style-type: none"> <li>• Secured the foundation contract for the Seagreen offshore windfarm project</li> <li>• Collaborated with our local partner to build capabilities in Saudi Arabia, as we targeted LTA wins in 2021</li> </ul>
<ul style="list-style-type: none"> <li>• Continue to implement new digital technologies into our business to reduce costs and generate future new revenue streams</li> </ul>	<ul style="list-style-type: none"> <li>• Progressed discussions for new digital joint venture with Injazat, which was acquired by G42 as part of the Abu Dhabi government's drive to make the UAE a leading hub for digital innovation</li> <li>• Signed exclusive distributor agreement with Akselos enabling Lamprell to offer leading high fidelity engineering simulations for optimised design and maintenance of assets</li> </ul>	<ul style="list-style-type: none"> <li>• Proprietary technology development continued in asset integrity, engineering design, testing, predictive maintenance and robotics</li> <li>• Adaptive robotic welding technology and a proprietary digital quality management system deployed to improve operational efficiencies</li> </ul>

1. Lamprell defines a very large contract as having a value in excess of USD 150 million.

# Our strategy continued

## Our 2021 strategic goals and priorities

### 1 Lamprell reimagined

Strategic reorganisation to increase the Group's focus on renewables and the energy transition, increase alignment with customers' needs, and enable optimum access to opportunities in our core markets.

#### 2021 priorities

- Conclude a critical capital raise process in Q3 2021 to address liquidity challenges and build a solid financial platform to implement strategy
- Strategic reorganisation into three business units: renewables, oil & gas and digital
- Maintain discipline in overhead cost structure
- Further optimise and invest in Hamriyah facility as our centre of excellence for construction
- Build a flexible execution model to take advantage of the remote working digital revolution

#### Link to principal risks:

1, 2, 3, 9 ==> 46 to 49



## 2 Renewables

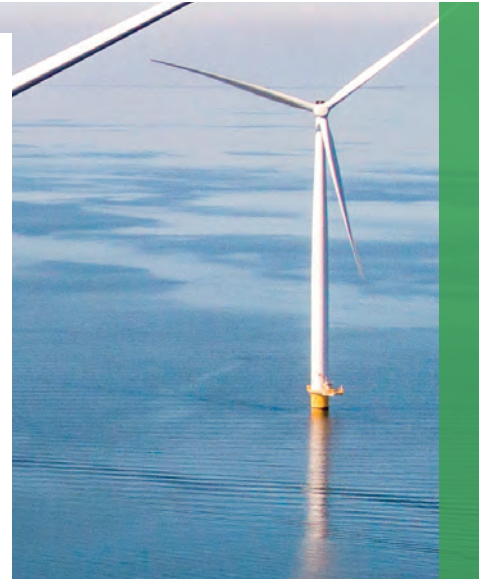
Lamprell Renewables will deliver fixed and floating wind turbine generator foundations for global renewables projects and expand into adjacent products including HVAC/HVDC platforms and floating hydrogen, as well as moving up the EPCI value chain

### Link to principal risks:

1, 3, 4, 5, 7 =>> 46 to 48

### 2021 priorities

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



## 3 Oil & gas

Lamprell Oil & Gas will build on our strong regional position in Saudi Arabia and the UAE to secure EPCI offshore, new build jackup rig and refurbishment projects while continuing to support its smaller contracting services business

### Link to principal risks:

1, 3, 4, 5, 7 =>> 46 to 48

### 2021 priorities

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

## 4 Digital

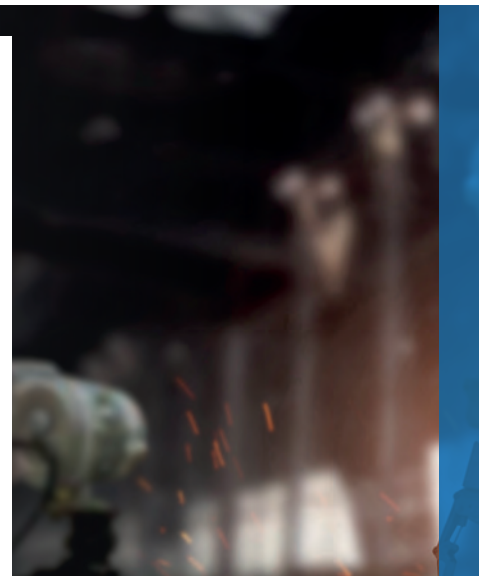
Lamprell Digital will advance and commercialise proprietary technologies for industrial application in asset integrity, engineering design, smart non-destructive testing, predictive maintenance and robotics, selling such products unconstrained by yard space or geography

### Link to principal risks:

6, 8, 9 =>> 48 to 49

### 2021 priorities

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



# Our key performance indicators

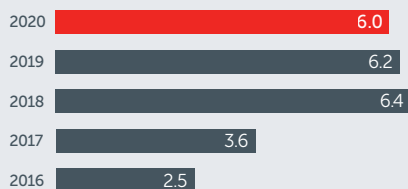
## Measuring our progress

To help the Group measure our performance and to assess the business' ability to deliver against its strategic goals, we use a number of key performance indicators. The Board monitors and assesses performance against these targets on a regular basis. Some of these are linked to long-term incentives for the remuneration of the executive team (these are marked with \$).

### Operational

#### Bid pipeline

(USD billion)



#### Definition:

Total value of commercial bids and/or prospects at various phases, measured as at the end of the reporting period.

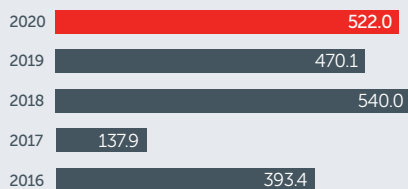
#### Strategic relevance:

Our growth potential depends on a robust bid pipeline, which includes realistic and profitable prospects matching our core expertise and allowing us to expand into new strategic sectors or target new clients => 13.

Relevance to risk **1 3 8**

#### Backlog

(USD million)



#### Definition:

Total value of current uncompleted works and contractual commitments by clients, measured at the end of the reporting period.

#### Strategic relevance:

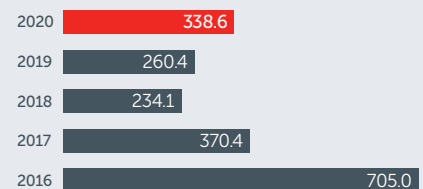
Our backlog provides short- to medium-term visibility of our financial position and prospects, as it indicates the likely revenues during that period.

Relevance to risk **1 2 3**

### Financial

#### Revenue

(USD billion)



#### Definition:

Reflects the value of operating activities, derived primarily from the progress achieved in satisfying performance obligations under our client contracts.

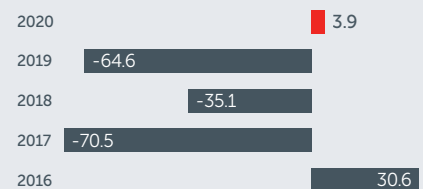
#### Strategic relevance:

Measures the ability of the Company to grow and generate sufficient working capital for new contracts over the long term; revenue growth is reflective of an improving energy market and the Company's effective strategy.

Relevance to risk **1 2 3**

#### EBITDA

(USD million)



#### Definition:

Group loss or profit for the year from continuing operations before depreciation, impairment, amortisation, net finance expense and taxation. See => 144 for more details on the EBITDA methodology.

#### Strategic relevance:

Positive EBITDA indicates our effective cost management measures worked in 2020, helped by our operational efficiency and revenue growth.

Relevance to risk **4 5 7**

Sustainability

Net (loss)/profit

(USD million)

\$



Definition:

Total earnings during the reporting period after cost of sales, overheads, interest, taxes and other expenses.

Strategic relevance:

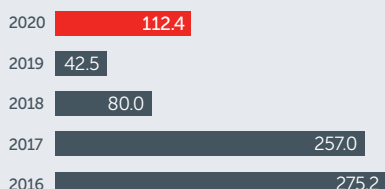
Profitability is a key indicator of business efficiency and cost management, and a major requirement for business growth and long-term sustainability of our operations; the net losses have declined as the business recovers from a prolonged downturn in the energy market.

Relevance to risk 4 5 7

Net cash

(USD million)

\$



Definition:

Cash less borrowings at the end of the period. See ==> 144 for more details on the net cash methodology. This includes both free cash and restricted cash ==> 41.

Strategic relevance:

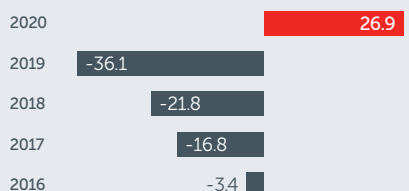
Net cash is a core indicator of capital and balance sheet management. Without robust unrestricted cash levels, as seen currently, we will be unable to remain competitive, satisfy working capital needs or make capital investments for strategic growth.

Relevance to risk 2 5 7

Total shareholder return

(%)

\$



Definition:

The combined value of share price appreciation and dividends paid to shareholders.

Strategic relevance:

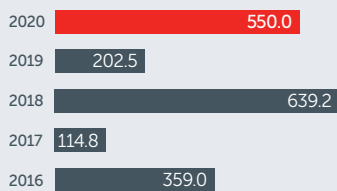
Maximising shareholder value is a key metric for the Board to consider when addressing the Group's strategy and our negative returns have been driven by the continuing annual losses in the business, which the Board is working to turn around.

Relevance to risk 1 9 10

Total awards

(USD million)

\$



Definition:

Total value of all contracts awarded during the reporting period.

Strategic relevance:

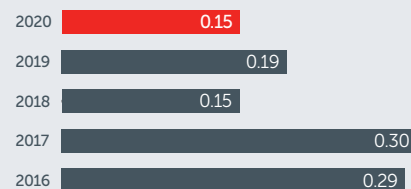
Converting the bid pipeline into contract awards ensures sustainable operation of our business. The constituents of this metric will change as we look to generate new revenue streams outside our traditional sectors.

Relevance to risk 1 3 4

Safety TRIR

(Rate per 200,000 hours)

\$



Definition:

The number of incidents per 200,000 man-hours worked, including any injury that requires more than first aid treatment or causes days away from work.

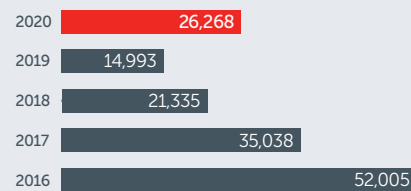
Strategic relevance:

Safe operations are efficient operations. Our goal is zero harm and we are committed to maintaining a strong safety culture at all our sites ==> 31. Our safety track record is often reviewed by our current and prospective clients as part of a contract award process.

Relevance to risk 5 6

GHG emissions

(tonnes CO<sub>2</sub>e gross)



Definition:

Total GHG emissions from Company operations.

Strategic relevance:

GHG emissions are a key driver of global warming. Sustained reduction in both gross emissions and emissions intensity are a key element in the Company's strategic approach to sustainable operations ==> 32.

Relevance to risk 3 5

# Our people

## People are at the heart of our business

**Our employees are at the heart of what we do. How they embrace our values, apply their skills and help shape our culture are what helps to differentiate us.**

We are committed to developing all our workforce, enabling everyone to perform and realise their full potential, in a supportive and forward-thinking environment. We invest in communicating to ensure our people are engaged in every step of our journey, work towards our strategic goals and understand our culture. We focus on their well-being, emotional and physical, and their professional development at every level of the organisation. Our people are central to what we do.

### Communicating and connecting

With turmoil in the energy sector during 2020, as well as the global pandemic to contend with, and many employees working from home, our philosophy has been: 'communicate, communicate, communicate'.

Culturally we believe in speaking openly and honestly with our workforce. It starts at the top: throughout the year and continuing today, our CEO produces a weekly business update, covering all manner of subject matters. It can encompass celebrating a team living our values, a project milestone, HSES performance, our actions to mitigate the impact of the virus; to name a few. This communication philosophy has been further underpinned by regular, virtual CEO town halls where the forum is balanced and two-way, allowing plenty of time to hear what employees want to say and ask.

Our HSES team has also focused on providing frequent, detailed COVID-19 bulletins to keep all our employees, as well as on-site clients and contractors, informed of developments. Crucially, transparency is at the heart of all our communicating.

### Training

We ask our staff to be curious in their daily activities. From our side, we offer training and development opportunities for employees wanting to progress. The foundation of successful yard operations is Lamprell's Assessment and Training Centre, which has seen one of its busiest years during 2020, not least due to the need to keep everyone socially distanced and safe via our COVID-19 protocols.

During 2020 we have continued to make significant improvements in how we assess our technical trades through LATC. With English as our main language of operation, we have engaged a full-time English language tutor with whom we have developed detailed learning modules for our yard employees. We've continued to focus on succession planning at the executive and senior leadership levels, with senior leadership undertaking ongoing engagement following on from the programme we initiated in 2019.

## 218,693

training hours in trade, supervisory, quality, HSES and English programmes completed in 2020

### Health, safety and security

With safety as a core value, the area of health, safety and security is a top priority for us at all times, especially during 2020 with COVID-19 so very much in our midst. Keeping people safe, and more importantly making sure they feel safe, secure and supported has been at the forefront of our minds at all times. Keeping abreast of changing rules and ensuring protocols are followed has been a valuable learning experience. We have recognised the strain on emotional well-being and health as a result of the ongoing crisis. During 2020 we ran a series of seminars addressing this subject in collaboration with a number of our medical service providers.

### Our values

With the world 'stress-tested' through having to deal with a global pandemic, more than ever the importance of our values has shone through. We have looked to our employees to go the extra mile whether that is working inside our facilities to keep our projects on track, or working from home where that is possible.

We've applauded teams going above and beyond to keep our people safe and our operations on track, particularly those involved in the COVID-19 management protocols: camp bosses who care for our circa 4,000 yard employees, our medical team, our catering crews and our asset management team. They have all worked long hours to protect our people, and we thank them all for their sacrifices and efforts.



## Our collaboration with the SmartLife Foundation

With more than 200 employees participating in our English SmartReading programme, delivered by the SmartLife Foundation, 2020 saw us celebrating their successful graduation. Held with the strictest of protocols in place for COVID-19 management and mitigation, our yard employees were able to attend their graduation ceremonies and celebrate their achievements. SmartLife, a not-for-profit NGO, aligns fully with Lamprell's social investment aspirations which have education as a foundation, and we are delighted to be continuing our journey with them. To that end, Lamprell commenced a new programme in 2020, SmartComputers. The objective of the initiative is to give our yard employees access to a laptop and increase their computer literacy, teaching them the basics of Microsoft Office applications such as Word, Excel and PowerPoint.

### Employee engagement

Having made good progress during 2019, in 2020 our Directors continued to dedicate time engaging with the workforce at all levels. Given the virtual nature of the connection, through necessity resulting from restrictions associated with COVID-19, this has been a great success.

The Board has spent time getting closer to our yard employees, right at the heart of our operations; through participation in online employee welfare committees and understanding the issues of the day. They have also given their time to get to know members of our senior leadership team and our high potential performers better through a series of virtual 'chat with the Chair' gatherings. Each session is chaired by a Board member along with the CEO and VP of HR and Corporate Services in attendance. In 2021 we aim to do this and more.

Our employee welfare committee meetings and 'chat with the chair' programme will continue and, with the support of the Board, we will also introduce a Lamprell workforce assembly.

The workforce assembly will allow participants to engage with senior management and Board members on several key topics including, but not limited to, Lamprell's vision and values, culture, diversity, talent management and development, workplace conditions, innovation, digital development, operating model, corporate responsibility and business opportunities.

The assembly will enable the Board and executive management to better understand the views and perspectives of the workforce and take them into consideration during their discussions and decision-making.

### Diversity

With over 35 nationalities working for the organisation we are proud of our approach to diversity in Lamprell. Everyone has fair and equitable access to opportunities starting with the hiring process and throughout the employment life cycle. The richness and variety that come through having such an international workforce differentiate us and make us stronger. In keeping with our values and culture, we believe diversity brings multiple benefits for all the stakeholder groups we work with.

We want our workforce to be connected, to perform consistently to a high standard and to reflect the many different areas in which we work. Keeping an open and receptive mind, and bringing different ideas to a forward-thinking culture is what helps us innovate, mitigates our risks and supports sustainable growth in the long term. Inclusivity means living our values for all: safety, fiscal responsibility, integrity, accountability and teamwork.

Diversity and inclusion are integral to our culture at Lamprell. We promote meritocracy, openness, fairness and transparency. This supports the very fabric of our business.



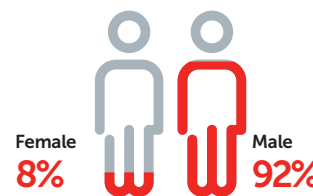
### Engaging our workforce in wellness

During 2020, workforce engagement has been increasingly important to us, particularly with respect to COVID-19 education. To ensure our employees understand what is expected of them, and what they can expect from the organisation, our employee welfare and medical teams have rolled out numerous socially-distanced workshops and online webinars. The focus of these workshops has concentrated on personal well-being both outside of working hours, as well as whilst our people are engaged on our projects. Health awareness topics delivered include the dangers of alcoholism and sun exposure and the benefits of a healthy diet, as well as how to protect oneself from COVID-19 and other illnesses.

#### Board members attended



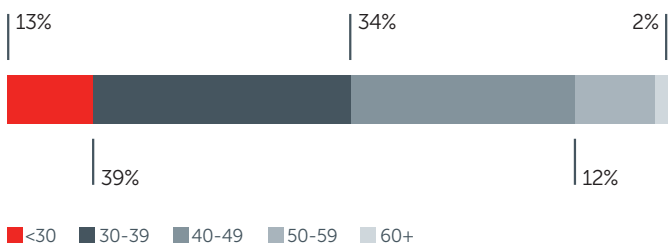
#### Gender profile of administrative employees



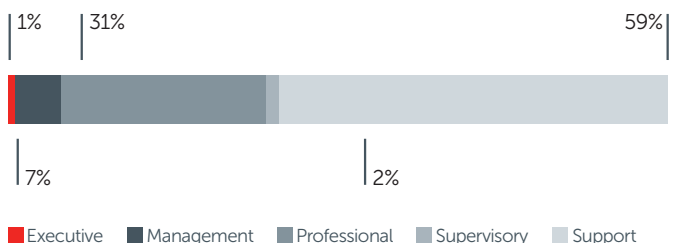
#### Gender profile of manager level and above



#### Age profile of admin employees



#### Designation profile of admin employees



# Engaging with our stakeholders

## How we listen and respond

### Stakeholder engagement at Lamprell

Our key stakeholders include the Group's customers, employees, shareholders, communities and business partners, and we interact with them daily. Knowing what our stakeholders want, what each of their respective key drivers are, helps the Board and management to make better decisions for the Company as a whole.

### How the Board has discharged its section 172 duties

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



### Customers

#### Interests

- Ability to deliver
- Financial stability
- Health and safety
- Cost and quality
- Reliability
- Customer service
- Company reputation
- Innovation
- Collaboration
- Timely responsiveness
- Sustainability
- Environmental impact

**Associated risks 1, 3, 4, 5 =>> 46 to 48**

#### How we engage

- Our BD team including our C-Suite engages with customers through meetings, emails and phone calls
- Chairman and CEO engaged with key customers in 2020
- Regular virtual and face-to-face meetings are also held through our BD team
- Press releases
- Company marketing material including bulletins, brochures and leaflets
- Contract bidding, negotiation and execution
- Exhibitions and conferences (virtual in 2020)
- Lamprelltimes magazine
- Website and LinkedIn

#### Outcomes of engagement

- Contract for two new build jackup rigs signed with IMI in early 2020, followed by an engineering contract; work currently in progress
- 17 rig refurbishment projects awarded in 2020, with seven from key regional repeat customer ADNOC, and 16 deliveries in total
- Award of Seagreen offshore windfarm foundations project
- Award of EPIC contract for Mahani oil & gas project in Sharjah
- Ongoing bidding on multiple tenders for our renewables and oil & gas business units
- Healthy USD 6 billion bid pipeline of solid prospects
- Assurance in our visible and proactive commitment to COVID-19 mitigation and management
- On-site clients and contractors participated in COVID-19 vaccine programme



### Employees

#### Interests

- Company purpose, values and culture
- Rewards and benefits
- Health, safety and well-being
- Career development
- Sustainability and environmental matters
- Equal rights
- Flexible working
- Job security
- Company performance

**Associated risks 5, 7 =>> 48**

#### How we engage

- Induction process including welcome handbooks for staff
- Employment contract explaining detailed remuneration package
- LamprellConnect intranet communications including weekly CEO briefing email
- Regular email communications from HSES, Quality and executive management
- Staff briefings for yard employees via daily toolbox talks
- Training via LATC
- Apprentice and work experience programmes
- Lamprelltimes magazine
- Website and LinkedIn
- Performance development reviews
- Employee welfare committee
- Whistleblowing hotline
- Annual photography competition
- Online wellness talks
- Regular CEO town hall briefings

#### Outcomes of engagement

- Broad range of measures implemented to mitigate the threat of COVID-19
- Around 4,000 employees participated in the COVID-19 vaccine campaign
- Board participation in employee welfare committee meetings
- 'Chat with the Chair' programme rolled out to enable regular interaction between Directors and employees
- Phased roll back of 25% COVID-19 salary reduction for lower-paid employees
- Introduction of a Lamprell workforce assembly in 2021
- Senior leadership undertaking ongoing development training following on from earlier programme
- Rolling out refreshed and user-friendly employee handbook in 2021
- Full-time English language course tutor for our yard employees
- Over 200,000 training hours completed at LATC in 2020



## 'The finest steel has to go through the hottest tapestry' (Liju Thomas)

Showcasing the hidden talent that lies within the organisation, and striking a note of good cheer, Lamprell succeeded in rolling out its annual photography competition for employees, Lamprell through the Lens. Hundreds of entries were received, with employees and a panel of judges selecting the winning photographs. Pictured here is our overall winner.

### Shareholders

#### Interests

- Financial performance
- Company strategy
- Dividend policy
- Company reputation
- Director remuneration
- Business risks
- Succession planning
- Corporate governance
- Company purpose, culture and values
- ESG matters
- Innovation

**Associated risks 2, 3, 9, 10 =>> 46, 47 and 49**

#### How we engage

- CEO leads discussions with major shareholders, with support from Chairman and other Directors
- Day-to-day investor relations managed by Lamprell's investor relations team and corporate brokers
- Regulatory announcements and press releases
- Annual Report
- Regular roadshows
- Results presentations
- Annual General Meeting
- Webcasts
- Conference calls
- Analyst briefings
- Lamprelltimes magazine
- Website and LinkedIn

#### Outcomes of engagement

- Strategic objectives pivoting towards renewables and new geographies/markets and digital initiatives
- Metrics/targets for management's remuneration packages linked closely to the delivery of strategic objectives
- Regular communications with investors, whose views are fed back to the full Board for consideration
- Roadshows with CEO/CFO after full-year and interim financial results including an extensive, two-way question and answer session
- Feedback report from results presentations prepared by external IR firm and presented to the Board
- Report on proxy advisors' views on corporate governance matters presented by Company Secretary to the Board

### Communities

#### Interests

- Health, safety and well-being
- Sustainability and environmental matters
- Supply chain opportunities
- Use of local labour
- Supporting local causes
- Positive impact on communities
- Compliance with local laws and Free Zone regulations

**Associated risks 3, 8 =>> 47 and 49**

#### How we engage

- Ongoing and frequent engagement with key bodies such as the Free Zone authorities
- Commitment to local content programmes
- Press releases
- Exhibitions
- Supporting charities and sponsoring events
- Signing ceremonies with local authorities
- Lamprelltimes magazine
- Website and LinkedIn
- Providing work experience

#### Outcomes of engagement

- High scores in UAE and Saudi local content programmes
- Establishment of a formal Sustainability Committee responsible for all ESG matters
- Annual sustainability month kicked off in October 2020
- Local content drive: IMI apprenticeship programme implemented
- Third annual beach clean-up held in the UAE
- Online sustainability awareness training
- Virtual children's drawing competition with the theme 'climate change'
- Office recycling programme and awareness session

### Business partners

#### Interests

- Health, safety and well-being
- Collaborative relationship
- Steady stream of work
- Prompt payment
- Fair treatment
- Training and learning opportunities
- Ability to deliver
- Cost and quality
- Company reputation
- Local community
- Sustainability and environmental matters

**Associated risks 1, 4, 5, 7, 9 =>> 46 to 49**

#### How we engage

- Regular engagement between managers and key business partners, online and face-to-face
- Subcontractor sustainability engagement
- Supply chain management processes and bidding procedures
- Contract negotiation and management
- Email and telephone
- Press coverage
- Exhibitions and conferences
- Workshops
- Marketing material
- Toolbox talks
- Whistleblowing hotline

#### Outcomes of engagement

- Commitment of supply chain to Lamprell's core values
- Online partner sustainability sessions
- Supporting local content programme – Saudi Aramco's In-Kingdom Total Value Add and ADNOC's In-Country Value
- Actively supporting Saudisation through apprenticeship programme
- Board approved Akselos as digital partner
- Key corporate advisors appointed by the Board
- Focus area in 2020 – reliance on business partners being identified as a principal risk, and opportunity to manage
- Dedicated, experienced Lamprell staff regularly interact and engage with specific business partners
- Regular reports to the Board regarding the status of key partnerships
- Presentations from broking advisory team to the Directors on corporate matters/relationships

# Sustainable business review

## Acting responsibly for all of our stakeholders

### Our approach to sustainability

Our commitment to sustainability forms part of our overall Group strategy =>> 22 and encompasses ESG aspects of our activities. Sustainability is required for the long-term success of the business and is underpinned by our culture, our values and the Company management system, as well as defined goals which are actioned by individuals. Following review by the Board of our forward plans, we reorganised our business into three business units – renewables, oil & gas and digital – as a means to diversify our product offerings and align our plans with the energy sector transition and longer-term market dynamics =>> 4. In addition, we recently established a Sustainability Committee as a means to oversee all sustainability activities and report progress to the Board. The Chair of our Nomination and Governance Committee will be the Board representative attending these meetings.

#### Environment

We recognise that climate change, energy usage, environmental legislation and access to resources can impact our operations. How we respond to that will determine our success and continuing sustainability. Our action plan for addressing these issues includes the development of a sustainability roadmap which will specify standards and activities to ensure compliance with the recommendations from the TCFD.

#### Social

We take social issues such as labour practices, talent management and data security seriously. We have a dedicated IT security and infrastructure team which ensures the safety of Lamprell's data. We have a strong HR team which manages a large and diverse workforce of more than 5,000 employees from over 35 nationalities and we aim to be an employer of choice providing fair employment benefits for our staff. We also engage with our key stakeholders =>> 28 as a means to understand what matters most to them, and take that feedback into account during decision-making.

### Our sustainability pillars

### Key achievements in 2020

#### Resource conservation

[Read more =>> 34](#)

- 18% reduction in electricity usage intensity
- 2% reduction in water usage intensity

#### Environmental protection

[Read more =>> 32](#)

- Zero non-compliance environmental infringements
- Zero major environmental pollution events
- B company rating from the Carbon Disclosure Project for climate change
- B company rating from the Carbon Disclosure Project for supplier engagement
- Recertification to ISO 14001 latest international environmental management standard

#### Employee welfare

[Read more =>> 26](#)

- Continued to build on Board and worker engagement across the organisation through 'chat with the Chair' sessions and employee welfare committee meetings
- Broadened our well-being programmes to include aspects such as good financial health
- Continued to promote emotional wellness through webinars and online engagement
- Rolled out COVID-19 vaccination programme in early 2021
- TRIR of 0.15 for 2020, equalling our Group record

#### Stakeholder engagement

[Read more =>> 28](#)

- Consolidated review of stakeholder engagement priorities
- Actively engaged with major shareholders throughout the year
- Materiality assessment initiated to focus on ESG priorities for key stakeholder groups

#### Information technology

[Read more =>> 8](#)

- Upgrades to our IT infrastructure under way
- New digital business unit created, to realise complementary opportunities in this fast growing sector
- Signed strategic distribution arrangement with Akselos, a leading developer of simulation technologies aimed at increasing operational efficiencies
- Successful implementation of a range of new technologies in our operations

#### Financial performance

[Read more =>> 40](#)

- Debt-free at the end of 2020
- Net cash position of USD 112.4 million (of which USD 56.8 million was unrestricted) compared to USD 42.5 million at the end of 2019
- 2020 EBITDA of USD 3.9 million
- Overhead costs reduced by 25% year on year

**Governance**

Our strong track record of responsible behaviour and our rigorous governance regime helps to underpin effective sustainability performance. Our governance practices are owned and approved by our Board, while the supporting management systems are owned and implemented by our Executive Committee and relevant Group functional managers. We are also guided by a range of supporting key policies, as summarised in our Non-Financial Information Statement =>> 37. In addition, our risk management procedures help us to avoid and/or mitigate the risks that might otherwise prevent us from achieving our sustainability objectives.

➤ Read more in our corporate governance report =>> 52

**Our Sustainability Committee and its priorities**

As an output from our annual sustainability month, we established a Sustainability Committee, which will focus on the continuing improvement of sustainability standards and initiatives within Lamprell.

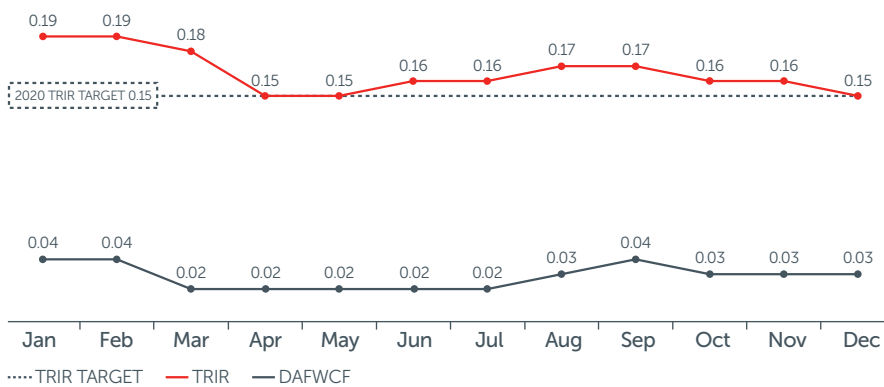
Our approach is in line with the aims of the UN SDGs (see opposite) and the Sustainability Committee will take a leading role in guiding the development of our sustainability strategy, policy and targets, as well as proposing new activities and monitoring implementation of the same. The Committee comprises key personnel from across the Group and will be chaired by our VP of HR & Corporate Services. Crucially, it will have one of our independent NEDs as a member, thereby ensuring direct access and ongoing involvement of the Board of Directors in this key initiative for the Group.

We have a clear understanding of our role in the global energy transition, given our proven track record in renewables projects. We are looking to shape our sustainability strategy around our ESG material issues. The recent materiality assessment =>> 37 helps to ensure that we understand the most important impacts Lamprell can have on the environment, society, and the economy. Having completed this assessment, we will finalise and publish our sustainability plan, which will guide our sustainability objectives and framework for the coming years.

**Our safety performance**

Lamprell’s safety performance in 2020 was world-class and we hit a record for the second time =>> 25 in our corporate history with a TRIR of 0.15. Safety is a core value at Lamprell and upholding our excellent performance is crucial. We care about our people and those stakeholders working alongside us. We will continue our efforts to maintain and improve on this performance through the implementation of new behaviour-based safety programmes as well as industry best-practice safety in design and project operational safety management approaches.

**HSE performance – 12 month rolling (2020)**



Number of incidents per 200,000 man-hours worked, including injuries that require more than first aid treatment or cause days away from work.

**How we’re working to the UN SDGs**

Lamprell recognises the significance that sustainable development will have on future generations and on the Earth’s various ecosystems. We are actively working to promote attainment on a range of the UN SDGs, both within our organisation and also in our wider stakeholder network.

**SDG goal** **Lamprell’s response**

**3 GOOD HEALTH AND WELL-BEING**  
 We arrange physical and mental welfare initiatives for everyone working on-site every year, as safety is a cornerstone of our culture and our success. These initiatives involve health awareness sessions conducted by either our in-house medical team or third-party health experts.

**4 QUALITY EDUCATION**  
 High-quality training and development for our employees is crucial as this helps to improve efficiencies and generates higher performance. In 2020, we achieved our key performance indicator of 1.65 training hours per 100 man-hours worked.

**5 GENDER EQUALITY**  
 We recruit and promote strictly on a merit basis and actively seek to improve the gender balance in all levels of our organisation.

**7 AFFORDABLE AND CLEAN ENERGY**  
 We are leaders in construction of offshore wind projects, with a dedicated renewables business unit aligned to the needs of the energy transition.

**8 DECENT WORK AND ECONOMIC GROWTH**  
 We provide good working conditions and competitive remuneration packages for our employees, which contributes to their well-being and ultimately to Lamprell’s financial performance.

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
 We implement sustainable procurement guidelines for non-project materials, which provide a framework for responsible consumption and production, as well as taking steps to maximise recycling from our yards.

**13 CLIMATE ACTION**  
 In 2020 our Carbon Disclosure Project score was B, the first time we have achieved this and an improvement over 2019. We have also reduced the GHG emissions intensity of our operations by 27% since 2016.

**15 LIFE ON LAND**  
 We implement rigorous environmental assessment, policies and procedures to organise our yards and minimise the risk and/or impact of any environmental incident.

## Sustainable business review continued

# Environment

**A sustainable environment is critical to Lamprell’s operations. Implementing TCFD recommendations, improving our sustainability reporting and continuing to roll-out environmental protection and enhancement programmes is a top priority for us.**

### Our action plan for TCFD implementation

The formation of the renewables business unit => 4 as part of our refreshed strategy =>> 22 is one of the ways we intend to transit further into supporting a low-carbon economy. Fulfilment of all applicable requirements within this emerging market segment, including the recommendations from the TCFD, is paramount to us as a Company.

A detailed gap analysis was conducted on our current practice against TCFD recommendations. Action plans are being developed for the implementation of TCFD recommendations in the coming years, including annual reporting of progress towards TCFD standard compliance.

#### Working towards full disclosure on climate change

- Develop and implement the Group sustainability road map and compliance with TCFD recommendations
- Ensure climate risks and opportunities are incorporated in the corporate risk register and within strategic plans for the wider Group
- Recommend and implement appropriate environmental initiatives that will reduce Lamprell’s greenhouse gas emissions and overall environmental footprint, in line with the UN SDGs
- Improve environmental awareness within the Group through training programmes and communications through bulletins
- Full risk analysis of climate change as a risk and potential wider impact on the Company

Timeframe	Action
<b>2020</b>	<p><b>Establish a baseline</b></p> <p><b>Analysed gaps</b> – understood our current disclosures and how they compared to TCFD recommendations.</p> <p><b>Defined objectives</b> – understood where Lamprell needs to be positioned and developed a plan to achieve this.</p>
<b>2021</b>	<p><b>Plan and implement</b></p> <p><b>Implement plan</b> – initiate actions such as governance review, materiality assessment, scenario analysis and integrating climate risk into an existing risk management framework.</p> <p><b>Materiality assessment</b> – conduct a materiality assessment to determine important areas of ESG/ climate monitoring and reporting for Lamprell.</p>
<b>2022</b>	<p><b>Compliance with TCFD</b></p> <p><b>Report</b> – disclose Lamprell’s progress in the journey towards meeting TCFD recommendations.</p>

## Environmental programmes

Our environmental programmes are geared towards identifying opportunities to continuously reduce our carbon footprint and impact across all project locations.

### GHG emissions

#### Our approach and performance in 2020

Lamprell is committed to improving energy efficiency and conservation to reduce GHG emissions from our operations. Our gross GHG emissions and emissions intensity rose in 2020 for the first time since 2014. This increase is attributable to a methodology change in the way in which our GHG Scope 2 emissions from grid electricity and water are calculated. This methodology change was the outcome of a third-party limited assurance audit on our GHG emissions and operational energy consumption, in accordance with ISO 14064-3:2019.

#### Goals for 2021 and the longer term

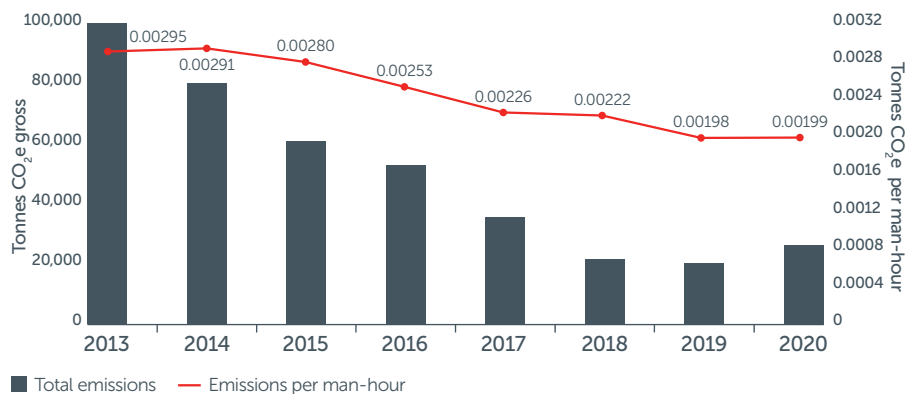
- Implement improved GHG emissions management and reporting standards as part of a new sustainability framework following the IPCC and TCFD standards
- Achieve consistent yearly reduction in GHG emissions intensity by continually seeking ways to improve energy efficiency and conservation, and reducing the overall environmental footprint of our operations. A consistent reduction in GHG emissions intensity across our operations is key to our commitment in aligning with the recommendations of the IPCC and the TCFD

### Environmental incidents and compliance obligations

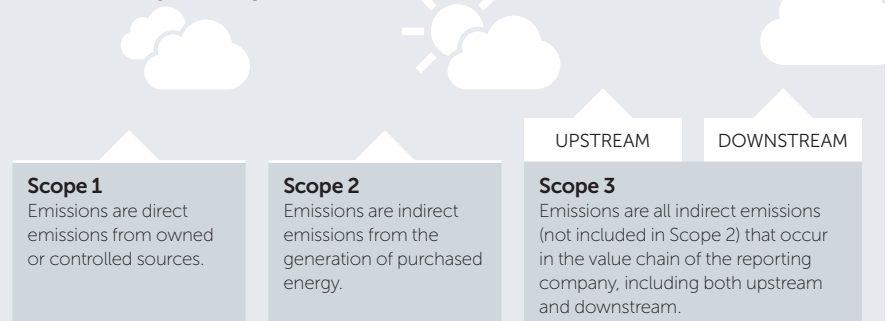
#### Our approach and performance in 2020

As part of our environmental management efforts, we implement policies to reduce the risk of environmental incidents occurring at our facilities and we have established robust mechanisms to mitigate environmental pollution arising from our operations. Over the years, we have consistently been achieving our set annual targets for reduction in our environmental incident frequency rate and 2020 was no exception.

### Lamprell greenhouse gas emissions



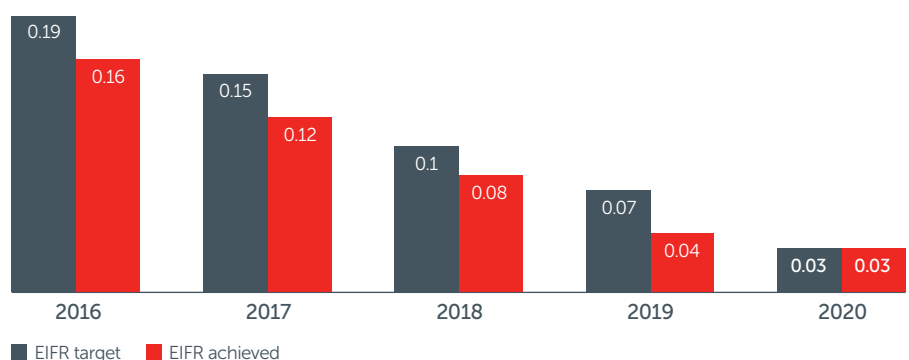
### The GHG protocol categorises a company's GHG footprint into three different scopes: Scope 1, 2 and 3.



	2020	2019	2018	2017	2016
<b>Total emissions (tonnes CO<sub>2</sub>e)</b>	<b>26,304</b>	<b>19,903</b>	<b>21,335</b>	<b>35,038</b>	<b>52,005</b>
Scope 1	12,965	7,171	14,490	24,850	46,701
Scope 2	9,866	8,977	3,803	6,457	2,911
Scope 3	3,473	3,755	3,042	3,731	2,393

### Environmental incident frequency rate

Our environmental incident rate is calculated per 200,000 man-hours and includes uncontrolled pollution events to land, sea and air.



# Sustainable business review continued

## Environmental programmes continued



### Clean coastline

The global pandemic did not deter volunteers from our annual UAE clean coastline beach clean-up event, which took place in November 2020 as part of Lamprell’s sustainability month. With participants adhering to social distancing and other COVID-19 mitigation protocols, we removed a total of 350 kilogrammes of waste from Umm Al Quwain beach near the Hamriyah Free Zone facility. This initiative helps keep the marine environment litter-free, whilst ensuring the protection of the local marine ecosystem.

#### Compliance obligations

Compliance with all applicable laws and regulations is fundamental to our business, and as such we routinely review these to ensure compliance is maintained. We again achieved the status of zero environmental compliance infringements for 2020 due to the vigilant and proactive work undertaken in this area.

#### Goals for 2021 and the longer term

- Maintain 100% environmental compliance
- Our long-term goal is to achieve zero environmental incidents across all our operational facilities while our short- to medium-term goal is to improve upon our annual EIFR rate

#### Waste management

##### Our approach and performance in 2020

We take steps and employ significant resources to manage waste generated from our facilities and either recycle it or dispose of it in an appropriate manner. In 2020, 91% of waste was diverted away from landfill. A detailed waste stream analysis was completed in the reporting year to further identify additional waste streams that can be recycled and reused to improve this waste diversion rate.

#### Goals for 2021 and the longer term

- The business will continue to strive to improve its waste diversion rate to at least 95% for the short to medium term and 100% in the long term

- Implement a Behavioural Based Environmental Programme which encourages a positive behavioural change towards environmental stewardship by all employees

#### Resource conservation

##### Our approach and performance in 2020

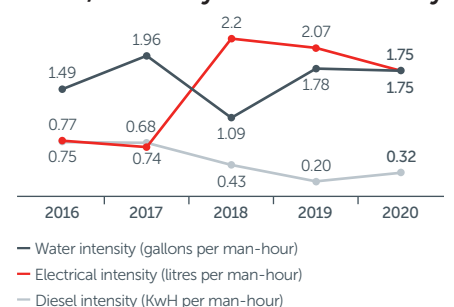
Resource conservation is one of our sustainability pillars and focuses on efficient energy usage and water conservation. We reduced water usage intensity by 2% over 2019 while our year-on-year electricity consumption intensity reduced by 18%, despite generating more operational man-hours in 2020. These reductions are a result of initiatives being implemented during our sustainability campaign, such as the installation of water-efficient taps across all our facilities, sustainability awareness training to staff and subcontractors, and the optimisation of electrical conservation in our yards. In addition, product life-cycle analysis was completed across applicable operations to help us better understand our cradle to grave environmental impacts. This process has now been incorporated as part of our approach to best-practice environmental management.

#### Goals for 2021 and the longer term

- The development of a power consumption plan to reduce electricity usage by 30-40%. This will be aimed at ensuring a significant reduction in our GHG emissions, and consequently reducing power demand across all operational facilities

- Considering the importance of water globally and the shortages of this essential natural resource in some parts of the world, conservation will become paramount and we will continue to strive to further reduce our operational consumption intensity by 20% in the long term

#### Water, electricity and diesel intensity



The increases in the intensity of electricity usage in 2018 was due to the connection of the Lamprell Hamriyah facility onto the UAE electrical grid, resulting in a drop in the intensity of diesel consumption in the same year. The principal objective for Lamprell is to improve the efficient use of all these resources over the long term and, in doing so, reduce the environmental footprint of the organisation.

# Social

## How we approach social matters

Lamprell’s primary investment in social matters is through internal activities for our workforce and in collaboration with key external stakeholders or the local communities. Our current and future success is underpinned by our ability to recruit, retain and motivate a high quality, skilled workforce. If we fail to do so, this could undermine our operational capabilities, management effectiveness and, ultimately, our long-term profitability. In this context, we strive to provide a working environment that offers equal opportunities, safe working conditions, competitive terms of employment and quality learning and development experiences.

We do not conduct our operations or business in isolation. Our activities can potentially affect stakeholders including in particular the governmental authorities for the locations where we operate. In turn, these stakeholders could potentially affect our success in achieving our business goals or

strategic objectives. In this context, we strive to avoid and/or minimise any potential negative impacts and to maximise our positive impacts across a range of issues, and thereby maintain a strong reputation in the local communities. This includes our commitment to delivering economic value to society; cooperating transparently and constructively with local governments; and respecting the human rights of stakeholders across society.

Core to our philosophy around social investment is our focus on education initiatives. Education is a key focus area of the strategy because it links to Lamprell’s training and skills development, and that ultimately creates career development prospects for our employees. As of 31 December 2020, we had over 1,600 employees working for the Lamprell Group for more than 10 years, roughly 30% of the total workforce. That is an incredible achievement and demonstrates our willingness to invest in the development

of our employees. Also, our future growth and sustainability require an expanding number of talented engineers across all levels of the business. It is in Lamprell’s interests to encourage more people, especially from different backgrounds, to enter the energy industry.

We will support innovative programmes which focus on areas that address both our business and societal needs. We will build long-term strategic relations with recognised and respected partners and where possible work collaboratively with clients.

Where agreed, we will encourage and support employees who wish to volunteer their time to participate in initiatives in line with the focus areas and approach outlined here. Any monetary grants, regardless of their value, are subject to the guidelines contained within Lamprell’s Business Code of Conduct.

### Our key achievements in 2020



#### COVID-19 response

We committed extensive resources to protect the welfare of our employees against the impact of the global pandemic from February 2020 throughout the rest of the year. This had the symbiotic benefit of keeping our yards open and progressing our projects, and of keeping our workforce employed at a time when many people around the world were losing their employment.



#### SmartLife

Our engagement with local not-for-profit NGO SmartLife, whose focus is on bringing a variety of educational programmes to ‘blue-collar’ workers across the UAE, is important to us. They provide continuing employee welfare activities specifically for our large yard audience. Our relationship with SmartLife began in 2019 and in 2020 we were proud to see:

- The graduation of Lamprell’s SmartReading students whose efforts focused on written and spoken English
- The launch of SmartComputers, an initiative teaching our yard employees how to use a laptop effectively, using basic software packages to produce documents



#### Sandoq Al Watan

Aligned with the UAE’s vision to be a technology-enabled nation, we are supporting the local social initiative Sandoq Al Watan which focuses on UAE directives that call for sustainable development, a decent life, and a bright future for all. Our engagement provides funding to a student in their UAE coder programme.

## Sustainable business review continued

### How we approach social matters continued

#### Our focus for 2021

To engage with at least one further SmartLife initiative for our yard employees and to build on the early 2020 engagement with Sandooq Al Watan to ensure that our relationship is meaningful and sustainable for the long term, ensuring that both projects deliver results for the students.

Social sustainability focal areas for 2021 will be:

#### Health

- Continue with our actions to respond to and prevent the spread of COVID-19, including the promotion of vaccination uptake for all personnel working on-site in our facilities
- Seminars and emotional well-being support
- Drive health campaigns for the business to keep employees aware of relevant self-improvement programmes highlighting the risks associated with unhealthy lifestyle habits
- Coordinate with specialists from hospitals, health centres and wellness providers to deliver awareness sessions to employees
- Improve health appreciation and knowledge, especially associated with COVID-19 post vaccination, driving the required behaviours

#### Social

- Monitor the socio-political developments within the region and across the UAE as a whole
- Encourage volunteering from employees, clients and subcontractors in relevant programmes within the organisation and the community at large which champions the ethos of corporate social responsibility and investment, aligned with our focus on science technology engineering and mathematics education
- Engage the Group in at least one annual not-for-profit activity
- Continue to develop and implement internal social involvement programmes for the Company

#### Careers

- As part of our annual performance appraisal process, ensure each functional area is identifying personnel training/development needs that will ensure career progression and inform the succession planning process
- Ongoing employee engagement programme with the Board, alongside leadership talks from executive and operational management
- Continuing identification and development of high potential individuals
- Facilitate progressive employment policies and practices within the Group
- Enshrine informal learning and engagement opportunities within departments to foster continuous growth in knowledge within their own or other departments; encouraging career mobility



### Board visits Hamriyah facility

Following two days of meetings held in Dubai in early 2020 and before we all felt the impact of the COVID-19 restrictions, Lamprell's Board of Directors participated in a tour of the Hamriyah office and yard where they got to see first hand some of the improvement initiatives that have been rolled out across the facility. The state-of-the-art facial recognition technology, which has been implemented across our yards, is improving the way we manage our business including our people, processes, materials and, more importantly, safety and security. A walk through the large Moray East renewables project site and a visit to the warehouse where the welding robots were in action allowed the Board to personally witness the yard optimisation efforts that will drive significant efficiencies within Lamprell's production.

# Non-financial information statement

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

## Clients

With a diverse portfolio of clients and partners across our renewables, oil & gas and digital businesses, we pride ourselves on understanding their many varying priorities and demands. Safe delivery of projects, underpinned by the highest levels of integrity, and engaging with clients to build strong relationships are a top priority for us.

[Read more >>> 28](#)

## Employees

Our employees are at the heart of all that we do. They shape our culture. As we continue to evolve in support of the energy transition our people need to be adaptable and forward thinking. We endeavour to recruit, train and reward such that we can organise our business optimally and cost efficiently. It is important to us that all our employees feel they can make a difference and want to be part of Lamprell's evolution.

[Read more >>> 26](#)

## Environment

We are determined to operate responsibly to protect the environment. We assess and consider the impact of all our activities and how the local environment might be affected at all times. We are constantly seeking ways to improve and make a positive contribution. We set ourselves meaningful environmental targets which meet and often exceed regulatory expectations, improving our positive impact.

[Read more >>> 32](#)

## Social matters

We recognise the importance of education particularly in the areas of science, technology, engineering and mathematics. This is the foundation of any social investment we make whether through local not-for-profit NGOs, as with our SmartLife engagement, or other more formally established institutions such as our new relationship with Sandoog Al Watan.

[Read more >>> 35](#)

## Human rights

We focus on areas where human rights are critical to how we work and where we see the highest risk for potential impact on the same: labour rights and supply chains. Our approach applies to all our employees and contractors. Human rights due diligence is embedded into our existing processes and frameworks such as our Modern Slavery and Human Trafficking Policy.

[Read more >>> 66](#)

## Anti-corruption and anti-bribery

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

[Read more >>> 66](#)

## Policy implementation

Through our strong focus on corporate governance as well as a robust quality management system, all our activities are underpinned with rigorous adherence to Lamprell's corporate processes. They are a 'must do' for everyone and are routinely audited to ensure they remain fit for purpose.

[Read more >>> 70](#)

## Materiality assessment

Early in 2021, we undertook a materiality assessment to identify and prioritise our most significant sustainability issues. It is not an audit or a performance evaluation but rather, in line with the Global Reporting Initiative Standards, it identifies the ESG issues of greatest relevance to Lamprell and its stakeholders, including those where the business already has a strong management approach. The objectives are to confirm that the ESG issues Lamprell is managing now are the correct ones, to identify additional issues where further action may be needed, and to increase transparency of these issues in Lamprell's external reporting. This materiality assessment was the first such review conducted by Lamprell and so it followed a streamlined approach which recommended issues for Lamprell to prioritise, manage, measure and report on, and they have been grouped for reporting purposes as set out in this sustainability report.

## Findings from the assessment

The next step is to conduct a gap analysis to confirm which of the most material issues are already well-managed, and where there is potential to put in place additional measures to strengthen Lamprell's approach. Some of the key findings include the following:

- Increased impact of energy transition and climate change, reflecting growing investor focus on the strategic, long-term nature of the challenges facing the industry and society more broadly
- Need for heightened cyber security, which remains a key risk to the business given ongoing instances of cyber-attack against multinational companies
- Ensuring that Lamprell operations are aligned to the market dynamics and needs of our customers and entire stakeholder base, which we addressed with our reorganisation into three distinct business units >>> 4

It will take time to build a long-term approach that ensures all material issues are fully managed, risks mitigated, and stakeholder expectations met. In the short term, we are targeting 'quick wins', where action can be taken swiftly and cost-effectively while longer-term measures are in development.

# Operational review

## Streamlining our operations

“Despite the dual headwinds of a global pandemic and instability in the oil industry, Lamprell’s operations team was kept busy with the consolidation of our facilities into one yard, completion of the Moray East project, and startup works on several significant new contracts.”



**In early 2020 we took the decision to consolidate our operations for the time being into Hamriyah, our largest yard. The Jebel Ali facility was mothballed and, following completion of the Moray East project, we closed the Sharjah facility. At Hamriyah, we expanded acreage by adding 127,000m<sup>2</sup> of yard space, an increase of around 25%. These steps allowed us to grow fabrication volumes gradually while significantly improving efficiency and reducing our cost base.**

In 2020, we completed the Moray East project, started work on two of the new build jackups destined for Saudi Arabia and commenced work on the Seagreen renewables project. Once again, we saw a steady stream of rig refurbishments throughout the year and offsite, we completed work on the EPIC contract for the Mahani project. Matching our best performance in the Company's history in 2018, we were delighted to achieve a year-end TRIR of 0.15 for the second time => 25. Considering the circumstances surrounding COVID-19 and how busy our yards were in 2020 as we ramped up on new projects, this is an outstanding achievement.

## Renewables

In June 2020, we received a contract from Seaway 7, the renewables business unit of Subsea 7, for the procurement, fabrication and delivery of 30 wind turbine generator substructures, which comprised the jackets, transition pieces and suction caissons. Seagreen is the third major European offshore wind project that Lamprell has been awarded in this fast-growing renewables market. In April 2020, we reached a final commercial settlement on the East Anglia ONE project. We also successfully completed the Moray East project. Moray East, which included the delivery of 45 jacket foundations for wind turbine generator substructures and three jackets for offshore substations, was operationally completed in September 2020. The team did extremely well to navigate the various complexities thrown our way by the arrival of the COVID-19 pandemic, including those felt by our global supply chain partners and our yard workers who rose to the challenges, continuing to deliver during very stressful times. With more than 100 jackets in our renewables portfolio today and a new project underway, Lamprell is forging ahead as a market leader in this area.

As the Group has researched ways to improve throughput in our yard, we have invested in a new, bespoke lifting frame with over 2,000 tonnes of capacity, which is being used to upend our jackets prior to load-out. A lifting frame upends the foundations more efficiently. The frame was commissioned in 1H 2021 for use on the Seagreen project.

## Oil & gas

Early 2020 saw Lamprell sign a contract with its joint venture partner IMI for the fabrication and delivery of two jackup drilling units, the first award of this kind to anyone in the industry for over five years. The rigs are being built collaboratively between IMI and Lamprell. Later in the year, IMI awarded an engineering contract to us for the design of future state-of-the-art jackup rigs, demonstrating IMI and Lamprell's commitment to support Aramco's fleet expansion over the next decade. Extending over the next three years, the work will be undertaken in two parts: an initial phase incorporating detailed design engineering, followed by the production design phase.

We welcomed the first groups of IMI Saudi apprentices in early 2021 as part of the ongoing Saudisation development programme. One group of engineering apprentices will work alongside our experienced engineers on the rigs, while the second group of technical trainees will be working in our yard learning trades skills.

Our rig refurbishment division had a strong 2020. It started the year with 13 rigs in our yards from the prior year. In the subsequent 12 months, a total of 17 new rig refurbishment contracts were awarded and by the close of 2020, we had successfully redelivered 16 while the remaining rigs either continued undergoing refurbishment work into 2021 or were stacked in our yard. Impressively, seven of our rig refurbishment projects came from our trusted UAE partner and valued repeat client ADNOC.

Our site services business received a contract award from Sharjah National Oil Corporation to undertake a medium-sized EPIC project associated with the newly discovered Mahani gas and condensate field in Sharjah, UAE. Lamprell's scope of work included hook-up and installation at the well, existing systems upgrade, associated tie-ins and a new 23km export pipeline. The project was successfully completed in early 2021 as planned and handed over to a very satisfied client.

Finally, in 1H of 2021, we were delighted to be formally awarded two significant LTA contracts by Saudi Aramco. While these contract wins in our oil & gas business unit cement our reputation in this business, raising additional capital to support operations is key, and without this, we may be faced with significant challenges to ensure that we can deliver on our contractual obligations => 41.

## Digital

Research and development is an important evolution for Lamprell given its focus on industrial operations. Our new digital team had a busy 2020, successfully implementing a range of technologies in our operations including the deployment of adaptive robotic welding onto our projects, facial recognition technology and a proprietary digital quality management system. We are looking to develop and embed such opportunities into our business, to improve productivity and also generate new revenue streams => 8.

In 2021, provided that we have access to new capital, we will continue to progress the development of two types of robotic technologies. These will allow us to enhance our operational efficiencies and de-risk potential constraints with labour supply. The first is adaptive robotic welding which had previously been tested and proven on the Moray East project and is now being deployed on our Seagreen project. The second will be used for complex TKY joints and is currently part way through 'proof-of-concept' testing.

Through the joint initiative with our digital partner Injazat/G42, we are developing a platform that uses AI technology, which will help us to gain detailed insights into workforce and equipment movement, which we believe will, in turn, enable us to become safer, more productive and efficient. The platform will be tested in our yards.

Another major digital initiative being explored is the use of Akselos' engineering software which has the potential to significantly improve our constructability input and enhance future designs. It will allow us to build physics-based models for our clients that will serve as a true reflection of their assets' utilisation and reaction in the field. We anticipate that this will generate considerable value for our clients in the renewables market as we transfer our knowledge from fixed foundations into future floating foundations. The technology will help us gain unprecedented insights on cost reduction opportunities for our clients, the ultimate asset owners. We are in the process of testing this software on our new lifting frame which represents an excellent proof of concept for the technology.

## Hani El Kurd

Chief Operating Officer

# Financial review

## Resilient performance in a year of uncertainty

“Fiscal discipline was our primary focus in 2020, which, together with growing annual revenues, allowed us to improve financial performance to deliver positive EBITDA. Although we ended the year debt-free and with a solid net cash position, completion of a new capital funding arrangement is the top priority for 2021 and crucial to the ongoing viability of the business, given current liquidity challenges.”



We are pleased to report improving financial performance despite significant challenges presented by the COVID-19 pandemic. Our revenues increased for the second consecutive year to USD 338.6 million (2019: 260.4 million) as we worked through three major projects – the IMI rigs, Moray East and Seagreen. Revenues from the rigs segment with contribution from two IMI rigs, the Mahani EPIC projects and rig refurbishment, amounted to USD 128.7 million. Rig refurbishment has had another strong year; we were awarded 17 rigs, seven of which were marked for large scopes from our largest and major UAE client, and a total of 16 rigs were delivered. USD 150.3 million is attributable to the EPC(I) segment, where we completed fabrication on Moray East and progressed Seagreen. Renewables have been a strong revenue contributor over the past four years and are now considered a core offering, which is reflected in the reorganised structure of three business units from 2021.

Our contracting services segment, which focuses on the provision of personnel and other services to the renewables and oil & gas industries, was noticeably impacted by the lockdowns and generated USD 59.6 million in 2020, down from USD 68.5 million in 2019. This segment showed good recovery in the second half of the year, and we look forward to it returning to full performance in due course. Despite improvements in revenues and EBITDA, the Group is facing severe short term liquidity challenges. More information on the Group's plans to mitigate this issue is provided within this section.

### Margin performance

Despite the challenges of the global pandemic throughout most of 2020, we report an improved margin performance for the year, with a gross profit of USD 14.6 million for the year (2019: gross loss of USD 27.6 million). The improved performance is attributed to strong project execution, the overhead reduction programme which included the downsizing of our operational footprint, and consolidating our operations into one yard, as well as temporary cost reduction measures to offset the impact of COVID-19. The Group will not see the full benefit of past actions to improve profitability until it completes the ongoing work on the legacy low/zero margin projects.

EBITDA from continuing operations in 2020 was USD 3.9 million, a significant improvement on the prior year (2019: USD (64.6) million), representing an EBITDA margin of 1.2% (2019: (24.8)%).

### Finance cost and financing activities

Following the repayment of outstanding debt on 11 March 2020, the Group is currently debt-free. Net finance cost (excluding interest expense on leases) therefore reduced to a neutral position (2019: USD 3.0 million).

We are assessing a number of options for funding to mitigate current liquidity challenges as well as future funding of our strategic objectives as a key priority for the Company in 2021, further details of which are included in the section below titled "Balance sheet recapitalisation plans".

### Net loss

Net loss for the year ended 31 December 2020 was USD 53.4 million (2019: loss of USD 183.5 million). The loss is driven by the continued low revenue levels and the minimal margin on the IMI Rigs projects coupled with USD 5.6 million of one-off expenses related to the overhead restructuring programme and non-cash impairments of USD 4.6 million. The diluted loss per share for the year was 15.63 US cents (2019: diluted loss per share – 53.71 US cents).

### Capital expenditure

One of our priorities in 2020 was preserving liquidity, particularly given the unknown duration and extent of the impact of the COVID-19 virus. As a result, non-essential capital expenditure was put on hold. Capital expenditure for the year ended 31 December 2020 was USD 14.2 million and largely focused on investments to improve efficiencies in serial renewables fabrication.

During the fourth quarter of 2020, we made a USD 26 million equity contribution to the IMI joint venture. To date, Lamprell has invested USD 85 million of the USD 140 million committed. This followed a review of the Group's near-term cash flow and improved project working capital position on the two IMI jackup rigs. The next equity contribution amounting to around USD 17 million to the IMI, a key strategic investment in maintaining the Group's relationships in the Kingdom, is scheduled for Q3 2021 and will be one of the uses of proceeds of the proposed equity raise.

### Cash flow and liquidity

The Group's net cash flow from operating activities for the year ended 31 December 2020 reflected a net inflow of USD 113.3 million which was driven by savings from the reduction in cash overheads, and the final settlement payment from the East Anglia One contract, as well as milestone receipts and effective cash management on major projects. Prior to working capital movements and the payment of employees' end-of-service benefits, the Group's net cash inflow was USD 5.8 million. Cash, together with bank, term and margin deposits, increased by USD 50.7 million to USD 113.3 million.

### Balance sheet

Net cash increased from USD 42.5 million at 31 December 2019 to USD 112.4 million at 31 December 2020, of which USD 55.6 million was restricted through project guarantees and bonds. Key drivers for the improved net cash position included the milestone payments on the two IMI rigs and Seagreen major projects in the final quarter. Net cash has trended down in 1H 2021 and will continue to trend downwards through 2021 as projects progress and in particular the IMI rig projects draw working capital as part of the normal project cycle.

The Group's total current assets at 31 December 2020 were USD 286.4 million (31 December 2019: USD 229.7 million). Trade and other receivables increased to USD 73.9 million (31 December 2019: USD 37.4 million). Contract assets increased to USD 85.4 million (31 December 2019: USD 40.4 million). The increase in trade and other receivables and contract assets is attributable to contract work in progress and billing on ongoing projects.

Shareholders' equity reduced to USD 160.4 million (31 December 2019: USD 211.4 million).

### Borrowings

Following the repayment of a USD 30 million debt facility in March 2020, the Group holds minimal levels of debt at USD 0.9 million.

### Balance sheet recapitalisation plans

We have been successful in securing project financing for the Seagreen project via a green bond from HSBC, and our balance sheet allows us to execute ongoing work and continue bidding for new contracts. As highlighted previously, the Group has been assessing its funding options, in terms of meeting near-term working capital needs and its strategic objectives. Despite a committed programme of overhead reductions aimed at preserving liquidity, in 2021, a number of major projects will have substantial working capital requirements thereby putting significant pressure on the balance sheet in Q2 and Q3 2021. Unrestricted cash available to the Group fell from USD 56.8 million at December 2020 to USD 18.6 million in May 2021. Consequently, to fulfil its near-term working capital needs and to then meet its medium term strategic objectives, the Group will undertake a balance sheet recapitalisation programme for an amount of USD 120–150 million, either through a combination of debt and equity, or equity for the full amount, to be completed by the end of Q3 2021. Further details of the plans are included in the section below titled "Going concern".

## Financial review continued

### Strategic reorganisation

In January 2021, the Group took the decision to reorganise into three business units: renewables, oil & gas and digital. We intend to align Group financial reporting with this structure for the full year 2021.

### Going concern

The Group's consolidated financial statements have been prepared on a going concern basis as further discussed in Note 2.1. In performing their assessment of going concern, the Directors have considered the forecast cash flows for the 15 months to 30 September 2022 and reviewed the progress against the key assumptions discussed below:

#### Planned capital raise

As highlighted previously, the Group has been assessing its funding options, both in terms of meeting near-term working capital challenges and meeting its strategic objectives. Despite a committed programme of overhead reductions aimed at preserving liquidity, in 2H 2021, a number of major projects will have substantial working capital requirements, in particular the IMI rigs, thereby putting significant pressure on the balance sheet in Q3 2021.

To fulfil its near-term working capital needs and to then meet its medium-term strategic objectives, the Group must complete a new funding arrangement of USD 120–150 million by the end of Q3 2021, either through a combination of debt and equity, or via a larger equity raise. At the date of publication, the Group is in advanced stages of negotiation with certain relationship banks to secure project finance facilities, which will be secured by the proceeds of specifically identified projects, of up to USD 90 million, backed by export credit agency support. While approval is expected by the Board, there can be no certainty of the project finance facilities being concluded. If the Group is unsuccessful in concluding the project finance facility which enables the Group to fund the payment of its debts as they fall due, the Group will need to raise capital through equity for the full amount of USD 120–150 million. Should these funding options not be executed successfully, the Group is unlikely to be able to maintain sufficient liquidity in order to continue trading.

In aggregate, the capital proceeds from the funding routes being pursued will then be used to fund initially the working capital requirements of the IMI Rig Projects, which draw their peak working capital requirement in 2H 2021 and the outstanding final committed and contractual equity contributions to the IMI joint venture in Saudi Arabia. Following receipt of the final milestone payments on the IMI rig projects, expected in October 2022, the proceeds will then be used to make further operational investment in efficiency and capacity growth, notably for renewables projects (which may be accelerated

depending on the structure and quantum of the equity raise); and invest in the significant opportunities in developing the Digital business unit.

The timing and quantum of the equity raise is critical and dependent upon market conditions and the outcome of the Group's negotiations with the banks for project finance. Should the Group be unable to secure the capital raise, either through the project related debt and/or equity there is significant risk that the Group will be unable to meet its contractual obligations as they fall due.

#### Deferral of creditor payments

A key part of the Group's strategy to address current liquidity challenges is the extension of credit terms with certain suppliers, and the deferral of payments. This activity must continue until the proceeds of the new funding arrangements are received, and should the timing or quantum be different to forecast, will need to increase to a point that may not be sustainable. The group's ability to do this is critical and dependent on the reaction of key suppliers, which is outside the Group's control. Should the Group be unable to sustain this, there is a significant risk that the Group will be unable to meet its contractual obligations as they fall due.

Further key assumptions included in the forecast cash flows are summarised as follows and explained in further detail at Note 2.1:

- conversion of a portion of the bid pipeline to contract awards in line with our strategy;
- release of restricted cash relating to the Bank Guarantees provided to our client on the EA1 project;
- execution of existing major projects in accordance with agreed milestones, forecast costs and payment receipts in accordance with the contract;
- revenues from our Contracting Services segment and Rig Refurbishment business unit continue in line with those achieved in prior periods; and
- the commercial closeout of the Moray East project in line with current forecasts and resulting final payments.

The COVID-19 pandemic continues to affect our ability to make forecasts and increases uncertainty around all of these assumptions, particularly the timing of new funding arrangements, new major contract awards, our ability to meet project milestones and also vendors' ability to accept extended credit periods. In view of this, the Directors have considered downside sensitivities to the key assumptions which include no new significant contract wins in the going concern period and the inability of the Group to secure new funding arrangements. The Directors have concluded that, in aggregate, such matters beyond management's control represent a significant judgement on the entity's ability to continue as a going concern.

Significant disruption to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have considered the realistic availability and likely effectiveness of drastic and severe mitigating actions that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows, along with the Group's ability to carry out those actions. These include: continued fiscal discipline and targets for managing working capital particularly with respect to the delivery of the two IMI rigs which draw their peak working capital requirement in 2H 2021. This includes extending credit periods with vendors in the months where our cash requirements are significant; delaying planned contributions to our IMI joint venture; deferring implementation of the 'Lamprell reimagined' strategy until a time the funding can be secured; self-help measures including extending periods of reductions in overheads, fees, salaries and allowances for the Board, senior management and professional staff, use of a deferred salary savings scheme and where operationally feasible, placing staff on reduced working hours or unpaid leave; reduced levels of capital expenditure and digital spend; and sale of non-core businesses or assets.

Following consideration of these actions, the Directors are satisfied they have appropriate available mitigating actions in place to ensure that the Group remains liquid in the short term. However, the Directors highlight that these mitigating actions are severe and will require support from vendors to manage working capital requirements for the business. Assumptions in management's forecasts regarding the Group's plans to raise capital, and its ability to continue to defer payment to certain suppliers as set out above, which are outside their control, represent a material uncertainty that may cast significant doubt on the group's and company's ability to continue as a going concern.

### Dividend

The Group made progress in returning to profitability in 2020. However, current revenues remain at insufficient levels to cover existing overheads, and the COVID-19 pandemic continues to cast major uncertainty on markets and industries. As a result, the Directors do not recommend the payment of a dividend for the period in relation to the financial year ended 31 December 2020. The Directors will continue to review this position in light of market conditions and Group performance at the relevant time.

### Post balance sheet events

See Note 40 on => 141 for events that have taken place post the balance sheet date.

### Tony Wright

Chief Financial Officer

# Viability statement

In accordance with the UK Corporate Governance Code 2018, the Directors have assessed the prospects of the Company over a longer period than the 12 months required for the going concern statement. In preparing this assessment of viability the Board has considered the principal risks faced by the Group, relevant financial forecasts and sensitivities and the availability of adequate funding.

## Assessment period

The Board conducted this review for a period of three years to 30 June 2024, which was selected for the following reasons:

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

## Consideration of principal risks

The nature of the Group's operations exposes the business to a variety of risks =>>44 and the Board regularly reviews the principal risks and assesses the appropriate controls and further actions =>>46. Lamprell's strategy and business model are central to an understanding of its future prospects and mitigation of risks. Its business model =>>18 has proven to be resilient in previous project cycles but it remains under severe pressure due to circumstances at the macro and micro level. The energy industry continues to be challenging in light of the impact of the transition from hydrocarbons to renewables and the added risks caused by COVID-19, both of which continue to have a detrimental

effect on the broader economy and capital investment decisions by clients. Specific to Lamprell, while the Board is excited by the significant opportunities in its addressable markets, the Group needs to complete a new funding arrangement of USD 120–150 million by the end of Q3 to fulfil its near-term working capital needs and meet its strategic objectives.

## Assumptions

In assessing the long-term viability of the Group, the strategy reflects the Directors' best estimate of the Group's prospects and is based on the certain base assumptions in the financial forecasts, reflecting the overall strategy and which are as set out opposite in the going concern statement =>>42 (the 'Projections').

The Board has considered that those principal risks could potentially impact Lamprell's ability to deliver on its strategy or threaten its financial projections in the assessment period, as detailed in the table below. The Directors recognise that future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. As such, they have considered the realistic availability and likely effectiveness of mitigating actions, some of which are severe, that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows including:

- Capital raising of USD 120-150 million through debt and/or equity
- Negotiations with the other IMI shareholders regarding the deferral of the next instalment of our strategic capital expenditure in the Saudi maritime yard scheduled for this year
- Effective cash management in the supply chain to improve cash inflows and outflows
- Self-help measures including reduction and delays in payment of salaries and allowances, headcount and other non-staff overheads, use of deferred salary savings

scheme and where operationally feasible, placing staff on reduced working hours or unpaid leave

- Minimal level of capital expenditure including deferring implementation of the 'Lamprell reimagined' strategy

The Board has considered the risk mitigation strategy as set out for each of the risks and believes that the above Projections would be sufficient to ensure that the Group should be able to remain viable during the three-year period. However, the Board also considered a downside case for the Projections which anticipates that the new capital raise options (through debt and equity) are all unsuccessful as this is the risk causing greatest sensitivity to the financial performance and prospects of the Company – in such instance, it is highly unlikely that the Group would have sufficient headroom to continue to be viable, even in spite of all other, severe mitigation measures being enacted by management.

## Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Strategic Report. The Directors have also considered the availability of actions within their control in the event of plausible negative scenarios occurring and the expectation that the Projections will complete. While the Board believes that there is a reasonable prospect of the Company being able to address the individual risks, significant disruption to the timing or realisation of the fundraising noted above would likely result in the business being unable to discharge its liabilities as they fall due, meaning that it is unlikely that the Group would be viable or would be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Principal risks	Base assumption	Downside scenario
Ability to finance business	USD 150 million equity raise	Capital raise is unsuccessful
Economic conditions	Gradual improvement over time	No improvement in market conditions
Counterparty risk	Short term extended credit terms	Prolonged extended credit terms
Project execution	N/A	No reasonably plausible financial exposure has been modelled

# Risk and risk management

**Lamprell has a comprehensive approach to risk management. We recognise that effectively managing risks and opportunities is essential to our long-term success and is fundamental in helping us achieve our strategic objectives and protecting long-term shareholder value.**

## Our approach to risk management

We employ a systematic process to identify, assess, monitor and communicate the risks facing the Group. Together, our organisational structures, processes, standards, values and behaviours form a robust integrated internal control system that helps proactively manage our risks. The Board is responsible for the Group's risk management processes and for oversight of how risks and opportunities are addressed. The Board considers the level of risk that is deemed acceptable in pursuit of strategic objectives, balanced against the need for business development and the pursuit of growth opportunities which may have an inherently higher degree of risk.

The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model =>> 18, future performance, solvency or liquidity, as required by the Code.

Risk management is conducted using both bottom-up and top-down approaches to cross-check results. Business objectives and risk action plans are agreed and executed by the relevant functional leadership team. Project risk management is executed by the project management teams, with comprehensive risk identification, analysis and reporting activities being undertaken regularly. Our functional leadership teams and the Executive Committee undertake a comprehensive review of corporate risks every quarter to ensure they are understood, managed and appropriately mitigated before they are reported to the Audit and Risk Committee on a biannual basis.

## Our risk management framework and process

A matrix of risk likelihood versus impact is used to help analyse and communicate risks throughout the Company. The risk matrix facilitates the consideration of risk inter-dependency and the amalgamation of similar specific risks across the organisation. Risks are categorised according to level and escalated as appropriate.

Lamprell's risk management process closely aligns to the ISO 31000 risk management methodology.

Lamprell's risk management framework, under the oversight of the Board, is implemented through two key risk management procedures: at the project level, the project managers use a risk management procedure which covers activities for both proposals and active projects; at the corporate level, each of our support departments deploys a risk management procedure governing risks arising from their respective departments to business objectives. Acting as a focal point for all risk management assessments, we have a commercial and risk management department which monitors the effectiveness of the framework to ensure it remains fit for purpose. In addition, Lamprell's internal audit department undertakes individual audits to independently assess the effectiveness of internal controls and implementation of the overall framework.

Whether it is at the project level or in the support departments, the initial stages of the risk management process are similar: our teams consider the context, scope of work, or activity upon which the risk assessment is based in order to focus on risk identification. Identified risks are analysed in terms of probability of occurrence and impact, and on a 'gross' (i.e. pre-mitigation) and a 'net' (i.e. post-mitigation) basis. Possible risk treatments are then evaluated, and detailed risk response plans are developed, and specific actions allocated to staff to address. The relevant team monitors and reviews its risk register regularly, with risk profiles also being reported to management regularly.

The network of embedded risk focal points is key to ensuring effective management and internal communication of risks. All corporate, project and proposal risk registers are stored in our risk management information system, which is the central depository for risk management information. The system enables us to assess the position of our business and project risks at any given time, and the system provides a valuable audit trail.



**An evolving, learning journey**

We recognise that the risk management process offers opportunities to improve key aspects of the business in our journey to implement our 2021 strategic goals =>> 22.

There was a major overhaul of Lamprell’s bidding and estimation processes, as well as the identification and quantification of risks in 2018. But all processes and procedures continue to be reviewed and refreshed on an iterative basis, as we complete other projects and compare ourselves against peer companies.

Lessons learned from the East Anglia ONE wind farm project were embedded into the organisation and onto the Moray East project with great success. These, along with other lessons learned from Moray East, are being implemented on the Seagreen windfarm project =>> 39. Given the expected significant growth in the renewables sector over the coming decade and more =>> 16, we are taking the process improvements from earlier renewables projects and using them to remain competitive. This is all the more important as we look to achieve our strategic goal of moving up the value chain by taking a broader role in such projects.

By way of example, we identified counterparty risk in the supply chain as a key emerging risk in 2020 because of the combined pressure of the highly-competitive energy markets and the constraints caused by the global pandemic. We have therefore enhanced and expanded our due diligence procedures and activities for key suppliers on projects – in this way we obtain greater reassurance about the longer-term ability of suppliers to take on new work. This allows us to outsource significant proportions of new projects where suppliers can complete those works more efficiently and competitively.

Similarly, there was significant effort expended in reviewing our risk management processes in light of the impact of the pandemic. This placed additional strain on all aspects of the organisation, whether our personnel, our projects or clients. As a result, the project management and health and safety teams worked very closely and coordinated efforts to conduct frequent reviews of any additional risks posed by the virus to ensure the achievement of schedule, cost, HSE and quality objectives. They developed, monitored and tracked completion of related risk management action plans.

Lamprell’s approach to risk management is decentralised. As with all aspects of good governance, the effectiveness of risk management and internal control depends heavily on the individuals responsible for operating the systems that are put in place. The commercial and risk management department has provided training on the use and implementation of risk management processes. In addition to the Group’s regular risk review meetings, the Executive Committee meets regularly to discuss safety, compliance, operational, commercial and finance matters, with changes and opportunities being identified and addressed as appropriate.

**Opportunities**

As well as risks, we have spent considerable time reviewing the significant, available opportunities which feed into our strategy and the sustainability of the business. The energy transition has been accelerated by the impact of the pandemic and this has resulted in new prospects in renewables (and in particular offshore windfarm projects) and digitalisation =>> 16. The Board has taken this on board during the strategy review process which resulted in the reorganisation into three distinct business units – Renewables, Oil & Gas and Digital =>> 3.

**Emerging risks**

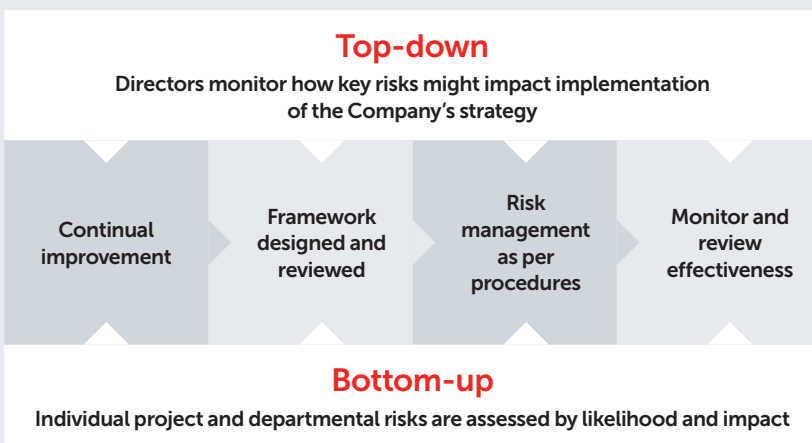
In last year’s report, we identified the impact of the COVID-19 virus and the financial pressures on Lamprell’s supply chain as emerging risks. These risks have grown significantly over the course of the last 12 months as the global pandemic has continued. As such, the impacts of these emerging risks have been embedded into the principal risks and uncertainties facing the business (and mitigation steps taken by the Group), as set out on the following pages.

In the 2019 risk report, we also recognised climate change as a potential emerging risk and assessed it as low risk to Lamprell at that time. Over the course of 2020, the Board identified it as capable of posing an increased risk with potential impacts from evolving policy and regulation and taxes related to climate change, enhanced disclosure requirements, as well as accelerating demand towards renewable sources of energy. As such the profile of this risk is increasing and, following Board discussions in late 2020, we set up Lamprell’s Sustainability Committee =>> 31 which is responsible for overseeing and reporting on all sustainability matters. Our environmental team has been tasked with actioning a plan for implementation of TCFDs. Given that we have pivoted the business more clearly towards renewables projects, climate change also offers significant opportunities and management has been tasked with capturing them. The Group will need additional funding to implement the actions and fully realise these potential opportunities.

The renewables industry is relatively immature and expected to grow at a significant rate =>> 16; at present, it is unclear which renewables technologies will be preferred to meet energy demands, and/or the extent to which Lamprell will be able to include them in our offerings. Further, it is clear that local content will play a more prominent role in new projects as countries look to generate local capabilities and employment. Lamprell’s area of expertise is our construction of foundation substructures and its operations are based in the UAE from where it delivers products on a modularised basis. Our business development team is working closely with clients to understand customer needs, and provided that we have access to new capital, we plan to invest in new technologies and local content to maximise our participation in tenders for upcoming projects.

Following the Board’s strategy review late in 2020, Lamprell created a distinct digital business unit =>> 8 which will continue to advance proprietary technologies for industrial application, in areas such as asset integrity, smart non-destructive testing and robotics. These opportunities will require some limited investment and, given the increased importance of digitalisation in the energy sector, Lamprell is committed to promoting these technologies. However, there is no guarantee that these will be successful ventures or that we will have access to the necessary funding unless the planned capital raise is successful.

**Our risk management framework**



# Principal risks

Risk impact and likelihood:

 High

 Medium

 Low

Risk description	Business implication	Mitigation
<h2>1 Ability to finance business</h2> <p>Risk category: Financial risks</p>		
<p><b>Lack of available funding options threatens our ability to continue as a going concern and/or deliver our strategic objectives.</b></p> <p><b>Risk impact:</b> Strategy  Business model </p> <p><b>Risk likelihood</b> </p> <p><b>Risk owner:</b> Chief Financial Officer</p> <p><b>Risk change from last year:</b> Unchanged</p> <p><b>Link to strategy:</b> Funding for companies operating in the renewables space far exceeds that for oil &amp; gas contractors.</p>	<p>Successful implementation of business goals depends on a reasonable level of working capital and there has been a significant reduction in our net assets due to losses in recent years. Also, conventional debt funding is not readily available in the region due to tough market conditions, without additional equity funding. If we cannot raise capital through the planned debt and/or equity financing by the end of Q3 2021, this threatens the near-term liquidity and the long-term viability of the business.</p>	<ul style="list-style-type: none"> <li>• Capital raise of USD 120-150 million planned for Q3 2021</li> <li>• We use effective cash management processes to maintain strength in our balance sheet</li> <li>• Ability to stretch the supply chain, improving the Group's cash inflows and outflows</li> <li>• Following the strategic reorganisation, we continue to explore how best to finance each of the new business units going forward</li> <li>• Aligning the cost base with our revenue levels as we pulled levers to become cash generative</li> <li>• Strong relationships with financial advisors to evaluate and access funding options</li> </ul>
<h2>2 Ability to win work</h2> <p>Risk category: Strategic risks</p>		
<p><b>Failure to provide reliable, on-time, competitive solutions for new projects.</b></p> <p><b>Risk impact:</b> Strategy  Business model </p> <p><b>Risk likelihood</b> </p> <p><b>Risk owner:</b> Vice President of Business Development</p> <p><b>Risk change from last year:</b> Unchanged</p> <p><b>Link to strategy:</b> Opportunities in our key markets are targeted by multiple, competitive bidders.</p>	<p>Our potential inability to offer a competitive product or service could negatively affect our reputation amongst current and target clients. We are dependent on a relatively small number of contracts at any given time and our ability to retain current clients and compete successfully depends on our ability to provide on-time, low-cost, high-quality products and services. If we fail to do so, both technically and commercially, we will not win new awards. Success in contract awards is also currently threatened by COVID-19 and by our balance sheet, which could constrain the supply chain or restrict our operations.</p>	<ul style="list-style-type: none"> <li>• Reorganised our business to align with customer needs and energy transition</li> <li>• Bid pipeline expanded into new geographies</li> <li>• An experienced and customer-focused BD team targets our key clients and markets</li> <li>• We use benchmarking data and estimating tools to provide market-competitive pricing</li> <li>• Re-strengthen balance sheet through new capital raise and a controlled overhead cost base</li> <li>• We leverage the benefits of a strong culture, core values and governance regime</li> <li>• Lessons learned as well as digitalisation opportunities embedded into project processes to enhance overall efficiency</li> <li>• Chances of meeting project objectives enabled by effective risk management assessment</li> </ul>

## Risk description

## Business implication

## Mitigation

**3 Economic conditions**

Risk category: Strategic risks

**Energy price volatility, market uncertainties and COVID-19 could lead to cancellation of bid pipeline prospects.**

## Risk impact:

Strategy  Business model Risk likelihood 

## Risk owner:

Vice President of Business Development

## Risk change from last year:

Unchanged

## Link to strategy:

Demand for our products and services underpins the entire business.

Project awards may be significantly delayed and/or cancelled due to the prolonged downturn seen in the oil & gas market which continued throughout 2020 following the early oil price collapse. The threat to the broader market has been exacerbated by the ongoing impact of the COVID-19 global pandemic. Such instability leads to clients reassessing how and when to sanction capex on new projects, particularly in the markets which are heavily dependent on hydrocarbon extraction for revenues.

- Alignment of our organisation with market dynamics and customer needs
- Bid pipeline of USD 6 billion covers a diversified portfolio and has increased significantly in the rapidly-growing renewables sector
- Our experienced BD team, with strong capabilities and a broad network, are sourcing targeted oil & gas opportunities in the UAE and Saudi Arabia where capital expenditure is continuing
- Client engagement activities continued online to generate new prospects and improve customer relationships
- Active investigation of potential partnerships/alliances expands our offerings and diversification of territories
- Self-help measures implemented in 2020 to help maintain our competitiveness on future bids

**4 Counterparty risk**

Risk category: Financial risks

**The entire supply chain is under pressure due to tough market conditions amplified by the pandemic impact.**

## Risk impact:

Strategy  Business model Risk likelihood 

## Risk owner:

Chief Financial Officer

## Risk change from last year:

Increased

## Link to strategy:

Contractors depend on timely payment for working capital.

Clients may impose onerous payment terms or even stop payments because of their own cashflow issues. This may result in Lamprell suffering losses or reduced revenues, as it would need to fund the working capital from its own balance sheet which requires new financing, or be at risk of disputes with suppliers who are exposed to liquidity issues too. The entire supply chain is under immense pressure and there is an increased risk of companies taking on contracts at poor margins or not delivering to the required standards. This risk is heightened in a market where all parties are working to conserve cash, as the Company is doing, and to protect themselves against the global economic deterioration caused by COVID-19.

- Take on and execute projects with experienced, reputable and financially sound counterparties, based on reasonable and balanced contract terms
- Enhanced due diligence undertaken on counterparties to assess project and financial risks
- Request clients and suppliers to provide financial security measures or guarantees for new projects
- Enforce contract terms through proactive contract management
- Effectively manage supply chain payments, combined with regular project reviews to highlight counterparty risks and threats of delay to payment of invoices
- Proactively work through project schedule issues in collaboration with clients and suppliers

# Principal risks continued

Risk impact and likelihood:



-  High
-  Medium
-  Low


Risk description	Business implication	Mitigation
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## 5 Project execution

Risk category: Operational risks

**Failure to deliver projects on time and on budget, in accordance with the contract requirements, as a result of poor performance or external factors such as COVID-19.**

**Risk impact:**  
Strategy  Business model 

**Risk likelihood** 

**Risk owner:**  
Chief Operations Officer

**Risk change from last year:**  
Unchanged

**Link to strategy:**  
Our clients expect safe delivery of high-quality, on-time products and services.



Failure to execute, project manage and deliver a project per contractual terms and conditions may expose us to additional costs, damage to reputation, losses or reduced revenues. This is particularly relevant as we diversify into new markets and product offerings where additional execution risks can arise or further investment is required. The spread of the COVID-19 virus could affect our ability to execute our projects, directly with our workforce or through the supply chain. Poor execution may also negatively impact our reputation with clients and the wider stakeholder base.


- BD team works to better understand clients' needs resulting in projects which are well-aligned with our capabilities
- All new prospects undergo detailed review and robust risk assessment during the bidding phase
- Continuous improvement cycle to capture all lessons learned from previous projects are fed into new bids and/or execution of new projects
- Regular toolbox talks to yard labour, drawing attention to key aspects of their day-to-day working lives and how to improve performance
- Implement an extensive series of high quality self-help measures to contain/respond to the COVID-19 threat
- Training and development of employees is a cornerstone of sustainability objectives, to ensure high standards are maintained and the likelihood of risks is reduced

## 6 Cyber threats

Risk category: Operational risks

**IT systems could be disrupted by successful cyber-attacks or outdated infrastructure.**

**Risk impact:**  
Strategy  Business model 

**Risk likelihood** 

**Risk owner:**  
Chief Financial Officer

**Risk change from last year:**  
Increased

**Link to strategy:**  
Digitalisation is a strategic objective to improve efficiency and generate new revenues.



Our business and operations both rely heavily on our IT network and systems including, in particular, the enterprise resource planning software and engineering design software provided by third parties. These could fail to operate effectively or be subject to disruption/cyberattacks; there are also inherent disruption risks as the IT infrastructure becomes outdated and/or we migrate some IT systems to the cloud. Without effective, updated and efficient IT network and systems, we would not be able to execute our projects and would suffer reputational and financial damage accordingly.


- Experienced IT security specialist responsible for the Group IT infrastructure
- Migration of many of our IT systems to external service provider with access to latest cyber detection and protection technologies
- Regular IT security training for employees throughout the year
- Awareness campaigns about information security/cyber threats
- Regular upgrades to our IT security software and internal controls, reinforcing layers of protection and segregation of duties
- Our data is micro-segmented and stored on the cloud, which helps to contain any attacks
- Enterprise resource planning software is run by a leading service provider, Oracle
- Penetration testing and phishing exercises run by internal and external teams to ensure that employees are alive to cyber risks

## 7 Contractual commitments

Risk category: Legal/compliance risks

**Onerous contract terms delay or prevent the execution of a project.**

**Risk impact:**  
Strategy  Business model 

**Risk likelihood** 

**Risk owner:**  
General Counsel

**Risk change from last year:**  
Unchanged

**Link to strategy:**  
Implementation of our strategy depends on our ability to manage contract risks and meet client expectations around project deliveries.

The continuing market downturn has led to clients adopting an increasingly firm line on contractual terms, meaning that we may be obliged to take on additional risks under the contract which historically have been negotiated away. If we then fail to properly mitigate this contractual liability in other ways, it could lead to us incurring additional costs or losses, which could affect our overall financial performance.

- We actively conduct risk identification, mitigation and management throughout a project lifecycle, from initial bid, through project handover and until completion
- Our project risk analyses are reviewed from a qualitative perspective and are also based on a quantitative Monte Carlo assessment
- During project execution, weekly and monthly project review meetings with management for effective oversight
- Use of mitigation or risk management strategies, including use of insurance, guarantees and/or flowdowns of liabilities to the supply chain
- Implementation of the lessons learned on previous projects aims to avoid repeats of any identified inefficiencies

## Risk description

## Business implication

## Mitigation

## 8 Third-party alliances

Risk category: Legal/compliance risks

### Ineffectual or poor relationship management with business partners.

**Risk impact:**

Strategy  Business model

**Risk likelihood**

**Risk owner:**

Executive Committee

**Risk change from last year:**

Unchanged

**Link to strategy:**

To move up the value chain, we need to rely on our partners to provide complementary offerings.

To conduct business in certain jurisdictions, we rely on key relationships with local partners, agents and the members of joint ventures and consortia. If we are unable to work collaboratively or poorly manage these relationships, or our partners are unable to provide effective support to our business, this could leave us exposed to additional contractual and/or execution liability, or make our operations in certain jurisdictions uncompetitive.

- We chose business partners based on a due diligence exercise to understand their capabilities, culture and goals, to ensure alignment on strategic objectives
- Management regularly reports to the Board on all proposed and current joint venture/consortium initiatives, assessing progress against our strategic objectives
- We work to build and maintain strong partner relations at management level
- Agreements are drafted and negotiated based on an agreed set of principles, describing the strategic goals, and may include exit provisions where appropriate
- We may obtain advice from external expert advisors, either during contract negotiation or as alliances are being built

## 9 Failure to invest

Risk category: Strategic risks

### Returns from the business require initial capital investment.

**Risk impact:**

Strategy  Business model

**Risk likelihood**

**Risk owner:**

Executive Committee

**Risk change from last year:**

Unchanged

**Link to strategy:**

The strategic objectives are dependent on making a return from capital employed.

In order to fund its reorganised business structure and to stay competitive on new and existing projects, the Group has to spend additional capital funds improving its yard processes/layout, upgrading IT infrastructure/operating systems, funding joint ventures and investing in its digital initiatives, failing which the Group may not be sufficiently competitive to win new projects or to achieve the necessary margins to improve overall profitability to the required level.

- Reorganised our business to align with customer needs and energy transition
- We are already deploying certain digital initiatives in our yards as proof-of-concept, justifying further investment
- The Board approves capital investment for any item valued in excess for USD 2 million, based on a detailed justification
- Experienced BD team conducts in-depth analysis and review of the market conditions/dynamics and projections
- All investments are linked directly to the Company's strategy and visible/actual projects
- A phased approach to investing wherever possible, to minimise immediate exposure
- The digital business unit is progressing in collaboration with major partners like Injazat/G42 to de-risk the opportunity

## 10 Mergers and acquisitions

Risk category: Strategic risks

### An opportunistic transaction could significantly alter the intended strategic direction of the Group.

**Risk impact:**

Strategy  Business model

**Risk likelihood**

**Risk owner:**

Board of Directors

**Risk change from last year:**

Decreased

**Link to strategy:**

Change in ownership structure can result in a change in strategy.

With the prolonged downturn, the delayed award of projects and low levels of backlog, we could see an opportunistic approach for purchase at a suppressed price. This could override current strategic objectives or result in a loss of traction in the marketplace.

- The Company's share price has rebounded on the back of improved financial performance and a clear set of strategic objectives
- Our objectives are measured and progress is reported to the Board and shareholders
- Increased bid pipeline of USD 6 billion, with robust growth in the renewables sector and continuing bidding activity in the LTA programme and the UAE
- Lamprell's largest shareholders could act as a veto to hostile approaches based on unreasonably low valuations
- Professional advisory and broking team actively advising the Board and senior management

# Report on corporate governance

## Chairman's introduction to corporate governance



"We are committed to maintaining high standards of corporate governance, underpinned by a culture of transparency and constructive dialogue. These are fundamental in helping us to navigate the ongoing significant challenges facing the Group."

### Dear Shareholders

The threat of the COVID-19 global pandemic and the oil price collapse in 2020 presented us with significant challenges to the way that our business operated. The Board remained committed to maintaining high standards of corporate governance notwithstanding the impact of these events, as this would help the Company to function and progress. As a result, the Board and senior management focused on a three-pronged response to address these issues – taking steps to ensure the welfare of our employees, improving the financial position of the Company and enhancing our strategy to ensure that it remains aligned with our customer needs and market dynamics.

At the same time, the Board had to be nimble in its processes and adapt the way it functioned. I am proud to say that the Board, the management and the entire Lamprell workforce responded well to these events. Lamprell is subject to the principles and provisions of good governance in the Code. Responsibility for compliance with the Code rests with the Board and this report demonstrates how our robust governance framework enabled the Board to lead the Company through these turbulent events and sets out its activities in 2020.

For the year ended 31 December 2020, the Board considers that the Company has complied with the Code and this governance report details how the principles of the Code have been applied – see opposite for relevant cross-references.

### Impact of COVID-19 on our governance framework

Our foremost priority throughout the year was the health and safety of our employees. As we became increasingly aware of the scope and scale of the virus, the Company had to respond to the constantly-changing restrictions being enacted by governmental authorities in the various locations where our staff work, notably in the UAE.

A decision was taken early in March 2020 that staff would work from home save in case of business-essential requirements; however, with certain projects at critical stages, many project-related staff continued to function at our facilities and the Board oversaw the many measures and mitigation efforts to protect against the impact of the virus =>> 10 while we continued to progress our ongoing projects.

All Board and Committee meetings were conducted through video-conference remotely from March onwards. The Board created a special Subcommittee of the Board to take decisions in the case that the full Board was not quorate.

The Audit and Risk Committee recognised that, with most people working from home, there was an increased risk to the Company's internal controls framework or of fraud. It therefore refocused the role of our Internal Audit team to work with partners within the business to ensure that the internal controls remained functioning and effective. COVID-19 also impacted our reporting plans. We had planned to issue our 2019 financial statements by the end of March 2020. The regulatory authorities requested listed companies to delay publication of financial statements, enabling the Committee to work closely with our auditors to complete additional testing requirements around the going concern statement.

There were also impacts on remuneration issues due to the impact of the pandemic. The Remuneration and Development Committee reviewed how the market was responding to the evolving situation and decided to hold back from issuing the 2020 incentives until there was more stability. It also monitored closely how the Company performed against the agreed metrics for the annual bonus in spite of the virus =>> 70.

### Efforts to improve our liquidity

The Board was disappointed not to be able to progress the Company's financing plans to the extent that it planned to do so. However the pandemic and depressed global economic markets impacted contract awards and access to capital severely. Accordingly, the Board was forced to take some tough decisions in the first half of 2020, particularly with regard to the 25% deduction in salaries and fees due to COVID-19, but these self-help measures were integral for the Company to preserve its immediate liquidity needs and to navigate the pathway through this unexpected difficulty.

Following an assessment of the liquidity position of the Company early in 2020, the Board made net cash and EBITDA key performance indicators for management's annual incentive programme and received monthly solvency reports to assess performance against those drivers.

The Company's going concern assessment was scrutinised heavily over a prolonged period in conjunction with the Audit and Risk Committee and our external auditors, and management has worked to address each of the assumptions in that statement. Our decisions contributed to a significant improvement in the financial condition of the Company over the course of 2020, with net cash having increased and the Company returning a positive EBITDA.

However, liquidity remains a significant concern for the Group. The Board proposes to raise new capital to strengthen the Company's balance sheet, after five years of losses, by way of debt and/or equity => 41, and this will be placed before shareholders in Q3 2021. The Board considers that this would be the first critical step on the pathway to financial security and would enable the Company to satisfy its immediate working capital requirements as well as implementing its medium term strategic goals. Approval of the proposal would be crucial to the ongoing viability of the Company.

**Our strategy is aligned with our purpose and culture**

Over the course of October and November 2020, our management team conducted the most comprehensive and all-inclusive review of our strategy since I joined the Company in 2013 and I was pleased to chair the discussions culminating from that review process with a detailed review by the Board in November. Lamprell has been evolving with the energy transition over the last 4-5 years but the Board recognised that we needed to reorganise our business strategically to increase the Group's focus on renewables and the transition away from hydrocarbons, to increase alignment with customers and to enable the Group to take full advantage of the significant opportunities in our core markets. Reflecting our evolution and to ensure a lean and agile organisation to maximise opportunities across these markets, we established three distinct business units – renewables, oil & gas and digital.

As part of the strategy review, we approached various internal and external stakeholder groups for their perception of Lamprell and its brand. There appeared to be a strong alignment between the groups around Lamprell's reputation as a reliable, resilient business but it was clear that we needed to draw greater attention to our proven track record in the renewables sector, and this was fed back into the process which contributed to the decision to reorganise the business structure.

**Moving ahead**

As we look ahead to 2021 and beyond, our immediate priority is the need to raise capital through a combination of the planned working capital facility and/or equity raise. We will action this to re-establish a solid financial foundation for the business and meet current liquidity challenges. In addition, we cannot ignore the ongoing impact of the global pandemic and what it means with regard to how we operate our business. For this reason, we have rolled over some of our Board priorities into this year => 63, notably our commitment to taking all reasonable measures to protect our people and our ongoing focus on fiscal discipline. As Chairman, it is my responsibility to ensure that Lamprell is governed and managed not only in accordance with the Code, but more importantly, in the best interests of our stakeholders as we move forward.

On behalf of the Board, I would like to extend our thanks to our investors, our business partners and above all to the Lamprell workforce for their dedication and continued support of Lamprell through such turbulent times. There may be challenges but I am confident that my colleagues on the Board and our management team are capable of rising to them and overcoming them.

**John Malcolm**

Non-Executive Chairman

28 June 2021

**2018 UK Corporate Governance Code**

**The Directors present their report on the affairs of the Company and the Group together with the financial statements and the auditor's report for the year ended 31 December 2020. In respect of the year ended 31 December 2020, Lamprell Plc was subject to compliance with the 2018 UK Corporate Governance Code (available from [www.frc.org.uk](http://www.frc.org.uk)) (the 'Code'). Further information on these governance matters within Lamprell can be found as follows:**

**Principal risks and uncertainties**

Our risk management processes ensure that key risks to our strategic objectives are identified, assessed, appropriately communicated and ultimately managed.

[Read more => 44](#)

**Composition, succession and evaluation (Section 3 of the Code)**

We aim to refresh Board membership to bring new experience and independence, as well as assess our effectiveness as the leadership body within Lamprell regularly.

[Read more => 62](#)

**Board of Directors**

Each Director is experienced and skilled, and possesses a good understanding of the key drivers and strategic objectives for the business.

[Read more => 52](#)

**Audit, risk and internal control (Section 4 of the Code)**

We have developed strong links between risk management, internal control and audit activities to ensure that governance systems and processes within the business continue to be robust.

[Read more => 66](#)

**Board leadership and Company purpose (Section 1 of the Code)**

The Board takes a leading role in directing the business according to high standards of corporate governance as per the Code.

[Read more => 54](#)

**Remuneration, including Directors' Remuneration Report (Section 5 of the Code)**

Our Remuneration Policy provides a compensation framework which is measurable and is aligned with our strategic objectives.

[Read more => 70](#)

**Division of responsibilities (Section 2 of the Code)**

We have a clear division of responsibilities between each role, and roles are clearly defined and quite distinct from one another.

[Read more => 60](#)

**Statutory information and Directors' statements**

We are responsible for preparing the Annual Report and the 2020 financial statements in accordance with all applicable law and regulations.

[Read more => 84](#)

## Report on corporate governance continued

# Our Board of Directors

		
<p><b>John Malcolm</b>  </p> <p>Non-Executive Chairman Appointed: May 2013</p>	<p><b>Christopher McDonald</b> </p> <p>Chief Executive Officer Appointed: October 2016</p>	<p><b>Tony Wright</b> </p> <p>Chief Financial Officer Appointed: August 2015</p>

**Contribution to Company's success:** strong background of leadership of energy businesses, particularly in the Middle East region; experienced in renewables.

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

**External appointments:** Owner of JMLM Consulting SPC.

**Contribution to Company's success:** acted in senior executive management roles for many years, with a strong focus on business development, strategy and innovation; highly capable in the implementation of the Company's strategic goals.

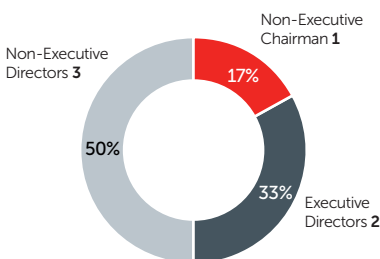
**Experience:** Christopher McDonald has nearly 30 years of experience in the energy industry. Before joining Lamprell, he held the position of Executive Vice President with Petrofac. From 2007 to 2010, Christopher co-founded and helped to run a boutique private equity firm in London. Prior to that he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

**Contribution to Company's success:** has financial acumen and experience with contracting companies and in a listed company environment; worked extensively in the Middle East with a wide network of contacts.

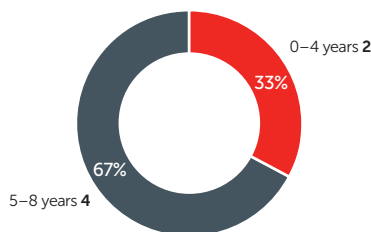
**Experience:** Tony Wright joined Lamprell in January 2013 as Vice-President, Finance and in November 2014 he stepped into the role of Deputy CFO, followed by a promotion to Chief Financial Officer in August 2015. Tony is a Fellow of the Chartered Institute of Certified Accountants with over 20 years' experience working in the energy and construction industries. From 2010 he worked with Leighton Holdings Group in Malaysia and the UAE, and thereafter with the Habtoor Leighton Group. Prior to joining Leighton, he spent five years as Group CFO with Dubai-based oilfield EPC firm, Global Process Systems. When in the UK, Tony held senior finance positions with Input/Output Inc. and the Expro Group.

**External appointments:** Director/owner of DTTW Ltd.

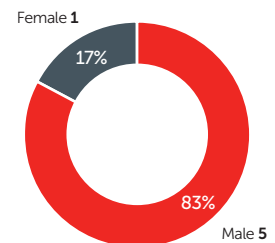
### Board composition



### Tenure



### Gender





**Debra Valentine**

Senior Independent Director  
**Appointed:** September 2015



**Mel Fitzgerald**

Non-Executive Director  
**Appointed:** August 2015



**James Dewar**

Non-Executive Director  
**Appointed:** November 2017



**Contribution to Company's success:**

a leader in legal and compliance matters, as well as risk management, in corporate and regulatory context; expert in public companies – all are required elements as Lamprell navigates through current challenges and through the energy transition.

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

**Contribution to Company's success:**

proven track record in a C-suite role for EPCI companies operating in the energy sector; deep knowledge of risk management in operations – these allow for strong challenge to, and ability to act as mentor for, the senior operational managers.

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

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

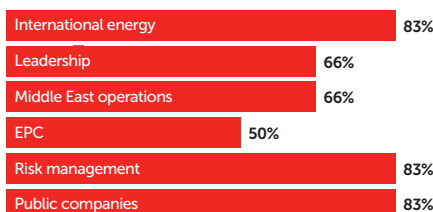
**Contribution to Company's success:**

a recognised leader in financial and accounting matters for public companies in energy markets – acts as a counterbalance and also a support to the CFO, as the Company rebuilds its balance sheet.

**Experience:** James Dewar spent nearly 30 years working in the oil & gas industry, notably as VP Transformation and VP Global Financial Systems for BP, and as Group CFO for Dana Gas PJSC. James retired in 2011 to take up Board and advisory positions for companies operating in the energy sector including PICO International Petroleum Corporation and Cheiron Petroleum in Egypt, Equus Petroleum PLC in London and Kazakhstan, and Viking International in the UAE. In many cases he acted as chair of their audit committees, driving world-class corporate governance at board committee level. James has a Bachelor's degree in Accountancy and Marketing from Strathclyde University and is a member of the Institute of Chartered Accountants of Scotland.

**External appointments:** Non-Executive Director for Cheiron Holdings Egypt Ltd, Director/shareholder in Dewar Board Advisory Ltd, Director/shareholder in Brookfield Place (Cobham) Management Co. Ltd.

**Board strengths**



- Committee Chair
- A Audit and Risk Committee
- R Remuneration and Development Committee
- N Nomination and Governance Committee

## Report on corporate governance continued

# Board leadership and Company purpose

We have a clearly-established purpose, culture and core values that complement one another and support the implementation of our strategy.

### Our purpose

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

### Our culture

Our culture plays an essential role in implementing a strategy which is aligned with the needs and expectations of our stakeholders, and the long-term sustainable success of the business. Lamprell's culture is defined through its core values and its Business Code of Conduct (available on our website), and is sourced from communications with our workforce, HSES data, training data and staff turnover among other things.

We ask our employees to act with integrity, to be curious about issues that they face and to aim for the highest performance that they can deliver. The Board aims to set the tone from the top by acting with honesty in its practices and encouraging transparency in communications.

We source insights about the success of our culture through a variety of means – employee engagement initiatives; health, safety and well-being activities; training and HR data such as attrition; and corporate communications.

Our culture is also visible through our assessment against defined performance metrics. We aim for high performance, especially in terms of safety and quality, as this is what our clients and other business partners expect. We regularly assess the state of our culture, through performance reviews and compliance reporting; and we address behaviours if they fall short of our expectations.

### Our core values

Our core values are at the heart of all of Lamprell's activities, with good corporate governance providing a sound framework to embed them into the business.

#### Safety

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

#### Fiscal responsibility

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

#### Integrity

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

#### Accountability

We deliver what we say we will.

#### Teamwork

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

## How we are governed

### How the Board operates

The Directors are collectively responsible for the strategic direction of the Company, which is implemented within a robust governance framework. We believe the strategy will create value for shareholders, provide rewarding careers for employees and will benefit the wider stakeholder group including the communities and environments Lamprell operates in – see our stakeholder engagement report for how we generate value =>> 28.

The Board ordinarily makes decisions based on recommendations from management or one of its principal Committees. It is therefore important that reports to the Board are comprehensive, requests for approval are clear, and that the Board has visibility of both the relevant risks and the views of stakeholders in respect of the subject matter. The Code anticipates that the Board will take into account the considerations set out in section 172 of the UK Companies Act 2006 when making decisions. While this law does not directly apply to the Company as an Isle of Man company, our Board has taken steps which they believe will promote the continued success of the Company, for the benefit of its members and stakeholders as a whole, in the following ways:

- Each year the Board reviews its long-term strategy and the steps required to implement the same. The steps have enabled progress in recent years but, in light of the energy transition and following the strategy review in late 2020, the Board decided to reorganise the business into three business units – renewables, oil & gas and digital – to align more closely with customer needs and enable us to take advantage of significant opportunities in our core markets. Applying Provision A of the Code, the Board considers that this revised structure best positions the business to be successful in the coming years, as well as generating value for shareholders and contributing to wider society
- The Board aims to ensure that our employees work in a safe environment, that they receive appropriate training and are fairly rewarded for their efforts
- Over the years we have fostered long-standing relationships with our customers, our suppliers and our external advisors. We base our philosophy on sharing our core values with our supply chain and by understanding our client requirements
- As a company manufacturing products for the energy industries, we monitor the impact of our activities on the environment and strive to reduce our overall carbon footprint =>> 32
- As a Board, we endeavour to operate responsibly and with honesty, and to make carefully considered decisions, taking account of views of our stakeholders

In terms of process, the Board has had to be highly adaptable this year because of the travel restrictions caused by COVID-19. Ordinarily, the Board has five meetings 'in person' in the United Arab Emirates and a number of ad hoc meetings in between; however, this has not been possible with Directors unable to travel to the Middle East. Instead all meetings have been held virtually through video conference, save for the meeting in January 2020 which occurred before the full impact of the pandemic was known. An unintended consequence arose from quorum requirements set out in the Company's Articles of Association which limited the number of Directors who could be present when located in the United Kingdom.

Recognising that this could have negative consequences if the Board needed to approve any matters, the Board established a formal Subcommittee of the Board (comprising Debra Valentine, James Dewar, Christopher McDonald and Tony Wright), which was fully empowered to take decisions if so required. However, the other Directors would typically attend the meetings of the Subcommittee in the capacity of observers =>> 61, to keep abreast of decisions being taken and ensure an effective working relationship between all the Directors.

In addition to this new special Subcommittee, the Board continues to be well-supported by its other principal Committees (as well as various management level committees) =>> 56. There were also frequent discussions outside scheduled Board meetings, particularly between the Chairman and the CEO, as well as between the Chairman and the NEDs, to progress key matters or to allow constructive discussion of sensitive matters.

### Conflicts of interest/integrity

Under the Code, throughout 2020 at least half of the Board (excluding the Chairman) comprised independent NEDs who are free from any relationships that could materially interfere with the exercise of their independent judgement in respect of Company business. In February 2020, Nicholas Garrett stepped down from the Board which improved the ratio of independent NEDs. At the beginning of every year, each of the independent NEDs (Debra Valentine, James Dewar and Mel Fitzgerald) confirms their independence to the Company. The Board considers that each of them has been and continues to be independent, as defined by the Code.

Integrity is a Company core value and the Board insists on a strong 'tone from the top' in this regard. Each Director works to avoid any actual or potential conflict of interest and will promptly declare such conflict if one arises. This enables the Board to assess the possible impact of any conflict and take appropriate and timely action. The following procedures are in place for dealing with conflicts:

- Any new Director is required to provide information on any conflicts of interest by means of a questionnaire prior to appointment
- Conflicts are declared and addressed during Board meetings and noted in the minutes
- For conflicts arising between Board meetings, these are submitted to the Chairman for consideration prior to deliberation at the next meeting

No conflicts of interest were noted from the Directors during 2020 save that each Director was excluded from any decisions around his or her remuneration. All conflict management procedures were adhered to and operated effectively. In addition, a number of key policies and procedures support the core value of integrity, notably the Business Code of Conduct, the Anti-Bribery and Corruption Policy and the Company's Whistleblowing Policy. There is also a multi-lingual, secure whistleblowing hotline which enables any employee to report ethical breaches, irregularities or simply concerns on a confidential basis without any fear of recrimination. The Audit and Risk Committee receives regular reports on any investigations into whistleblower reports and makes a report to the Board on the same.

# Report on corporate governance continued

## Governance structure

### The Board

Has ownership of the global policies. Provides leadership and direction for the Group. Sets overall strategy and oversees its implementation. Ensures appropriate systems and processes are in place to monitor and manage Group risk. Responsible for financial performance and corporate governance

### Board committees

Support the Board in its work with specific review and oversight. Each Committee is responsible for reviewing and overseeing activities within its particular terms of reference. The chair of each Committee provides a summary at each scheduled Board meeting of any Committee meeting held since the previous meeting

#### Nomination and Governance Committee

Takes primary responsibility for succession planning and Board composition

[Read more >>> 66](#)

#### Audit and Risk Committee

Monitors the integrity of the Company's financial statements and its financial and regulatory compliance, and oversees risk management

[Read more >>> 70](#)

#### Remuneration and Development Committee

Sets Remuneration Policy and compensation levels for members of senior management and drives talent development for wider management

[Read more >>> 72](#)

#### Ad-hoc Board committees

Set up for defined tasks, ordinarily with a NED as chair

#### Special Subcommittee

Responsible for taking decisions when the Board was not quorate, due to the impact of the pandemic

### Chief Executive Officer

Primarily responsible for running the business with the objective of creating shareholder value

### Chief Financial Officer

Responsible for the financial stewardship and control activities of the Group as well as for investor relations

### Management-level committees

Responsible for the communication and implementation of decisions, administrative matters and matters for recommendation to the Board and its Committees

#### Executive Committee

#### Disclosure Committee

#### Bid Approval Committee

#### Quality and HSES Management Review

#### Sustainability Committee

### Project managers

Responsible for executing and delivering projects

### Function managers

Departmental heads for enterprise-wide support services

### Project teams

Structured around project execution

### Function teams

Departmental policy and procedures

Culture, vision, values, Business Code of Conduct, global policies

Global mandatory procedures

Local jurisdictional policies and procedures

# What the Board did in 2020

Consistent with the focus on employee welfare, liquidity of the business and pursuit of the Company's 2020 strategic objectives =>> 20, the Board agenda is structured to cover key subjects, as well as standing agenda items, and strategic topics for discussion at relevant times of the year or as a result of current business requirements.

## Leadership and people

- Visited the Hamriyah yard, to meet the Moray East team and view the progress being made on the welding robots
- Approved the consolidation into the Hamriyah yard and other self-help measures
- With COVID-19 rising from an emerging to key enterprise risk, oversaw management's efforts to implement measures to mitigate impact
- Aligned remuneration for management to market dynamics by approving the 25% deduction of fees and salaries to improve liquidity and delaying award of the long-term incentives
- Monitored safety performance to deliver another record TRIR outcome
- Considered the results from the annual Board evaluation process and approved the actions and Board priorities for financial year 2020

## Financial matters

- Considered in depth the Group's financial performance and prospects of the Group, including the impact of COVID-19 on the liquidity of the Company by way of a monthly solvency report
- Received presentations from and worked closely with the Company's auditors around significant judgments, impairment reviews and the going concern assessment, in light of the Financial Conduct Authority's request for the Company to defer its release of the FS2019 financial statements
- Received frequent updates on refinancing options available to the Company including, in particular, 'green bonds'
- Approved the 2020 budget and monitored performance against budget, forecast and market expectations
- Approved the Group's full-year and half-year financial statements and determined they were fair, balanced and understandable

## Strategy and business performance

- Reviewed progress against the strategy during regular Board meetings and defined the Board's expectations for the Company arising out of the formal strategy day
- Following the formal strategy day, reorganised the business into three business units aligned with market dynamics and customer requirements
- Considered the bid pipeline and wider industry conditions in light of the energy transition and new US renewables opportunities
- Received presentations on strategic opportunities in the digital and renewables sectors
- Received detailed operational updates on ongoing projects including the Moray East, the IMI rigs and Seagreen projects in particular
- Considered and approved all key or strategic matters in line with our delegated authority framework

## Governance and risk

- Adapted to travel restrictions with the use of virtual Board meetings, creation of empowered Subcommittee and simplified AGM process
- Through the Audit and Risk Committee, refocused Internal Audit on internal control framework, in light of heightened fraud risk as staff worked from home
- Amended Articles of Association to enable hybrid future AGMs
- Reviewed and approved the enterprise risk management report and mitigation plans, with deep dives on key areas such as execution of LTA contracts and financing options
- Through the Nomination and Governance Committee, increased focus on environmental and sustainability matters impacting the business
- Reviewed and approved the Group's Modern Slavery and Human Trafficking Policy Statement, for publication and commitment to compliance across the business

## Stakeholder views and consideration

- Employee engagement a key focus, given increased challenges to deliver projects against backdrop of global pandemic – NED attendance at yard employee welfare forums and creation of a Lamprell workforce assembly
- Sought views from key stakeholders especially around brand value, and fed comments into strategy review process
- Discussed feedback from meetings between various major shareholders held with the Chairman, CEO and CFO, including repeated engagement with the largest shareholder
- Followed up with major shareholder in connection with large dissenting vote at the 2020 AGM, to understand concerns, and considered feedback in Board discussions around succession planning and our strategy for Saudi Arabia
- Presentation by our brokers and company lawyers on investors' views of the Company and the changing regulatory environment

## Report on corporate governance continued

# Stakeholder engagement

### Shareholder communications in 2020

#### January



Pre-close trading statement

#### February



#### March



Financial Conduct Authority request to defer full year results, due to COVID-19 impact

#### April



#### May



Preliminary results announced  
Sell-side and buy-side roadshow  
Annual Report published

#### June



AGM attended online by all Directors

Although the Board is committed to maintaining good communications and building positive relationships with our stakeholders and this was originally a priority for the Directors in 2020, it was challenging to implement in practice last year because of the impact of COVID-19. Nevertheless this remains a key building block for a sustainable and successful business in the future.

### Engagement with shareholders

Shareholders are a key stakeholder group and the Board seeks to obtain feedback and understand their views throughout the year. Investor relations activities are primarily handled by the CEO and CFO, with the support of a dedicated investor relations team and the Company's corporate brokers, Investec Bank plc, as well as our financial PR advisors, Tulchan. We were sad to note that our other broker (JP Morgan Cazenove) decided to step back from broking services as it looked to refocus its client base, after nearly 15 years of representing the Company.

Shareholder views are provided to the Directors at each Board meeting. In addition, equity analyst opinions are obtained after the full-year and half-year financial results, following investor/analyst roadshows and in the regular course of Company announcements and business updates, and these are summarised to the Board. Given the reorganisation into three business units, we followed up with investors after that announcement and the Board was pleased to note that there was very strong support for this change. Shareholders commented that the future strategy was clear, well-articulated and demonstrated an increased commitment to focus on major renewables opportunities, while recognising that the offerings to traditional oil & gas clients remained a core product.

As an example of the Board applying Principle D of the Code, the Board sought to engage with representatives from a major shareholder to understand their concerns resulting in the 21% dissenting vote against resolutions 2, 14 and 15 at the 2020 AGM. In the lead-up to the AGM and in subsequent meetings, the Chairman and CEO had engaged with the shareholder to understand better its views and to respond to the shareholder's key areas of focus:

- Historic financial performance of the Company: while there had been major losses in recent years, the Company has demonstrated a significantly-improved financial performance with positive EBITDA, against a very challenging macro industry backdrop and the impact of the COVID-19 global pandemic.
- The remuneration structure for Directors: as from 1 April 2020, the Company temporarily made a deduction to the fees, salaries and allowances for its Directors, senior management and all professional staff by 25% for a period of six months, to ensure that the remuneration structure was appropriate in the circumstances. From 1 October 2020, the deductions have continued at broadly the same level until further notice, albeit tiered to lessen the impact on lower salaried employees.

- The need for a strong, diverse Board aligned with the Company's strategic objectives: this issue remains consistent with the Board's own priorities. Since early 2020, the Nomination and Governance Committee had been considering how best to enhance the capabilities of the Board, by way of a formal succession plan, with two specific goals: identification of NED candidates, potentially with suitable Middle East regional experience; and adoption of a process to align the long-term Board composition with the Company's strategic goals =>> 65.

Since the AGM in June 2020, the Chairman, the CEO and other Company representatives have communicated with the shareholder's representatives on multiple occasions and drawn their attention to the progress made by the Company during 2020, both operationally and financially. The Company will continue to engage with this shareholder, and all key stakeholders in the business, for their views. The Board appreciates feedback from all stakeholders and has a robust stakeholder engagement plan =>> 28. This report satisfies the requirements of Provision 4 of the Code.




### Significant shareholders












As at 28 June 2021, being the latest practicable date prior to publication, the significant interests in the voting rights of the Company's issued ordinary shares, based on the last request for confirmation as to the beneficial ownership of voting rights in the Company (at or above 5%), were as follows:

	Voting rights attaching to issued ordinary shares	% of total voting rights
Lamprell Holdings Limited	113,182,291	33.12
Blofeld Investment Management	79,575,164	23.29
Schroders plc	49,698,377	14.54
Lombard Odier Asset Management (UK)	26,375,560	7.72

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

**Key to communications with our shareholders**

-  Corporate presentations, market announcements including trading updates and contract wins, and other Company information on our website at [www.lamprell.com](http://www.lamprell.com)
-  Regular, ongoing dialogue and phone calls with major shareholders and analysts
-  Regular press releases regarding the Company's business

July	August	September	October	November	December
  <p>Pre-close trading statement</p>	 		  <p>Interim results announced Sell-side and buy-side roadshow</p>	  	

**Annual general meetings**

With the evolving COVID-19 situation and in light of international travel restrictions, the Board recommended that shareholders not attend the 2020 AGM in person, which was held in the UAE. The health and well-being of our shareholders, as well as our employees, was and remains of paramount importance and so the Company complied with the legal requirements to hold the AGM to pass essential shareholder resolutions, but otherwise the meeting was purely functional and comprised only the formal votes without any business update. The Board, however, strongly encouraged all shareholders to vote on the resolutions by submitting proxy votes in advance of the meeting. There was also only limited Company representation at the meeting although all Directors dialled in virtually and were up for re-election, as required by the Code.

All resolutions were passed (for more details on the AGM results, please see our website) but the Board noted the large dissenting votes against resolutions 2, 14 and 15 which was predominantly as a result of the voting by a major shareholder => 58 for details. The Board is not complacent on such matters and has followed up with the shareholder to understand their views and consider them in future Board decisions.

The Company plans to hold its next AGM on 8 August 2021. Due to the continuing threat of the COVID-19 virus and the consequential travel restrictions, attendance will be limited to the minimum number of members required to form a legally quorate meeting. Similar to 2020, shareholders are strongly advised to adhere to the government guidelines and not attend the meeting in person this year. It is also expected that there will be limited Company attendance at the AGM for the same reasons. Shareholders are also encouraged to submit their votes by proxy, which will be the basis for approving resolutions at the AGM. In addition, any shareholder wishing to submit questions for consideration by the Directors is invited to submit these to [investorrelations@lamprell.com](mailto:investorrelations@lamprell.com) and they will be addressed by the Board. Per the Code, all Directors have submitted themselves for re-election.

Full details are set out in the Notice of Meeting which will be published and posted to shareholders, and made available on our website, in July 2021.

**Engagement with other key stakeholders**

The Board has a robust plan for identification of and engagement with the key stakeholder groups => 28; however in 2020, the top priority was engagement with the employee workforce. The NEDs have continued with their participation in the regular Lamprell employee welfare committee forum – traditionally a primary conduit for the yard staff to voice concerns about specific welfare matters. Having taken into account feedback from employee leaders and management, the Board has also approved the creation of the Lamprell workforce assembly which will focus on wider-ranging topics affecting all staff.

Before the extent of the global pandemic was known, at the start of last year, the Directors were able to visit our Hamriyah facility. This included a walkthrough of the Moray East project site, where project managers demonstrated the recent efficiency improvements in the yard and the welding robotics technology that is being evaluated and developed.

In April 2020, the Board took the difficult decision to reduce the fees, salaries and allowances for our Board, senior management and all of our professional staff by 25% to conserve cash and protect the business during this period of unprecedented market conditions. However, it became clear that this reduction was causing undue pressure on some employees, so in October 2020 we restored the salaries for those in the lowest paid tiers to better balance the needs of the business and its employees.

There are a number of other means by which the Board and management communicate with the workforce, and relay changes in its decisions on key issues, particularly those raised by employees. The NEDs have had informal, virtual meetings with high-potential employees – this is essential to create a sustainable talent pipeline within the business. The Executive Directors cascade key messages down the organisation regularly via many channels, as well as through electronic communication campaigns coordinated by the Corporate Communications team and directly by way of the CEO townhall meetings. The townhalls are typically held after the release of the financial results but in 2020 were more frequent and held virtually, due to the increase in administration staff working from home. The CEO summarises key developments affecting the business and the Company's strategic objectives, followed by a question and answer session for staff to voice issues directly to the CEO. In 2020, the primary focus was on health and safety issues with details of the various measures that the Company was implementing to mitigate the impact of the virus. In addition, we publish Lamprelltimes, an internal newsletter, which highlights business developments. All of these activities, as well as matters such as assessment of attrition data and exit interviews, contribute to and help us to monitor the Company's culture.

Given the Company's purpose => 54 and strategy => 20, Lamprell occupies an important position in the energy industry's supply chain and therefore engages significantly with two other key stakeholder groups frequently – its customers and its suppliers. The VPs for the business development and supply chain management departments are the primary interfaces for them and their feedback is given to the Directors, to help with decision-making processes affecting these stakeholder groups.

## Report on corporate governance continued

# Division of responsibilities

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

### Chairman

- Provides effective leadership for the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information to enable informed decision-making
- Responsible for ensuring the integrity and effectiveness of the Executive/Non-Executive relationship including meetings solely with the NEDs
- Promotes a culture of open debate, effective contribution and challenge for all Directors
- Communicates regularly with the CEO and the Company Secretary to stay informed
- Ensures effective communication with key stakeholders, for Directors to understand their views, and the section 172 Companies Act 2006 factors, in Board discussions
- Responsible for ensuring effective Board governance and maintaining high standards of corporate governance

### Chief Executive Officer

- Responsible for the leadership of the Group and day-to-day management of the business, including the execution of the Group's strategic objectives, its business plans and setting attainable goals and priorities
- Acting as the primary conduit for communications with the shareholders and other key stakeholder groups, including investors, clients and government agencies
- Chairs the Executive Committee and leads the management team in running the Group's business and managing its enterprise and business risks
- Leads the processes for communicating with, and listening to, the workforce
- Develops proposals and recommendations for consideration by the Board on all areas reserved for its judgement and ensures the Board is fully informed of all key matters
- Develops Group policies for approval by the Board and ensures implementation

### Chief Financial Officer

- Responsible for the financial stewardship and control activities of the Group
- Ensures effective financial reporting, processes and controls are in place
- Recommends the annual budget and long-term strategic and financial plan
- Oversees investor relations activities for the Company
- Develops and implements the Group's finance strategy and funding
- Maintains relationships with lenders and corporate brokers
- Responsible for the delivery of IT strategies and plans

### Senior Independent Director

- Acts as a sounding board for the Chairman
- Available to shareholders to answer questions which cannot be addressed by the Chairman or CEO
- Appraises the Chairman's performance annually
- Acts as an intermediary for the other Directors

### Non-Executive Directors

- Ensure an effective counterbalance to executive management on the Board
- Support executive management, whilst providing constructive challenge and rigour to all recommendations presented to the Board, based on their experience and expertise
- Review the integrity of financial information, controls and risk management processes
- Review the succession plans for the Board and key members of senior management
- Contribute to the development of and monitor the progress of the strategy implementation
- Bring sound judgement and objectivity to the Board's decision-making process
- Set the Remuneration Policy and packages for senior executives and the Chairman

### Company Secretary

- Acts as Secretary to the Board and its Committees
- Provides the Directors with advice and assistance on all governance, legislation and regulatory matters
- Ensures that all Board materials and other resources are delivered in a timely and confidential manner, to assist the Directors with effective decision-making
- Facilitates the Board evaluation, induction and development processes

## Roles and responsibilities

Each role is clearly defined and is quite distinct, which ensures a continuing robust governance framework and a decision-making process that no single individual can dominate. At the date of publication, the Board has six Directors comprising the Chairman, three independent NEDs and two Executive Directors; their biographies are available on =>> 52. There is an appropriate combination of Executive and Non-Executive Directors, such that no individual or small group of individuals dominates the decision-making process.

## Overall effectiveness of the Company

Each year the Board reviews its effectiveness as required under the Code, both formally as part of the annual performance evaluation process, and also informally during each Board meeting as appropriate. The formal evaluation review was undertaken internally. It covered the Board, individual Directors and each of the principal Board Committees, and examined Board activities, interaction and processes. The Board has concluded that it remains effective in its processes and performance.

### Board meetings and attendance

Ordinarily the Directors will agree a planned set of meetings in person but in 2020 the Board was only able to have one meeting in person and the rest were held by video conference, due to COVID-19. The newly-established Subcommittee only required a limited number of Directors in order to formally approve matters discussed previously by all the Directors, in compliance with the Company's Articles. At times Directors were ineligible to participate in meetings if they were located in the UK but were often invited to observe. On such occasions, they cannot be included in the quorum of the meeting and do not participate in the formal business, but are able to keep abreast of developments and deliberations around key agenda items. Whether meetings were held in person or virtually, all Directors were provided with full papers for review in advance of each meeting. Management team members will often attend parts of a Board meeting, delivering presentations and making recommendations in respect of certain operational or business matters. In this way, each Director is able to gain an in-depth understanding of business-critical functions as well as the direct views of the presenting managers supplementing the views of the CEO and/or the CFO.

Name of Director	Board meetings attended	Special Subcommittee meetings attended	Acting in capacity as observer	Strategy sessions attended
John Malcolm	6 (6)	N/A	6	2 (2)
Christopher McDonald	6 (6)	6 (6)	N/A	2 (2)
Tony Wright	6 (6)	6 (6)	N/A	2 (2)
James Dewar <sup>1</sup>	4 (6)	6 (6)	N/A	2 (2)
Debra Valentine	6 (6)	6 (6)	N/A	2 (2)
Mel Fitzgerald	6 (6)	N/A	6	2 (2)
Nick Garrett <sup>2</sup>	1 (1)	N/A	N/A	0

1. Please also refer to the Audit and Risk Committee Report for additional information regarding the attendance of James Dewar.
2. Nick Garrett stood down from the Board on 10 February 2020.

Number in brackets shows meetings in which the Director was eligible to participate.

## Principal Board Committees

Ordinarily the Company has three principal Board Committees – the Audit and Risk Committee, the Nomination and Governance Committee, and the Remuneration and Development Committee – but, as noted above, the Board created a special Subcommittee to formally approve matters discussed previously by all the Directors where there were quorum concerns.

The Board ordinarily delegates specific aspects of its authority to each principal Committee but it retains final responsibility for all Company matters. In cases where a Committee is unable to operate in accordance with its terms of reference, for example due to the travel restrictions in 2020, the Board or special Subcommittee may take on the responsibilities for that Committee, as was the case when the external auditors presented to the Subcommittee, rather than the Audit and Risk Committee as would normally have been the case. This is expected to continue until the relevant Committee can be quorate and is able to resume its full responsibilities. Further, on occasion Debra Valentine was appointed to act as the chair for a particular Board or Committee meeting in lieu of the presiding chairperson.

Much of the Board oversight of the executive management team is conducted by delegation through the three principal Committees. The Committee members discuss and approve matters transparently, in an environment of trust and using delegated responsibilities where that is more efficient. The terms of reference for each Committee are reviewed annually and made available on the Company's website.

The Company makes timely and accurate disclosure of all information in accordance with the Market Abuse Regulation and the regulatory requirements arising from its listing on the London Stock Exchange. This is overseen by the Company's Disclosure Committee, comprising the CEO, CFO and Company Secretary although, as per the schedule of matters reserved to the Board, key announcements will be considered and approved by the Directors.

## Report on corporate governance continued

# Composition, succession and evaluation

### Appointments to the Board and induction

The Nomination and Governance Committee leads a formal, rigorous and transparent process for any new Board appointments, which would typically also draw on the expertise of external search consultants. In 2020, there were no new appointments to the Board because of the current cost constraints but the Company appointed Spencer Stuart and Eton Bridge Partners, specialist recruitment consultants (neither of whom have any other relationship with Lamprell), to support the Company's search for new NEDs, aligned with its strategic objectives, such as a NED with Middle Eastern, renewables or digital experience. In addition, the Committee completed a gap analysis for the existing Board members, which helped to identify capabilities in candidates for other potential new roles.

#### Gap analysis/scoping candidate requirements

The Committee identifies the capabilities and experience of potential new NEDs, considering current Board composition and the future business needs, to drive the future success of the Company. Diversity is considered to be a key factor in any decision.

#### Search process

The process is led by the Committee chair, with support from our external search agencies and the VP of HR & Corporate Services. The Committee will consider the longlist of candidates and agree a shortlist of candidates to interview.

#### Interviews

The Chairman and Committee members will interview the shortlisted candidates, but all Directors will interview a candidate that is selected by the Committee as most likely to be appointed.

#### New Non-Executive Directors appointed

All interviewers provide feedback on the candidates to the Committee. The Committee discusses the relative merits of each candidate based on the pre-agreed criteria for each appointment.

#### Induction programme

Newly-appointed Directors undergo a tailored induction programme including visits to the Group's main facility (subject to COVID-19 restrictions), presentations from key managers and a meeting with the Chairman and Company Secretary to discuss governance and regulatory matters.

### Board composition

Through the conduit of the Nomination and Governance Committee => 66, the Board assesses its structure, composition and breadth of experience regularly. It currently considers that there continues to be a strong combination of industry, regional, financial and operational experience among the Directors, enhanced by the diverse professional competencies of each Board member.

The Board aims to refresh its membership on a regular and phased basis in order to bring relevant experience and independence to the Board while at the same time ensuring continuity and stability. In support of our strategy, the Board has identified that it could potentially benefit in the future from a new Director with skills or experience closely aligned with our strategic objectives and so is actively looking for potential candidates that may satisfy these criteria.

### Service agreements and letters of appointment

Executive Directors are employed under Directors' service contracts with termination notice periods of not more than 12 months.

NEDs are engaged pursuant to letters of appointment which do not have fixed terms, but they are subject to re-election by the Company's shareholders at intervals of not more than three years. All NEDs currently serving were re-elected at the 2020 AGM. All existing Directors and any new Directors will be proposed for election by the shareholders at the 2021 AGM.

### Annual evaluation process

The Board considered using an external firm to facilitate our annual Board performance evaluation process but, particularly given COVID-19, concluded that its internally-driven evaluation process, conducted under the stewardship of the Nomination and Governance Committee, continues to be effective, delivers useful insights and helps the Board to improve its performance. The evaluation included a review of the Board's activities, performance and teamwork and made use of an online questionnaire to provide feedback from the Directors and key managers.

The Company Secretary summarised the results from the 2020 evaluation process in an aggregated and confidential report, which was used by the Board to assess the performance in 2020 and set the Board priorities for 2021. The Chairman held separate sessions with each Director to review their respective performances and the Senior Independent Director conducted a similar review with the Chairman on his performance. This was an opportunity for each director to engage with the process and to discuss with the Chairman whether any action was required to address development needs.

Once again, the results demonstrated that the Directors had approached the challenges of 2020 in a constructive and collaborative way. The Board also finds it useful to step back and assess its performance in a more immediate way at each round of Board meetings.

Notwithstanding the significant practical challenges and financial limitations in 2020, there was still good progress by the Company on its 2020 priorities, as detailed throughout this Corporate Governance Report. The Board was particularly pleased with the growth in the bid pipeline comprising significant opportunities in the US renewables sector, which is a new geography for potential projects. The Board took into consideration the continuing impact of the global pandemic in reaching a decision around the 2021 priorities, which are set out opposite.

## Board priorities for 2021

Board priority	Observation	Actions to deliver on priority
<b>Oversee the change of the business structure to align with the revised strategic objectives</b>	The Group's processes and management teams are structured to deliver against the previous strategy and this will inhibit effective and timely achievement of the updated strategic goals =>> 22.	Implement detailed action plan to re-organise the business structure into the three new business units and amend the reporting mechanisms similarly; incentive plans to incorporate elements which motivate management to deliver on the plan.
<b>In refreshing the Board, ensure alignment between Board composition and strategic and diversity objectives</b>	The current Board composition is narrow in diversity and most Directors originate from a background and experience in Lamprell's traditional markets, rather than reflecting the updated strategy.	During the process to refresh the Board and building on the gap analysis conducted in 2020, look to appoint new Directors from a pool with greater diversity and having experience in renewables or digital projects.
<b>Oversee ESG priorities including refining environmental targets, ensuring the safety of the workforce during COVID-19 and continued interactions with key stakeholders</b>	Climate change impact and stakeholder engagement are high priorities for investors and a company's strong ESG credentials are increasingly important for investors when making a decision where to invest their funds.	Monitor and drive implementation of the sustainability initiatives through Board participation in the Sustainability Committee and by including ESG priorities into the management incentive plans.

## Diversity and Inclusion Policy

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

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

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

- A culture which hires candidates on merit based on the most appropriate range of skills and experience for a role, and offers equal opportunities for all employees, regardless of gender, ethnic origin, background or physical abilities =>> 54
- Secure senior leadership commitment to the diversity agenda and to raise awareness about the benefits and richness of a diverse workforce
- Continue to require our external recruitment consultants to discuss their diversity policies with the Group before taking on any specific Board or executive management search

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

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

The annual evaluation helped each of the Directors to understand the Company's composition and diversity better, and in line with Principle L, demonstrated how members should work together to achieve the Company's strategic objectives and the Board's priorities effectively.

Diversity and inclusion are integral to our culture at Lamprell. We promote meritocracy, openness, fairness and transparency. This supports the very fabric of our business.

## Report on corporate governance continued

# Nomination and Governance Committee report



### Key responsibilities of the Committee

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

### 2020 Committee activities

- Appointed new external search consultants to support the Company's future succession plans
- Completed the gap analysis of the skillsets of the existing Directors and focused a search for potential Director candidates around this
- Considered the impact of the global pandemic on the Company's governance framework
- Led the engagement with the major shareholder that had voted against resolutions at the 2020 AGM, to feed its views back to the Board
- Received presentations around the Group's sustainability plans and approved the creation of a Sustainability Committee
- Recommended the 2020 Modern Slavery and Human Trafficking Policy Statement for approval by the Board and publication

### Priorities for 2021

- Monitor implementation of the Group's sustainability plans and in particular the action plan for TCFD recommendations
- Consider how best to implement the Board succession plan with the appointment of a new independent NED and kicking off the process for a new Chairman in 2022
- Chair of the Nomination and Governance Committee committed to represent the Board at the Sustainability Committee meetings during 2021

### Committee membership and attendance

Member	Meetings attended (out of total)	Observer
<b>Mel Fitzgerald</b> (Committee Chair and Non-Executive Director)	<b>6 (6)</b>	<b>0</b>
<b>John Malcolm</b> (Non-Executive Chairman)	<b>3 (3)</b>	<b>3</b>
<b>Debra Valentine</b> (Senior Independent Director)	<b>6 (6)</b>	<b>0</b>
<b>James Dewar*</b> (Non-Executive Director)	<b>2 (3)</b>	<b>2</b>

\* James Dewar was appointed to the Committee in March 2020. Please also refer to the Audit and Risk Committee Report regarding attendance by James Dewar.

### Rising to the challenges

The Nomination and Governance Committee was faced with unexpected challenges due to COVID-19 which impacted how it functioned as well as the wider governance framework for the Company. James Dewar was appointed to the Committee in March to provide greater coverage but the Committee then had to appoint chairs for individual Committee meetings to comply with the Company's Articles. The members attended all the Committee meetings where they were eligible to attend save for James Dewar\*.

### Governance framework impacted by COVID-19

We recognised early on how COVID-19 could impact the Company's governance regime: most administration staff have been working remotely, increasing the threat to internal controls and fraud risk; all Board and Committee meetings have been virtual since March 2020 and the Articles restrict the number of Directors who can attend from the UK. In addition, we were requested by the UK regulatory authorities to delay release of our 2019 financial statements to allow the audit firms additional time to scrutinise the impact of the pandemic on the Company's financial position. The Company agreed to this request but the delay impacted our reporting processes.

Notwithstanding these challenges, I am pleased to say that the Company's governance regime continues to be robust. The Board is committed to maintaining the high standards of corporate governance which are fundamental to the business. The Code has put more emphasis on the Company's purpose, stakeholder engagement and corporate culture, all of which were discussed at length by the Committee in 2020. The Committee received effective support from the Company Secretary and the Group's VP of HR & Corporate Services, both of whom made recommendations relating to the Committee's priorities.

The Directors are encouraged to keep up-to-date with regulatory developments, which assists with understanding new challenges such as those faced in 2020. Directors regularly attend corporate governance sessions run by the Deloitte Academy and report key learnings to the Board. The external auditors presented to the Board on corporate reporting matters which the Committee was able to take on board in the development of this Corporate Governance Report. The risk reporting around COVID-19 and the changes in the area of climate change disclosures are two areas of particular focus.

All Directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense, as needed. Some Directors sought independent advice during the financial year in connection with the strategic review process that was undertaken in late 2020.

**Succession planning**

The Committee remained heavily focused on future succession plans for the Board. The Committee is committed to ensuring that the Board composition is appropriate, fit for purpose and aligned with the Company’s strategic objectives.

Having previously conducted a gap analysis for the experience and skill sets of the existing Board, the first priority was the appointment of the new external recruitment search consultants following a tender which completed in Q1 2020, with the appointment of Spencer Stuart and Eton Bridge Partners. They will be focused on Board and senior management appointments whereas the Committee also makes use of the McNair Partnership for other key positions. None of the firms has any other connection with Lamprell but are all highly capable and specialised.

With the assistance of the VP of HR & Corporate Services and Spencer Stuart, the Committee has been running a process to identify and appoint a potential, new NED with suitable Middle Eastern experience. A number of shortlisted candidates have been interviewed by the Committee members. The search for a new independent NED continues in 2021.

In addition, looking at longer-term succession planning, the Committee recognises per Provision 19 of the Code that the Company’s Chairman, John Malcolm, will have completed nine years on the Board by mid-2022 and is therefore planning to step down by that time, in accordance with the Code. Accordingly, the Committee is planning to commence a process to identify and appoint a replacement chairperson, which is likely to take into account internal candidates from among the existing independent NEDs. The Board expects to report on progress later in the year.

**Sustainability and the environment**

The Board delegated the formal oversight of all Group sustainability and environmental matters to the Committee, which was reflected in the amended terms of reference for the Committee – available on our website). The Committee received presentations in September and November from the HSES team on these subjects and discussed the action plans for improving both the Company’s understanding and impact on climate change and also for embedding broader sustainability initiatives within the business.

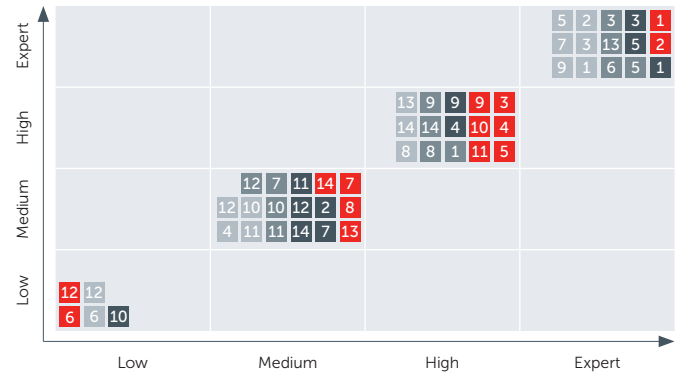
A key output was the creation of a new Sustainability Committee which is responsible for monitoring progress against the implementation of the action plans and reporting to the Committee. Mel Fitzgerald is the nominated Board representative on the Sustainability Committee, thereby reaffirming the importance of this subject to the workforce but also allowing the Directors to have a direct conduit to/from deliberations around sustainability and environmental matters =>> 30.

The Committee also considered safety and security matters in greater detail based on reports from the HSES team and was delighted to note that the Company had achieved another record-equalling result on TRIR at 0.15 by year-end. In a year where yard employees increased to around 5,000 by year-end, this was an exceptional achievement and a testament to the efforts of the workforce, especially against the backdrop of the challenges caused by the global pandemic.

**Continuing focus on stakeholder engagement**

It has been a difficult year to implement extensive engagement plans with the wider stakeholder base. The Board chose an alternative arrangement for engagement with the workforce than as proposed in the Code (Provision 5), instead using NED participation in the employee welfare forum as a means to hear employee concerns and views, but there has been excellent progress with engagement with employees as a result.

**Areas of NED expertise**



**NED's**

- John Malcolm
- Debra Valentine
- Mel Fitzgerald
- James Dewar

**Expertise**

- 1. International oil & gas
- 2. Middle East operations
- 3. Risk management
- 4. EPC
- 5. Public company boards
- 6. Legal
- 7. Financial and accounting
- 8. Public markets
- 9. Leadership
- 10. Digital
- 11. Renewables
- 12. Saudi experience
- 13. Diversity/inclusion
- 14. Mergers and acquisitions

The Directors have clear visibility of all stakeholder groups and of how the Board as a whole or individual Directors engage with key stakeholders =>> 28. Whether listening to employees in a welfare forum, speaking to shareholder representatives directly or receiving feedback from customers, the Board takes account of their views when making decisions on behalf of the Company. The independent NEDs attend employee welfare committee forums or virtual meetings with high potentials as a means to hear concerns straight from staff, as this helps to inform how Board decisions may directly impact them. The Board considers that this delivers meaningful, regular dialogue with the workforce.

The Lamprell team works hard to develop positive working relationships with our customers and the Board provides support to the management team in cultivating those relationships or even resolving issues that may arise. As we looked to close out the East Anglia ONE project at the start of last year, the Chairman and the CEO both met with the client’s CEO with a view to drawing the challenging project to a successful close. An example of effective management is the discussions we held with a major shareholder =>> 58 that voiced particular concerns about the Company’s performance and Board composition.

The Committee will continue to refresh and implement engagement activity plans, either by management or Directors, with the Group’s stakeholder groups, looking at innovative or proactive ways to communicate notwithstanding the ongoing impact of COVID-19.

**Mel Fitzgerald**

Chair of the Nomination and Governance Committee

## Report on corporate governance continued

# Audit, risks and internal control

### Risk management, internal controls and audit work

The primary function of the Audit and Risk Committee is to monitor the links between the Group's activities around risk management, internal controls and internal and external audit work and ensure that these processes continue to be robust. That is particularly important at a time when the supply chain is constrained due to the prolonged depressed oil & gas sector and when individual employees are experiencing personal pressure because of the impact of COVID-19 on their working life and financial situation.

The Group has an internal control environment designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls and the Committee has responsibility for ensuring the effectiveness of these controls. Both are ably supported by Deloitte LLP, our external auditors, which test a number of the Company's key controls, and an internal audit function which assesses the effectiveness of the control framework and compliance by the Company's workforce.

The Group's risk assessment process and the way in which significant business risks are managed is an area of focus for the Committee. The Committee's activity here was led primarily, but not solely, by the Group's assessment of its principal and emerging risks and uncertainties, =>> 45.

The Board retains overall responsibility for ensuring that there are adequate procedures to manage risk, to oversee the Group's internal control framework and to determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

### Policies/procedures for overseeing the internal control framework

The Company has a system of internal controls based around the key features set out below. They are collectively designed to assist in the achievement of the Group's business objectives.

#### Internal control framework key features

- Our strategy is defined by the Board each year and implemented by management
- A corporate culture and core values which set high standards of business practice and are underpinned by Lamprell's Business Code of Conduct
- Financial planning including annual budgets, quarterly reviews and three-year forecasting
- Policies and procedures which regulate the controls and limitations of authority including a schedule of matters reserved for the Board, a clear organisation structure and a delegation of authority matrix
- Oversight and approval of projects and/or contract awards either through executive management and/or, where required on major projects, the Board
- Implementation and use of an integrated enterprise resource planning system, linking the various business functions and operations

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

There are processes which are designed to define the culture of the Company and to educate the workforce on the importance of high standards of behaviour and ethics, such as training around the Company's Business Code of Conduct and annual conflict of interest declarations for managers and key personnel. In addition, our supply chain management department implements and educates our suppliers and subcontractors on the terms of our Supplier Code of Conduct, to ensure they understand the standards expected of them when delivering products or services to Lamprell. Suppliers and subcontractors are given training and then expected to certify compliance with the Supplier Code.

The Audit and Risk Committee completed its review of the effectiveness of the Group's system of internal controls, including risk management, during the year and up to the date of this Annual Report. The review covered all material controls, including financial, operating and compliance controls. After refocusing the role of internal audit, the Committee was able to confirm that the system of internal control operated effectively for the 2020 fiscal year.

### Anti-bribery and corruption policy/whistleblowing

We expect our employees to perform to high standards but also to display the core value of integrity in their everyday working lives. We have a zero tolerance approach concerning bribery and corruption and this is enshrined in our ABC policy. We re-emphasise the importance of our ABC policy to our employees regularly, and we educate our employees and business partners on it, to ensure that all our business is conducted honestly and ethically. If any concerns should arise, there is a multilingual, secure whistleblowing hotline which was set up to allow staff members to report suspected ethical breaches, irregularities or simply concerns on a confidential basis without any fear of recrimination.

### Policies/procedures for managing risk

In accordance with our schedule of matters reserved for the Board and the Code, the Board has primary responsibility for the effectiveness of the Group's internal controls and risk management systems but has delegated administration and monitoring to the Audit and Risk Committee.

Each of the Directors acknowledges and accepts that the Board as a whole takes responsibility for risk management in line with the Code requirements and in particular Principle O which requires the Board to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

However, the day-to-day responsibility for developing and implementing the internal control and risk management procedures resides with the executive management team which then reports on risk to the Committee. Embedding and institutionalising a robust risk management culture is a core objective of the business to ensure our risk management performance stays in line with the dynamic risk profile of our business =>> 44.

The Group's key governing document is the department risk management procedure which sets out the process for identifying, managing and then monitoring each risk or set of risks, on a department-by-department basis (facilitated by our commercial risk management function). The procedure explains how to assess risk and allocates risk based on likelihood and impact ratings, either as a Tier 1 (or enterprise) risk, Tier 2 (or departmental) risk and Tier 3 (or project) risk, as well as setting out rules whereby risks can be escalated through the tiers to ensure that the appropriate level of management or the Board is aware of the risk and can react accordingly. There are other supporting policies and procedures, such as the project risk management procedure, which assist employees in identifying emerging risks on a project and managing or mitigating them appropriately. Enterprise risks pose the greatest threat to the Group and management provided updates on these risks to the Committee in September and November last year, as well as during the extended process leading to the publication of last year's Annual Report.

In addition, at various points in the year, risk owners – typically a member of the Executive Committee – presented a deep dive on individual enterprise risks, which had been selected by the Committee as representing a particularly topical or heightened risk to the business. In 2020-21 there were six deep dive presentations with a particular focus on strategic aspects of the business such as execution of projects under the LTA programme within Saudi Arabia and the new renewables Seagreen project, to ensure that the lessons learned on the previous offshore wind projects had been embedded into our business operations.

There was also a deep dive on the risk of failing to invest in digital opportunities which highlighted the importance of taking the necessary steps to implement the strategic objectives to develop our new digital business unit =>> 8. We had identified digitalisation as an area which could contribute significantly to our future growth; however we are also sensitive to the potential capital investment which may be required to deliver the ventures. We are therefore approaching this on a phased basis in collaboration with partners which will give us enhanced access to key customers, thereby de-risking the initiatives from the outset.

This two-way disclosure and monitoring system for enterprise risks facing the Group provides the Directors with reasonable (but not absolute) assurance against material misstatements and losses. The structure of the risk management mechanisms and the results of this system can be seen in the information relating to the principal risks and uncertainties faced by the Group =>> 46.

## Reporting by Internal Audit

Lamprell has an IA function that provides assurance to management and the Board on the effectiveness and integrity of the Group's internal control framework. There is regular communication between the Committee, Deloitte and IA to ensure alignment of objectives and to maximise the coverage of the audit activities into key risk areas.

In 2020 however, with the heightened risk of fraud arising from managers working remotely due to COVID-19, the Committee decided to refocus IA's efforts to test key internal controls and areas of potential fraud, in collaboration with the control owners, which were typically members of the Executive Committee. IA tested the internal controls for: financial reporting; IT controls; supply chain function; warehousing; asset management; workforce disruption; and overall internal controls at the corporate level. IA and the risk owners together reported the results from these processes to the Committee which was able to gain additional reassurance that the internal control framework continued to be effective.

Where specific areas for improvement were identified, or where there was reliance on mitigating or alternative controls, management was tasked with implementing further safeguards, which could then be retested by the audit team's processes to ensure sustainable remediation. It is expected that, in 2021, IA will revert to a more traditional audit role. In such instances IA reports to the Committee regarding ongoing audits and close-out of audit observations, and the Committee has approved the IA plan for 2021 on that basis (based on an assessment of highlighted risk trends within the business and by reference to best practice).

As with the Company's external auditors, the Committee reviews the performance of the IA function regularly and remains satisfied with it. Similarly, at least twice per year, it meets with the IA Director, without executives present, to discuss any sensitive matters or concerns.

## Insurance programme

The efficacy of the consolidated insurance policy is regularly stress-tested against market conditions and business requirements. The insurance market has hardened significantly over the last 12-18 months, especially for professional indemnity and Directors' and Officers' liability insurances. The terms are tougher and premiums have increased significantly as insurers gain a better understanding of insured risks. We worked closely with our insurance brokers to achieve the best results for renewed cover under our consolidated insurance programme. Insurance is a risk mitigation measure, covering the Group against certain types of insurable risks normally associated with a contracting services provider to the energy industries, operating in challenging territories.

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

## Report on corporate governance continued

# Audit and Risk Committee report



### Key responsibilities of the Committee

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

### 2020 Committee activities

- Oversaw management's effort to forecast and manage liquidity through monthly solvency reports
- Advised the Board on the financial statements for the Company and the quality of the disclosures in the Notes
- Tested going concern statement and assumptions in the financial model including the impact of COVID-19, in light of direction from the Financial Reporting Council
- Refocused internal audit on internal controls assessment and approved the 2021 audit plan
- Performed deep dives into key enterprise risks to ensure proper identification and mitigation
- Evaluated independence and effectiveness of the external auditors, and completed audit quality review process from internal perspective
- Assessed the effectiveness of the Group's enterprise risk management system, internal controls and internal audit function by reference to external benchmarking
- Received reports on whistleblowing cases

### Priorities for 2021

- Monitor and test ongoing cashflow requirements and funding options of the business
- Assess the going concern and funding position, as well as the continuing impact of COVID-19 and significant judgements on the business and financial statements, taking note of the reports provided by the auditors
- Retender for external audit services for FY2021

### Committee membership and attendance

Member	Meetings attended (out of total)	Observer
<b>James Dewar*</b> (Committee Chair and Non-Executive Director)	<b>4 (5)</b>	<b>0</b>
<b>Mel Fitzgerald</b> (Independent Non-Executive Director)	<b>4 (4)</b>	<b>1</b>
<b>Debra Valentine</b> (Senior Independent Director)	<b>5 (5)</b>	

\* Mr Dewar has a strong financial background, for the purposes of Provision 24 of the Code. In 2020 James had a cardiac arrest and required time off to recover. As such he did not participate in Board activities during July and August 2020. Mr Dewar made a full recovery and returned to full independent NED duties in September 2020.

### Fair, balanced and understandable

The Committee has assessed whether the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. To assist with the review, all Directors were given drafts of the Annual Report to enable early input and comment. The Committee also reviewed the financial results announcements, supported by the work of the Group's Disclosure Committee. This work enabled the Committee to provide positive assurance to the Board to assist them in making the statement required by the Code.

The Committee spent considerable time discussing the various significant judgements (see table opposite) during 2020 with the auditors around the Company's liquidity position and its going concern statement. The Committee was satisfied that the judgements made were reasonable and that appropriate disclosures were included in the accounts; in light of the fact that new funding arrangements have not yet been put in place, the Committee determined that it was appropriate that the material uncertainty to the going concern statement (made at the time of interim financial statements) should be repeated and updated in the full-year results =>> 42.

### External auditors: effectiveness

The Committee evaluated the independence, performance and effectiveness of the external auditors throughout 2020 and formally in March and September 2020. This was achieved through dialogue with Deloitte and via assessment of its audit work in respect of the Company's financial statements and internal control framework. In addition, the Committee closed out the audit quality review process of Deloitte's work, which had been started by the Financial Reporting Council in 2019, and was able to take on board the findings as part of its annual review of Deloitte's performance.

### External auditors: independence

The Company's Policy on Auditor Independence, which is available on the Group's website, is designed to safeguard the independence and objectivity of our external auditors. Deloitte may only provide non-audit services with the Committee's approval under certain conditions and subject to financial limits to ensure that this does not compromise the integrity of their audit work.

There was no breach of the policy and in 2020 Deloitte provided non-audit services with a total value of USD 0 (2019: USD 64,800) compared to an annual audit fee including Group audit fees of USD 1,326,000 (2019: USD 1,289,253, after including agreed fee adjustments associated with the extended 2019 audit review period, requested by the regulatory authorities).

The Committee considers that the objectivity and independence of the external auditors were safeguarded throughout 2020 and up to the date of signing the 2020 financial statements, including consideration of non-audit services delivered during 2021. After each meeting, the Committee met with Deloitte, without executives present, to discuss any sensitive matters or concerns.

### Provision of external audit services

The Committee remains satisfied as to Deloitte's effectiveness and, in making this assessment, had due regard to their knowledge of the Group and their resourcing capabilities, length of service and independence. Following the assessment of Deloitte's effectiveness as external auditors and a recommendation from the Committee, the Board was unanimous in its decision to continue with Deloitte as our auditors for the 2021 financial statements. Deloitte has expressed its willingness to be appointed at the forthcoming 2021 AGM for its services in respect of the 2021 financial year.

Deloitte has been in the role as the Company's external auditors since 2016. The Code provides that a listed company should tender out its external audit contract at least every ten years and, as the Company last tendered for such services in 2015, the Committee considers that it would be appropriate to tender for the external audit services later in 2021, which appointment will be effective for the 2022 financial year onwards. The Committee will undertake a formal and structured evaluation of potential audit firms, following which the Committee plans to make a recommendation for appointment at the 2022 AGM.

### Assessment of the effectiveness of the Committee

Given how rapidly the expectations of the Committee are changing and will continue to change, the Deloitte Academy has drawn up an 'audit committee effectiveness framework' to allow an assessment to be conducted. It is in the form of a detailed questionnaire with a score rating of 1 (an area of focus), or 2 (performing as expected) or 3 (special strength). There are 227 questions and, with an expected score of 2 in each, a well-functioning committee should score 454. Our actual result, based on a fair assessment by the Committee, supported by our CFO and our Company Secretary, is slightly higher than this at 456. Within the areas of assessment, we identified special strengths in 'setting up for success' and 'committee agenda', and we met expectations in 'external communication'. We have a current shortfall with regard to climate change reporting, which as highlighted in our action plan for TCFD implementation =>> 32, recognises we have work to do in 2021, to report appropriately in 2022.

### Risk deep dives

During the year, the Committee conducted six deep dives, involving a direct conversation with the risk owners, to better understand the nature of the risks and mitigation actions. The focus areas were determined by input from each Committee member, plus our CFO and Company Secretary, and included matters such as new work execution, counterparty credit risk (customers, suppliers and JV partners) and digital. The Committee also worked with IA to address the new internal control or fraud risks associated with staff working from home and refocused the 2020 IA plan accordingly.

### James Dewar

Chair of the Audit and Risk Committee

## Significant accounting judgements considered by the Committee during 2020

### Views/actions of the Committee with respect to significant judgements

#### Going concern basis of accounting (see also Note 2.1)

The Committee reviewed the appropriateness of the going concern basis of accounting, including the Company's forecast cash flows and key assumptions disclosed in Note 2.1. The review confirmed the acute solvency challenges the business faces in the coming months and the need to recapitalize the business - see Chairman's statement. The committee noted that management was actively managing cash flows but some assumptions (notably the need for new funding) were outside the Company's control. The Committee concluded that these represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In arriving at this conclusion, the Committee also reviewed the downside case which is further sensitised for the potential effects of no new funding and other risks as summarised in the viability statement =>> 43.

#### Revenue recognition and estimated cost to complete on major projects including onerous contracts (see also Note 4.2)

The Committee reviewed the reasonableness of judgements made regarding the cost to complete estimates, recognition of variation orders and contractual claims, and the adequacy of contingency provisions to mitigate specific project risks, particularly for onerous contract terms. It was satisfied that the judgements were reasonable, and in line with IFRS requirements and accounting policy, as audited by Deloitte.

#### Review of provisions (see also Note 4.2)

At each meeting, the Committee considered the appropriateness, adequacy and consistency of approach by management in relation to material subjective provisions taken in respect of doubtful debts, contract accruals, project risks and warranty issues, and challenged as appropriate.

#### Impairment of PP&E and intangibles

Twice-yearly, the Committee evaluated the results of the impairment review of PP&E and intangibles and the appropriateness of the assumptions given the challenging financial position of the Company. This included a review of the recoverable amount based on the value in use assumptions related to revenue, discount and terminal growth rate and those used by the independent valuer in determining the fair value less disposal costs of the Group's assets. After discussion and input from management and Deloitte, it was satisfied that the assumptions and the disclosures in the year-end financial statements were appropriate.

#### Impairment of investments in subsidiaries

The Committee evaluated the results of the impairment review of the investments in subsidiaries included in the Company balance sheet. This included a review of the net asset value calculation of the subsidiaries used to determine the impairment. Based on this review, it was satisfied the disclosures in the financial statements were appropriate.

# Remuneration

## Remuneration and Development Committee report



### Key responsibilities of the Committee

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

### 2020 Committee activities

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

### Priorities for 2021

- Develop and implement incentive plans that drive stretch performance and motivate Executive Directors and senior managers whilst navigating the unprecedented global market conditions
- Identify and manage potential succession risks by continuing to implement effective senior leadership development processes and programmes
- Review workforce pay to prevent any gender pay gap and explore ways to tie Remuneration Policy to ESG strategic goals

### Committee membership and attendance

Member	Meetings attended (out of total)	Observer
<b>Debra Valentine</b> Senior Independent Director	<b>6 (6)</b>	<b>0</b>
<b>James Dewar</b> Non-Executive Director	<b>4 (4)</b>	<b>2</b>
<b>Mel Fitzgerald</b> Non-Executive Director	<b>5 (5)</b>	<b>1</b>

### Dear Shareholders

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2020. This year, our report has three sections: this introductory statement, our Directors' Remuneration Policy and our annual Report on Directors' Remuneration, that details how our policy was implemented in 2020.

At the 2021 AGM, we will be bringing forward several resolutions on remuneration matters for shareholders' approval, and I have sought to explain the rationale for each in this introductory statement. The resolutions are:

- The normal annual resolution to approve the Directors' Remuneration Report (that comprises this introductory statement and our annual Report on Directors' Remuneration)
- A resolution to approve our Directors' Remuneration Policy, to which we are proposing certain amendments for 2021
- A resolution to renew the Company's authority to operate its long-term incentive plan – this authority requires periodic renewal by the Company's shareholders as a 'business as usual' matter
- A resolution to renew our existing Retention Share Plan that will typically be operated to make retention-based share awards for employees below the main Board level

As we have detailed in our Strategic Report, in 2020 and early 2021, our Board's focus has been on recovery and positioning the business strategically to take advantage of new opportunities in our evolving markets. Our resilient performance reflects this drive.

The Remuneration and Development Committee has had to consider how to structure pay to best support the business on a future trajectory that all stakeholders can view as positive. Accordingly, the proposals that we are bringing forward to shareholders at the 2021 AGM are, we believe, appropriate and proportionate, and specifically they are also proposals that emphasise the centrality to our business' ambition of retaining and incentivising our CEO and his team to deliver growth in shareholder value in the medium to long-term.

Our proposals can be summarised as follows:

Item	Details
<b>Fixed pay</b>	<p>No changes in policy. Any future salary increases likely to be aligned to employee levels. Practical steps taken in 2020 and 2021 include:</p> <ul style="list-style-type: none"> <li>• 25% reduction in total salaries from 1 April 2020 as voluntary step by Executive Directors. This reduction is continuing into 2021 and subject to periodic review</li> <li>• 20% permanent reduction in housing allowances</li> </ul> <p>There are no executive pensions beyond the compulsory UAE end of service gratuity plan, which has the same proportionate contribution levels for Directors and the general workforce.</p> <p>For completeness, a 25% temporary reduction was also applied to Non-Executive Directors' fees which continues into 2021, subject to review.</p>
<b>Short-Term Incentive Programme</b>	<p>No changes in quantum (CEO 100% salary max opportunity level and CFO 85%).</p> <p>Metrics will be selected to best support the delivery of the strategy each year. With the announced refocus of the business into three distinct units, an element of 2021 bonus will be assessed on strategic metrics to reinforce this transformation.</p> <p>Reduction in payout level at target performance from 60% to 50%.</p>
<b>LTIP</b>	<p>From 2021 AGM, CEO's annual LTIP award increases to 150% of base salary p.a. (from 120%). CFO award increases to 120% of base salary (from 100%).</p> <p>Further incentivises the CEO and executive team to deliver recovery in shareholder value in the medium to long term.</p> <p>2021 LTIP will have metrics balanced as follows:</p> <ul style="list-style-type: none"> <li>• 50% relative TSR (vs FTSE 250 ex IT)</li> <li>• 20% cumulative net profit</li> <li>• 20% cumulative revenue</li> <li>• 10% ESG, growth in revenues from renewables</li> </ul>
<b>2020 LTIP – one-off replacement by Restricted Stock Award following 2021 AGM</b>	<p>Due to prolonged "close periods" caused by corporate activity in 2020, it was not possible to make the 2020 annual LTIP award to the CEO, CFO or other senior executives.</p> <p>Rather than seek to make this 2020 award as a "double" 2021 LTIP award or to take any other steps that could be overly complex and risk "windfall" outcomes (such as seeking to credit 2020's strong performance against a 2021 LTIP), it is proposed to make a one-off Restricted Stock Award following the 2021 AGM with the following terms:</p> <ul style="list-style-type: none"> <li>• Vesting at year three and a two-year post-vesting holding period for all vested shares (net of tax) to year five</li> <li>• CEO award at 75% of base salary and CFO award at 60% of base salary (in both cases applying a 50% discount to new 2021 LTIP policy levels)</li> <li>• Vesting underpin – requires Remuneration and Development Committee to consider factors including financial performance, enhancing environmental credentials, welfare and working culture, including overall safety performance, before vesting can be confirmed</li> </ul> <p>The Retention Share Plan to be renewed at the 2021 AGM may be used for awards to Executive Directors on one occasion only following the 2021 AGM; any further awards of restricted stock to Lamprell Executive Directors would require further specific approval by Lamprell's shareholders in a general meeting. For completeness, the Retention Share Plan will also be used to make retention-based share awards for employees below Executive Director level.</p>

As a Committee, we believe these steps are transparent, fair and will prove to be "good value" for shareholders. We have seen first-hand the work that has gone into developing a positive business outlook at Lamprell, and having revised pay arrangements that will provide rewards linked to shareholder experience in the long-term will, we believe, help to reinforce the positive steps already taken. We are particularly pleased to introduce an "ESG" metric to our 2021 LTIP where we are seeking to encourage growth in our renewables business, which is a central tenet of our strategy to reposition Lamprell as an energy services provider for the 21st century, with a business focus that is diversified beyond oil & gas. We also realise that talking about pay at Lamprell may seem challenging at a time when the Company is asking its shareholders for further support via a fundraising exercise. However, as a Board we feel that the proposals which we are making on pay align with our broader investment proposition where with appropriate funding the execution of our new strategy will further our company turnaround, building on the positive performance in 2020. Accordingly, our pay proposals are, we believe, clearly in our shareholders' best interests as being appropriate to ensure the retention and incentivization of our CEO and his senior team to deliver the strategy and turnaround.

## Remuneration continued

### Performance and reward in 2020

Despite the unprecedented global market conditions caused by the COVID-19 pandemic and continued pressures on the oil & gas sector, as reported elsewhere =>> 16, the Group achieved positive EBITDA and performed well in the other metrics (backlog and cash) for a short-term incentive plan payout, see details on =>> 85.

In determining the level of payout, the Committee took full account of i) overall affordability; ii) the external business environment; iii) the absence of external subsidies to cover the Group's salaries and related costs and iv) the impact of the permanent 20% reduction in housing allowances that was applied from 1 January 2020, and the further temporary salary reductions that have applied since 1 April 2020 and continue to apply =>> 71. In addition, the Committee recognised executive management's strong performance in delivering against challenging targets that were established before the full impact of the pandemic had become clear and that were maintained throughout 2020 for the purpose of executive performance management.

For the LTIP, performance shares that were awarded in April 2018, with a three-year performance period ending 31 December 2020, achieved above threshold performance in the relative TSR metric but failed to achieve threshold performance in the other two metrics (cumulative EBITDA and backlog). Accordingly, Christopher McDonald and Tony Wright will vest in 160,329 and 78,256 shares respectively on a date to be agreed upon following the publication of the Group's annual results =>> 84.

The Committee considered whether the attainment of performance outcomes reflected shareholder experience and overall business performance in the year and confirmed that the outcomes attained could apply without further moderation. However, as a matter of prudence, payments under the short-term incentive plan will be made only when the Committee considers it appropriate to do so in the light of the Company's working capital position.

### Concluding thoughts

As explained in the introduction to this annual statement, shareholders will be asked to approve four resolutions related to Directors' remuneration matters at the 2021 AGM. These resolutions are:

- To approve the Directors' Remuneration Report
- To approve the updated Directors' Remuneration Policy
- To renew the 10-yearly authority for our long-term incentive plan
- To renew an existing Retention Share Plan

The vote to approve the Directors' Remuneration Report is the normal annual advisory vote on such matters. The proposed vote on the Directors' Remuneration Policy and the changes that we are proposing to make are explained in this letter.

If approved by our shareholders, the Directors' Remuneration Policy will apply for a maximum of three years from the 2021 AGM and will replace the policy previously approved at the 2019 AGM. The resolution to renew the authority for the LTIP and the resolution to renew the Retention Share Plan are separate, routine matters, but each is linked to the revised Directors' Remuneration Policy as explained above.

As Lamprell continues to execute our strategy, the Committee is satisfied that our proposals are appropriate and in shareholders' interests as they are focused on retaining and incentivising our high calibre senior team. That said, the Committee welcomes all input on remuneration, and if you have any comments or questions on any element of the report, please email us care of Alex Ridout, Group General Counsel and Company Secretary, at [companysecretariat@lamprell.com](mailto:companysecretariat@lamprell.com). I hope that our shareholders remain supportive of our approach to executive pay at Lamprell and vote in favour of the resolutions on remuneration matters to be tabled at the 2021 AGM.

On behalf of the Board, I recommend the 2020 Directors' Remuneration Report to you.

### Debra Valentine

Chair of the Remuneration and Development Committee

28 June 2021

## Directors' Remuneration Policy

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

### Policy overview

The Committee is responsible, on behalf of the Board => 52, for establishing appropriate remuneration arrangements for the Chair, the Executive Directors and other senior management in the Group. Our Directors' Remuneration Policy aims to drive continuous improvements in business performance and maximise shareholder value by offering remuneration packages that are designed to enable the recruitment, retention and motivation of high-calibre Executive Directors and senior management. In setting the Remuneration Policy, the Committee considers the levels of remuneration for the wider employee population, policies and practice in the UAE and also those in the wider market. The Committee determines arrangements that are in the best interests of both the Group and its stakeholders, by taking into account the following general principles:

- To attract, retain and motivate the best talent without paying more than is necessary
- To ensure total remuneration packages are simple and fair in design and valued by participants
- To ensure that the fixed element of remuneration is determined broadly in line with market rates, taking account of individual performance, responsibilities and experience, and that a significant proportion of total remuneration is linked to performance-related incentives
- To balance performance pay between achieving financial and non-financial targets and delivering sustainable stock market outperformance, thus creating a clear line of sight between performance, strategy and reward
- To calibrate performance metrics so that performance is incrementally rewarded through stretching targets and executives are not inadvertently incentivised to take inappropriate business risks
- To maintain the highest possible health and safety standards where any fatality that takes place in a facility operated by the Company or any of its subsidiaries may result in discretionary withdrawal of incentive eligibility
- To provide a significant proportion of performance-linked pay in shares allowing senior management to build shareholdings in the business and thereby aligning management with shareholders' interests and the Group's longer-term performance
- To maintain appropriate governance and risk management => 44 through the application of holding periods and clawback provisions on incentive plan awards

## Remuneration continued

As described earlier in this report, the Committee has undertaken a review of Lamprell's Remuneration Policy in 2020 and early 2021 and is proposing some changes to the Remuneration Policy. Details of the proposed changes are highlighted in the table below.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework	Changes from previous policy
<b>Base salary</b>	To attract, retain and motivate talented individuals who are critical to the Group's success	Reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities  Base salary levels set by reference to competitive market rates, taking into account level of responsibility, individual performance, skills and experience, Group performance and the pay and conditions in the workforce	No prescribed minimum or maximum annual increase. The Committee is guided by market position, and the average increase for the workforce generally, and may recognise an increase due to, for example, assumed additional responsibilities or an increase in the scale or scope of the role	Company performance appraisal process	No changes
<b>Benefits and allowances</b>	To offer a market competitive level of benefits to ensure the Executive Directors' well-being and provide additional allowances in line with local market practice	Current benefits include a housing allowance, private medical/life insurance, use of a company car (or car allowance), fuel allowance, annual leave airfares, children's education and utility expenses. Executive Directors will be eligible for other benefits introduced for the wider workforce on broadly similar terms, and at times additional benefits might be provided if the Committee decides payment of such benefits is appropriate and in line with emerging market practice	Actual value of benefits provided	None	No changes. 2020 implementation action applied a permanent 20% reduction in the value of housing allowances in UAE

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework	Changes from previous policy
<b>Short-Term Incentive Plan</b>	To reward the achievement of the Group's annual financial and non-financial objectives linked to the delivery of the Group's strategic plan	<p>Normally payable in cash</p> <p>Performance targets are approved annually by the Committee. The Committee has the discretion to override the formulaic outturn of the incentive and determine the appropriate level of pay-out if it believes exceptional circumstances warrant it or if it is deemed necessary based on safety, environmental, social and governance considerations</p> <p>Clawback provisions apply for overpayments due to misstatement, error, negligence, fraud, serious misconduct or other adverse circumstances at the discretion of the Committee</p>	Maximum opportunity of 100% of annual base salary for all Executive Directors	<p>At least two-thirds of the annual incentive will be based on Group financial performance or other key strategic business metrics, with the remainder dependent on the achievement of individual performance objectives, to provide a rounded assessment of the Group and management's performance</p> <p>The financial metrics incorporate an appropriate sliding scale against a challenging target. On each element, only 20% of the maximum target will pay out for achieving threshold performance, increasing pro-rata with 100% pay-out on the achievement of maximum stretch targets</p> <p>On-target performance produces no more than 50% of the maximum attainment for each metric</p>	No changes. Clarified that on-target performance produces no more than 50% of the maximum attainment for each metric
<b>End-of-service gratuity<sup>1</sup></b>	To offer Executive Directors a retirement benefit as required under UAE labour law	<p>The Company has no Group-wide pension scheme</p> <p>A lump sum cash payment is awarded following end of service, based on the length of service and final base salary in accordance with UAE labour law</p>	Company contributions are limited to two years' base salary by UAE labour law	None	No changes

## Remuneration continued

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework	Changes from previous policy
<b>Long-Term Incentive Plan (LTIP)</b>	<p>To balance performance pay between the achievement of strong performance and delivering sustainable stock market outperformance</p> <p>To encourage share ownership and alignment with shareholder interests</p>	<p>Annual awards of conditional shares or nil (or nominal) cost options with vesting dependent on the achievement of performance conditions over a three year period</p> <p>An additional mandatory holding period of two years will apply to all vested awards (net of tax)</p> <p>Performance targets and metrics are approved annually by the Committee</p> <p>The Committee has the discretion to override the formulaic outturn and scale back (potentially to zero) the vesting of any awards if it believes the results are not an accurate reflection of the Company's underlying performance</p> <p>Clawback provisions apply for overpayments due to error, misstatement, negligence, fraud, serious misconduct or other adverse circumstances at the discretion of the Committee</p> <p>Dividends may accrue during the vesting period and will typically be paid in shares at the time of vesting, to the extent that shares vest</p>	<p>Normal maximum opportunity of 150% of annual base salary for the CEO and 120% of annual base salary for other Executive Directors. Exceptional maximum opportunity of 250% of base salary</p>	<p>Performance is assessed against challenging independent metrics that may include relative or absolute TSR, EPS, cumulative EBITDA, cumulative sales awards and other equally challenging metrics</p> <p>On each element only 20% of an award will vest for achieving threshold performance, increasing and vesting pro-rata with full vesting for achieving maximum stretch performance targets</p>	<p>Normal maximum opportunity increased to 150% of base salary for the CEO (from 120%), and 120% of base salary for other Executive Directors (from 100%). Exceptional maximum opportunity increased to 250% of base salary (from 150%)</p>

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework	Changes from previous policy
<b>One-off Restricted Stock award in 2021</b>	To be in lieu of the 2020 LTIP award which it was not possible to make due to in-year corporate activity  To encourage share ownership and alignment with shareholder interests	The same terms will apply as for LTIP awards set out above regarding: <ul style="list-style-type: none"> <li>3-year vesting from award date</li> <li>2-year post vesting holding period for all vested shares (net of tax)</li> <li>clawback</li> <li>accrual of dividends</li> </ul> May only be awarded to Executive Directors after 2021 AGM on one occasion	75% of base salary for CEO  60% of base salary for CFO  Awards based on post-2021 AGM LTIP opportunity levels with the application of 50% discount	Vesting underpin – requires Remuneration and Development Committee to consider factors including financial performance, enhancing environmental credentials and welfare and working culture, including overall safety performance, before vesting at 3-year horizon can be confirmed	New one-off element
<b>Share ownership guidelines</b>	To further strengthen the long-term alignment between executives and shareholders	Executive Directors are required to retain the net proceeds of vested share awards which vest under the Group's discretionary share plans until the share ownership guidelines are reached  Directors hired after 1 January 2019 will be required to hold the lower of shares to the value of 200% of annual base salary or their actual vested shareholding at the date of employment termination until the second anniversary of their separation from the Group	Expected to achieve 200% of annual base salary within five years	None	No changes
<b>Non-Executive Directors' fees</b>	Set to attract, retain and motivate talented individuals through the provision of market competitive fees	Reviewed periodically by the Executive Directors and Chairman (except for his own fee) or, if appropriate, in the event of a change in an individual's position or responsibilities  Fee levels set by reference to market rates, taking into account the individual's experience, responsibility, time and travel commitments	No prescribed minimum or maximum annual increase. The Executive Directors and Chairman are guided by market position but may recognise an increase in, for example, assumed additional responsibilities or in the scale or scope of the role	Annual evaluation of Board performance	No changes

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

## Remuneration continued

### Consideration of stakeholder views

The Company is committed to maintaining good communications with investors, its workforce and other stakeholders around remuneration matters. During 2020 the Board held active engagement forums with two key stakeholder groups: senior high potential employees through 'chat with the chair' sessions and yard employees, through employee welfare meetings. In these sessions the agenda allows for items of a broad nature to be raised, including remuneration, with the attending Board member/meeting participants. Where appropriate, employees are made aware of any proposed changes in Lamprell's compensation structure and are reminded that salaries, which are clearly defined by grade/designation, are regularly benchmarked in the market through participation in market surveys. During the year, no matters were raised by employees that would have any impact on the Remuneration Policy. The Committee also considers the AGM to be an opportunity to meet and communicate with investors and consider feedback received. This feedback, together with additional feedback from shareholder representative bodies more generally, is then considered as part of the Company's annual review of its Remuneration Policy. Details of the votes cast for and against the resolution to approve last year's Directors' Remuneration Report are set out in the Report on Directors' Remuneration =>> 77.

### Performance metric selection

The STIP is based on key financial and strategic performance indicators =>>26, to reflect how well the Group succeeded in managing its operations in the current fiscal year and by performance against individually determined strategic objectives and annual operational targets, including HSE. The LTIP performance measures reward significant long-term returns to shareholders and long-term financial growth. Targets take account of internal strategic planning and external market expectations for the Company, and are set to be appropriate to the economic outlook =>> 16 and risk factors =>> 44 prevailing at the time, ensuring that such targets remain challenging, whilst realistic enough to motivate and incentivise management. Only modest rewards are available for achieving threshold performance, with maximum rewards requiring substantial out-performance of challenging strategic plans =>> 20 approved at the start of each year.

### Discretion

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

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

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

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

### Relative pay and employment conditions in the Group

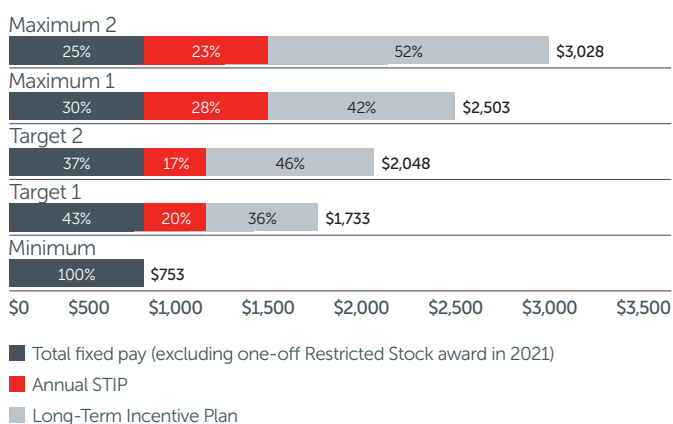
The Committee takes account of remuneration levels offered to the senior management team in the Group as well as remuneration of the wider employee population. When considering the Executive Directors' remuneration structure and levels, the Committee reviews base salary and incentive arrangements across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

## Remuneration scenarios for the Executive Directors

The charts below show an estimate of the potential range of remuneration payable for the Executive Directors in 2021 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a significant portion of the Executive Directors' total remuneration at maximum performance. The charts reflect the temporary deductions from fixed pay that were implemented from 1 April 2020 =>> 71 and continue to be implemented, subject to periodic review, in 2021.

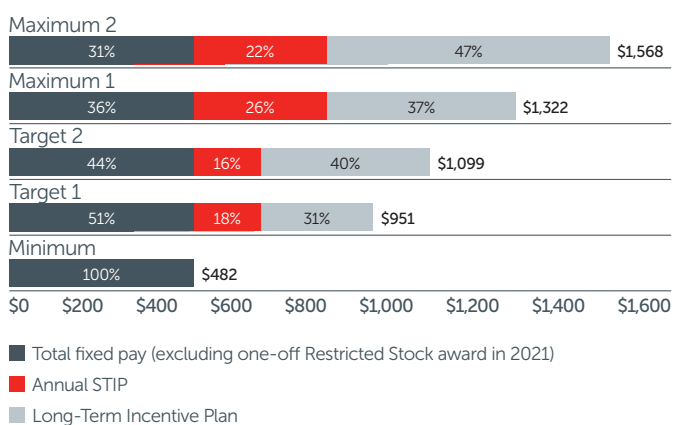
### Chief Executive Officer

Total remuneration (USD '000)



### Chief Financial Officer

Total remuneration (USD '000)



#### Assumptions:

- As explained elsewhere, a temporary 25% deduction has been applied due to COVID-19 measures against fixed pay (base salary and allowances), with the exception of school fees which remain unchanged =>> 71. This temporary deduction will be reviewed periodically throughout 2021 to determine if or when reinstatement is appropriate. Otherwise, benefits are estimated, based on the annualised value for the year ended 31 December 2020.
- The end-of-service gratuity is estimated based on the accrual for the year ended 31 December 2020.
- Minimum performance assumes no award is earned under the STIP and no vesting is achieved under the LTIP; at on-target, typically 50% of the maximum is earned under STIP and typically 60% vesting is achieved under the LTIP; and at maximum full vesting is achieved under both plans.
- 'Maximum 2' and 'Target 2' reflect the estimated impact on the LTIP values of a 50% increase in share price.
- Given its one-off nature, the above charts do not reflect the proposed 2021 Restricted Stock award.

## Directors' recruitment and promotions

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

## Remuneration continued

### Executive Directors' service agreements and payments for loss of office

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

### Long-term incentives

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

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

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

### Service contracts for Executive Directors

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

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

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

### Non-Executive Directors' terms of engagement

NEDs are engaged pursuant to letters of appointment which do not have fixed terms, but they are subject to re-election by the Company's shareholders at intervals of not more than three years. All NEDs currently serving were re-elected at the 2020 AGM. All existing Directors will be proposed for election by the shareholders at the 2021 AGM.

Upon termination or resignation, NEDs are not entitled to compensation and no further fee is payable.

Currently, three NEDs are considered to be independent of the Company.

The following table shows the effective date of appointment for each NED:

Non-Executive Director	Date of appointment
John Malcolm	27 May 2013
Mel Fitzgerald <sup>1</sup>	13 August 2015
Debra Valentine <sup>1</sup>	1 September 2015
James Dewar <sup>1</sup>	1 November 2017

1. Mel Fitzgerald, Debra Valentine and James Dewar are considered to be independent NEDs of the Company.

# Report on Directors' Remuneration

This report has been prepared in accordance with Part 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the UK's Listing Rules, as well as applying the remuneration principles set out in the Code. The Report on Directors' Remuneration will be put to an advisory shareholder vote at the 2021 AGM. The information on ==> 82 to ==> 87, save where indicated, has been audited.

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

## External advice received

During the year, the Committee received independent advice on remuneration matters from the London office of Aon (formerly New Bridge Street) and, from November 2020, FIT Remuneration Consultants LLP. In September, the Company received notification from Aon that it intended withdrawing from the remuneration sector. As such, the Company opted to invite proposals from several prospective providers and, after a comprehensive review of three alternatives, appointed FIT as its external advisor from 1 November 2020. Neither Aon nor FIT provided other services to the Group during the year under review and there is no other connection between Aon or FIT and the Company or the Directors. The Committee also received independent advice from John Macdonald, the Company's former Vice-President (HR and Administration), who attends meetings on a regular basis and was engaged to provide ongoing advice. Mr Macdonald also provided general remuneration consulting support on an ad-hoc basis. The Committee considers Mr Macdonald's advice to be independent and he has no other ongoing connection with the Company or Directors save as disclosed here. The Committee also consulted with the CEO, CFO and Non-Executive Chairman (but not in relation to their own remuneration), as well as the Company Secretary (who acted as the secretary to the Committee) and the VP of HR & Corporate Services, as well as the Audit and Risk Committee in establishing incentive plan performance measures. Both Aon and FIT are signatories to the Remuneration Consultants' Code of Conduct and adhere to its voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the operating processes in place at both Aon and FIT and is satisfied that the advice it receives is objective and independent. The fees paid to Aon during the year were GBP 34,000, with GBP 10,350 paid to FIT. The fees paid to John Macdonald in respect of Committee support during the year were AED 46,899. All external advisors' fees were chargeable on the basis of time provided and, from 1 May 2020, the advisors agreed to a 25% reduction in standard fees in recognition of the COVID-19 related cost reduction measures throughout the Group.

## Shareholder voting at AGM

At last year's AGM held on 25 June 2020, the Directors' Remuneration Report for 2019 received the following votes from shareholders:

	Directors' Remuneration Report	
	Total number of votes	% of votes cast
For	204,614,733	78.6%
Against	55,866,972	21.4%
<b>Total votes cast (for and against)</b>	<b>260,481,705</b>	<b>100%</b>
Votes withheld <sup>1</sup>	1,000	N/A
<b>Total votes cast (including withheld votes)</b>	<b>260,482,705</b>	<b>N/A</b>

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

As explained elsewhere ==> 58, the Board sought to engage with representatives from a major shareholder to understand their concerns resulting from the 21% dissenting vote against certain resolutions at the AGM.

## Report on Directors' Remuneration continued

### Implementation of the Remuneration Policy for 2021

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

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

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

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

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

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

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

#### Base salary (unaudited)

In setting base salaries for 2021, the Committee continued to benchmark against external market data and internal alignment, as well as the overall market environment that has driven the continued need for overhead cost reductions. The substantive base salaries of the Executive Directors in 2021 will remain the same for the fifth successive year but remain subject to a temporary voluntary deduction of 25% from 1 April 2020 as follows:

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

#### Allowances (unaudited)

As reported elsewhere, following a permanent 20% reduction in housing allowances, total allowances (excluding school fees) were subject to a further 25% temporary reduction from 1 April 2020 that will continue to apply in 2021, subject to periodic review.

#### STIP 2021 (unaudited)

For 2021, the annual incentive plan will be structured as follows:

Executive Director	Maximum opportunity (% of base salary)	Metrics/ Weights
Christopher McDonald	100%	EBITDA (30%)
Tony Wright	85%	Strategic developments (30%) Backlog (20%) Personal goals (20%)

The Committee considers any disclosure of certain financial targets to be commercially sensitive; however, full retrospective disclosure of targets and performance against them will be disclosed in next year's Annual Report on Remuneration.

#### LTIP incentive awards (unaudited)

Subject to compliance with the Listing Rules, awards will be made at the appropriate time in 2021 and the maximum LTIP potential will be 150% of base salary for the CEO and 120% for the CFO. The performance conditions for these awards are structured around the following metrics and targets:

- 50% relative TSR (vs FTSE 250 ex IT) – median to upper quartile
- 20% cumulative net profit – commercially sensitive
- 20% cumulative revenues – USD 1.75 to USD 2.25 billion
- 10% ESG, growth in revenues from renewables – USD 300 to USD 450 million

#### One-off Restricted Stock award in 2021

As explained in the Remuneration and Development Committee Chair's introductory statement => 70 and as further detailed in the Directors' Remuneration Policy, it is proposed to make a one-off award of Restricted Stock to the CEO and CFO after the 2021 AGM with the following terms:

- Vesting at year three and two-year holding period for all vested shares (net of tax) to year five
- CEO award over shares worth 75% of base salary and CFO award over shares worth 60% of base salary (applying a 50% discount to new 2021 policy level LTIP annual awards)
- Vesting underpin: requires Remuneration and Development Committee to consider factors including financial performance, enhancing environmental credentials, welfare and working culture, including overall safety performance, before vesting at three-year horizon can be confirmed

#### End-of-service gratuity

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

## Directors' contracts

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

## Outside appointments (unaudited)

The Board allows Executive Directors to accept appropriate external, commercial NED appointments provided the aggregate commitment is compatible with their duties and does not cause a conflict of interest with the role of an Executive Director. Executive Directors may retain fees paid for these services, which will be subject to approval by the Board. The Executive Directors do not currently hold any outside appointments save as disclosed =>> 52 and 53.

## Performance conditions for outstanding LTIPs

For the sake of completeness, the Company discloses the performance conditions which are attached to the awards of LTIPs in 2018 and 2019 as follows:

### LTIP 2018

Performance condition	Weight	Threshold		Maximum		End measurement point
		% vesting	Performance	% vesting	Performance	
TSR vs. FTSE World Oil Equipment and Services Index	50%	20	Median	100	Upper quintile	31 December 2020
Cumulative EBITDA	25%	20	USD 10m	100	USD 75m	31 December 2020
End-of-period backlog	25%	20	USD 600m	100	USD 1.0bn	31 December 2020

The outcome of the performance conditions applicable to the 2018 LTIP awards is shown below:

Performance condition	Outcome	% Vesting
TSR vs. FTSE World Oil Equipment and Services Index	Above median	40%
Cumulative EBITDA	(USD 95.7m)	0%
End-of-period backlog	USD 522m	0%

Accordingly, the overall vesting outcome for the 2018 plan was 20% =>> 84.

### LTIP 2019

Performance condition	Weight	Threshold		Maximum		End measurement point
		% vesting	Performance	% vesting	Performance	
TSR vs. FTSE World Oil Equipment and Services Index	25%	20	Median	100	Upper quintile	31 December 2021
TSR vs. FTSE 250 Index	25%	20	Median	100	Upper quintile	31 December 2021
Cumulative net profit	25%	20	See Note 1	100	See Note 1	31 December 2021
Cumulative sales awards	25%	20	USD 2.0bn	100	USD 3.5bn	31 December 2021

- The Committee considers any disclosure of certain financial targets to be commercially sensitive; however, full retrospective disclosure of targets and performance against them will be disclosed in next year's annual Report on Remuneration.

## Report on Directors' Remuneration continued

### Fees for the Chairman and NEDs

The Non-Executive Chairman's remuneration is determined by the Committee and the NEDs' remuneration is determined by the Executive Directors and the Chairman, all of which are based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual NEDs do not take part in discussions regarding their own fees. NEDs receive no other benefits. As reported elsewhere => 67, Non-Executive Directors' fees were subject to a 25% temporary reduction from 1 April 2020 subject to periodic review in 2021. A summary of the fees for 2021 are as follows:

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

### Directors' remuneration earned in 2020 (after COVID-19 deductions)

The table below summarises Directors' remuneration received in 2020, after COVID-19 related deductions, with comparisons, where appropriate, to 2019.

	Base salary and fees <sup>1</sup> USD'000		Benefits and allowances <sup>2</sup> USD'000		End-of-service gratuity <sup>3</sup> USD'000		Total fixed pay USD'000		Short-term incentives <sup>4</sup> USD'000		Long-term incentives <sup>5</sup> USD'000		Total variable pay USD'000		Total remuneration USD'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Executive Directors</b>																
Christopher McDonald	569	700	190	244	47	42	806	986	521	–	136	27	657	27	1,463	1,014
Tony Wright	333	410	157	215	33	31	523	656	259	–	66	–	325	–	848	657
<b>Non-Executive Directors</b>																
John Malcolm	188	229													188	229
Debra Valentine	90	115													90	115
Mel Fitzgerald	76	93													76	93
James Dewar	76	93													76	93
Nicholas Garrett <sup>6</sup>	9	83													9	83

- All Directors' pay is reported above in USD. Christopher McDonald's pay is determined in USD and paid in AED. Tony Wright is remunerated in AED. Debra Valentine's remuneration is determined in GBP and paid in USD, and the remuneration of John Malcolm, Mel Fitzgerald, Nicholas Garrett and James Dewar is determined and paid in GBP.
- Benefits and allowances include housing, private medical insurance, life insurance, club membership, the use of a company car, private fuel card, airfare tickets, children's schooling and utility expenses. The table below summarises the main benefits and allowances.
- End-of-service gratuity is the provision accrued during the year. In accordance with the provisions of IAS 19, the present value of Directors' end-of-service gratuity obligations under UAE labour law have been valued using the projected unit credit method, as at 31 December 2020 and 2019. Under this method an assessment has been made of a Director's expected service with the Group and the expected base salary on the date of termination. As part of the valuation we have assumed an average base salary increment of 2% p.a. (2019: 2%). The expected liability on the date of termination has been discounted to its net present value using a discount rate of 1.7% p.a. (2019: 2.8% p.a.). The end of service gratuity calculation was not impacted by the COVID-19 deductions.
- Details of STIP pay-outs are provided on => 85.
- As reported elsewhere => 83, the LTIP 2018 awards, with a performance period that ended on 31 December 2020, resulted in a vesting outcome whereby Christopher McDonald vests in 160,329 performance shares, at a vesting share price of £0.62 and an exchange rate of \$1.37/£1.00 delivering a value of USD 136,183. On the same basis, Tony Wright vests in 78,256 performance shares delivering a value of USD 66,471. At the date of grant (9 October 2018), the face value of Mr McDonald's vested shares was USD 168,000 and Mr Wright's vested shares was USD 82,000 based on the share price of £0.74 and exchange rate of USD 1.412/£1.00.
- Nicholas Garrett stepped down as Director in February 2020.

### Summary of benefits and allowances (after COVID-19 deductions)

	Housing USD'000	Vehicle USD'000	Children's education USD'000	Annual leave tickets USD'000	Medical and life insurance USD'000	Other USD'000	Total USD'000
Christopher McDonald	81	27	20	29	23	10	190
Tony Wright	68	17	19	31	14	8	157

## Short-Term Incentive Plan 2020: Performance against targets

### CEO and CFO

Metric	Weighting as % of maximum annual opportunity	Stretch target	Actual performance	Pay-out outcome as % of maximum annual opportunity
EBITDA <sup>1</sup>	30%	USD 12m	USD 3.9m	13.8%
Net cash <sup>2</sup>	25%	USD 65m	USD 112.4m	25%
Backlog <sup>3</sup>	20%	USD 656m	USD 522m	15.6%
Personal goals – CEO	25%	N/A	80%	20%
Personal goals – CFO	25%	N/A	80%	20%

- EBITDA targets were in the range of USD 0m (threshold) to USD 6m (target) and USD 12m (stretch). Failure to have achieved threshold performance in EBITDA would have prevented any plan pay-out.
- Net cash targets were in the range of USD 43m (threshold) to USD 55m (target) and USD 65m (stretch).
- Backlog targets were in the range of USD 281m (threshold) to USD 407m (target) and USD 656m (stretch).

Given the above performance levels, the formulaic outcome generated a pay-out of 74.4% of maximum for Christopher McDonald (USD 521,010) and 74.4% of maximum for Tony Wright (USD 259,389). At 'target' performance in all metrics, the pay-outs would have been USD 420,000 for Christopher McDonald and USD 209,100 for Tony Wright. At threshold performance, the pay-outs would have been USD 140,000 for Christopher McDonald and USD 69,700 for Tony Wright. The outcome of achievement against the personal goals of the CEO and CFO was as follows:

### CEO

Personal goal	Weighting	Performance outcome	Pay-out outcome as a % of maximum
HSE including COVID-19 preparedness	25%	25%	6.25%
Strategic initiatives	35%	30%	7.5%
Financial	35%	20%	5%
Team development	5%	5%	1.25%

### CFO

Personal goal	Weighting	Performance outcome	Pay-out outcome as a % of maximum
HSE including COVID-19 preparedness	20%	20%	5%
Strategic initiatives	25%	25%	6.25%
Financial	45%	25%	6.25%
Team development	10%	10%	2.5%

## Long-term incentive awards granted during the year

As reported elsewhere => 71, the operation of the 2020 Performance Share Plan was deferred whilst the Company monitored the impact of the COVID-19 pandemic on its ability to set meaningful and sufficiently challenging long-term targets. As such and, as reported elsewhere => 71, it is proposed to make a one-off restricted award in lieu of the regular 2020 awards of performance shares.

### Directors' interests in share plan awards

The Directors hold interests in long-term incentive awards under the Company's incentive plans as at 31 December 2020 as set out below. Awards normally vest on the third anniversary of the date of grant of the awards, subject to any applicable performance conditions having been satisfied. Further details on the targets are set out above => 82 and 83. The following table sets out the interests of the Executive Directors in relation to performance and retention shares:

Executive Directors	At 1 January 2020	Awarded in 2020	Date of vesting	Vested in 2020	Lapsed in 2020	At 31 December 2020
Christopher McDonald	2,909,528	0	N/A	0	705,484	2,204,044
Tony Wright	1,392,746	0	N/A	0	344,343	1,048,403

## Report on Directors' Remuneration continued

### Directors' interests in ordinary shares

The Committee has adopted a formal policy requiring the Executive Directors to build and maintain, through the award of shares by the Company, a shareholding in the Company equivalent to 200% of base salary. Until such time as this threshold is achieved there is a requirement for executives to retain the net proceeds of all vested share awards. Mr McDonald and Mr Wright have not currently achieved these guidelines. In accordance with the Listing Rules, the Company discloses the beneficial interests of the Directors in the share capital of the Company as at 31 December 2020 as set out below. There were no changes to the interests of the Directors in the ordinary shares of the Company in the period from 1 January 2021 to 28 June 2021, being the last practicable date that the Company is able to report on Directors' interests:

	Beneficially owned at 31 Dec 2020	Beneficially owned at 31 Dec 2019	Ordinary shares held	Outstanding awards (retention only)	Outstanding awards (subject to conditions)	Shareholding as % of base salary <sup>1</sup>	Shareholding requirement met?
<b>Executive Directors</b>							
Christopher McDonald	2,945,539	3,651,023	741,495	0	2,204,044	91.3%	No
Tony Wright	1,089,788	1,434,131	41,385	0	1,048,403	8.7%	No
<b>Non-Executive Directors</b>							
John Malcolm	0	0	0	-	-	-	-
Debra Valentine	0	0	0	-	-	-	-
Nicholas Garrett	0	0	0	-	-	-	-
James Dewar	40,000	40,000	40,000	-	-	-	-
Mel Fitzgerald	11,700	11,700	11,700	-	-	-	-

1. Calculated at a share price of £0.62 and exchange rate of \$1.39/£1.00.
2. Nicholas Garrett stepped down from the Board on 10 February 2020.

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

### Payments to former Directors

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

### Payments for loss of office

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

### Percentage change in remuneration levels

The table below shows the movement in base salary, benefits and STIP (or equivalent) for the CEO and other Directors between the 2020 and 2019 financial years, compared to that for the average employee of the Group.

	CEO	All employees	CFO	Chairman	SID	Other NEDs
Base salary/fees (after COVID-19 deduction) <sup>1</sup>	- 18.7%	See note 2	- 18.7%	- 18.7%	- 18.7%	- 18.7%
Benefits (after COVID-19 deduction) <sup>2</sup>	- 17.1%	See note 2	- 22.7%	N/A	N/A	N/A
STIP	See note 4	See note 5	See note 4	N/A	N/A	N/A

1. As reported elsewhere => 82, the base salaries and fees of the CEO, CFO, the Chairman, SID and all NEDs were reduced temporarily by 25% effective 1 April 2020 and continue to be reduced going forward into 2021, subject to review.
2. The percentage change in remuneration for "All employees" is complicated by the fact that the COVID-19 deductions, whilst applied equally on 1 April, were reinstated on a phased basis at different levels on 1 October 2020. The deductions described in note 1 above were applied in the same way to the ExCom, senior and middle management groups and continue to apply. The percentage changes for these groups, therefore, aligned with the CEO and other Directors. However, below middle management, deductions to base salaries and benefits were reinstated on a sliding scale basis according to employee levels effective 1 October 2020.
3. As reported elsewhere => 82, benefits and allowances were subject to the same COVID-19 deductions as applied to base salaries, effective 1 April 2020, with an additional permanent 20% reduction in housing allowances from 1 January 2020. These deductions are reflected in the percentage changes for the CEO and CFO. For "All employees", the deductions and reinstatements described in note 2 above applied in the same way to benefits and allowances.
4. As reported elsewhere => 84, the CEO and CFO received STIP 2020 pay-outs of USD 521,010 and USD 259,389 respectively compared to nil pay-outs in 2019. The 2020 pay-outs represented 74.4% of their maximum opportunity levels.
5. STIP (or equivalent) pay-outs for "All employees" were broadly aligned with the CEO and CFO relative to maximum opportunity levels compared to nil pay-outs in 2019.

## Relative importance of the spend on pay

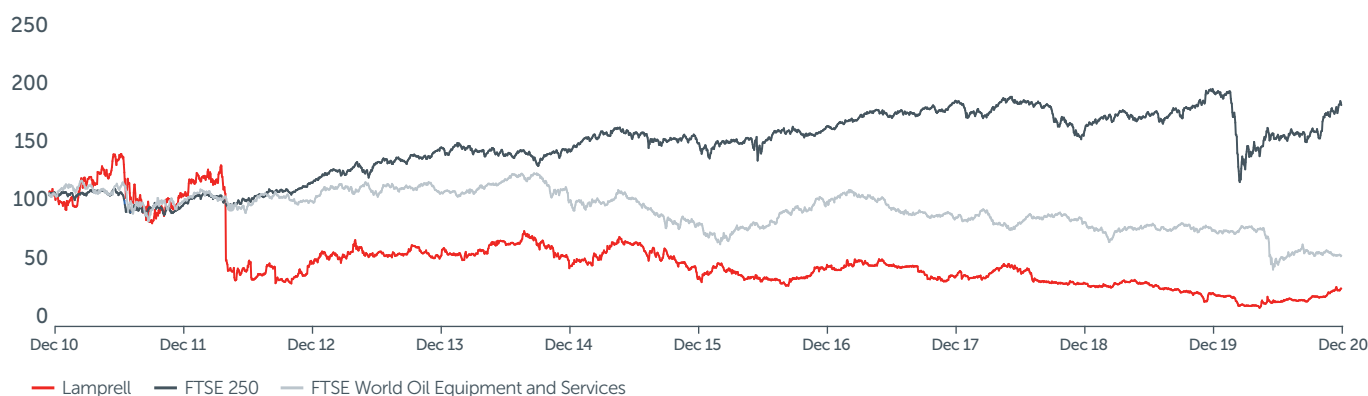
The table below shows the spend on staff costs in the financial year, compared to dividends and share buybacks (of which there were none):

	2020 USD'000	2019 USD'000	% change
Staff costs	123,575	124,580	-0.80%
Dividends	–	–	0.00%

## Performance graph and CEO pay

The graph below shows the growth in value of a notional £100 invested in the Company compared to the FTSE World Oil Equipment and Services Index, which is used as the basis for one of the Company's LTIP metrics and the FTSE 250 Index, as a broad pan-sector comparator. The graph covers the time period 31 December 2010 to 31 December 2020.

### Share price performance Dec 2010 to Dec 2020



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

### CEO Remuneration table

	Year ending 31 December (USD'000)												
	2020	2019	2018	2017	2016	2016	2015	2014	2013	2013	2012	2012	2011
CEO	McDonald	McDonald	McDonald	McDonald	McDonald <sup>1</sup>	Moffat <sup>2</sup>	Moffat	Moffat	Moffat	Whitbread <sup>3</sup>	Whitbread	McCue <sup>4</sup>	McCue
Annual remuneration	1,463	1,014	1,285	1,564	262	891	1,349	1,716	1,652	1,504	352	2,739	2,094
Annual STIP %	74.5%	0%	35.6%	0%	0%	0%	45%	91%	99%	0%	0%	0%	72.3%
LTIP vesting %	19.4%	3.8% <sup>5</sup>	7.4% <sup>5</sup>	0%	0%	100%	0%	0%	0%	0%	0%	100%	100%

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

### Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 28 June 2021.

### Debra Valentine

Chair of the Remuneration  
and Development Committee

# Statutory information and Directors' statements



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

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2020. This report has been prepared in accordance with applicable regulatory requirements, including Disclosure Guidance and Transparency Rule 4. This statutory information forms part of the Directors' report by reference and the other elements of the Directors' report can be found elsewhere in this report, in the Strategic Report =>> 1 and the Corporate Governance Report =>> 52.

## Memorandum and Articles of Association

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

## Capital structure and corporate authorities

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

Details of the Company's employee share schemes are disclosed in the Report on Directors' Remuneration =>> 77 and in Note 9 to the financial statements. The awards under the Lamprell plc Free Share Award Plan, Retention Share Plan and Long-Term Incentive Plan are granted at nil (or nominal) cost.

Pursuant to the Company's share schemes, the Employee Benefit Trust as at the year end held a total of 16,268 (2019: 16,268) ordinary shares of 5 pence, representing less than 0.01% (2019: < 0.01%) of the issued share capital. If another company takes control of the Company, the employee share schemes have set change of control provisions whereby, in certain circumstances and approved proportions, they are allowed to vest early or to be exchanged for awards of equivalent value in the acquiring company.

	Granted		Outstanding	
	2020*	2019	2020*	2019 and before
Lamprell plc Free Share Award Plan	Nil	Nil	Nil	Nil
Lamprell plc Retention Share Plan	Nil	2,279,117	Nil	4,662,130
Lamprell plc Executive Share Option Plan	Nil	Nil	Nil	Nil
Lamprell plc Long-Term Incentive Plan	Nil	5,364,598	Nil	6,674,856

\* The Remuneration and Development Committee concluded in 1H 2020 that the incentive awards that would normally be made in April 2020 would be postponed until a later date, when the market volatility due to COVID-19 had settled. =>> 70.

At the 2020 AGM, the shareholders approved the following authorities: (i) for the Company to make market purchases of up to 33,000,000 ordinary shares, representing approximately 10% of the Company's then issued ordinary share capital; (ii) for the Directors to allot unissued shares up to a maximum nominal amount of £4,900,000 (representing approximately 30% of the Company's current issued ordinary share capital) to existing shareholders; and (iii) for the Directors to issue equity securities of the Company for cash to persons other than existing shareholders, under certain conditions, up to an aggregate nominal value of £825,000 (representing approximately 5% of the current issued ordinary share capital).

These authorities will expire at the 2021 AGM when new authorities will be sought from shareholders on similar terms. Details of the requested authorities are set out in the Notice of AGM which accompanies this Annual Report.

### Contracts of significance

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

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

### Going concern/viability

The Company's business activities, together with the factors likely to affect its future development, performance and competitive position, are set out in the Strategic Report =>> 1.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review =>> 40.

The Group's consolidated financial statements have been prepared on a going concern basis as described in the Operational and Financial Review and further discussed in Note 2.1.

The Directors have published their viability statement for the Company on =>> 43.

### Directors' responsibility statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 28 June 2021 and is signed on its behalf by:

### Alex Ridout

Company Secretary  
By order of the Board

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

## Report on the audit of the financial statements

### 1. Opinion

In our opinion, the financial statements of Lamprell plc (the 'Parent Company') and its subsidiaries (the 'Group')

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in the preparation of the Parent Company and Group financial statements is applicable law and IFRSs as adopted by the European Union.

### 2. Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in Note 15(b) to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

### 3. Material uncertainty relating to going concern

We draw attention to Note 2.1 in the financial statements, concerning the Group's and Parent Company's ability to continue as a going concern. The Directors have identified events and conditions that indicate a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. The most significant factors that have led to this determination are:

#### • Financing

The Group needs to raise a significant level of additional capital through an equity raise and debt financing. While an equity raise of up to USD 150 million is planned, alongside securing debt financing currently under negotiation, the quantum, timing and probability of success of these measures are uncertain and not wholly within management's control.

#### • Ability to execute mitigating actions

During the period before the proceeds from the equity raise are received, significant payments to suppliers are forecast to be deferred and credit terms extended. Should the proceeds from the equity raise be lower than forecast, this activity will need to increase significantly alongside other mitigating actions including cost reductions and reduced capital expenditure which may not be sustainable over the longer term.

In performing their assessment of going concern, the Directors have considered forecast cash flows to September 2022. Our evaluation of the Director's assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls relating to the going concern assessment;
- with the assistance of restructuring specialists, challenging the appropriateness of management's key assumptions in the cash flow forecasts as described in Note 2.1 by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing management's consideration of downside sensitivity analyses. This included assessing the feasibility of mitigating actions within management's control;
- engaging in regular discussions with the Directors with regard to the status of negotiations in respect of new financing options;
- discussing the nature, timing and feasibility of refinancing options, particularly the planned equity raise, with the brokers appointed to advise the Group;
- assessing and challenging key assumptions and mitigating actions planned, and in particular assessing the reasonableness of assumptions regarding payment of creditors, with reference to management's board reporting on the subject and comparing the current and forecast levels of stretch against industry and local averages;
- assessing and challenge the forecast timings of cash inflows and outflows associated with major ongoing contracts such as Moray East, Seagreen and IMI Rigs 1 & 2;
- evaluating and challenging the bid pipeline and the related future cash flows in the model. For each key cash flow we assessed the risks associated with the cash flow and inspected bid documentation, communications with potential customers and held discussions with the bid development team;

- challenging management's assumptions regarding further cash contributions forecast to be made to fund the Industrial Maritime Services (IMI) joint venture within the going concern period and considered the potential contractual consequences of deferral of this;
- with the assistance of modelling specialists, testing the mathematical accuracy and functionality of the model used to prepare the forecasts;
- assessing the historical accuracy of forecasts prepared by management;
- considering the consistency of management's forecasts with other areas of the audit, including the forecasts used to prepare the viability statement => 43;
- assessing the nature and extent of management's disclosure of these matters throughout the Annual Report and Accounts; and
- assessing the extent to which various scenarios under sensitised assumptions represent realistic alternatives to ceasing trading.

As stated in note 2.1, these events or conditions, along with the other matters as set out in that note to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.





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

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

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

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

#### 4. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Going concern (see material uncertainty relating to going concern section above);</li> <li>• Estimation of project revenues and costs – IMI Rigs 1 and 2;</li> <li>• Estimation of project revenues with respect to unapproved claims and liquidated damages – Moray East; and</li> <li>• Recoverability of non-current assets: PP&amp;E.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li> Newly identified</li> <li> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>
<b>Materiality</b>	The materiality that we used for the Group financial statements was USD 5 million, which equated to 1.5% of revenue. Our benchmark of revenue has remained consistent with the prior year.
<b>Scoping</b>	We performed full scope audit procedures on components comprising 99% of the Group's net assets and 99% of the Group's revenue.
<b>Significant changes in our approach</b>	<p>Changes to key audit matters in the current year were:</p> <ul style="list-style-type: none"> <li>• Developments in the East Anglia ONE project have reduced the level of estimation uncertainty associated with the warranty provision and hence this is no longer considered a key audit matter;</li> <li>• Project delays on IMI Rigs 1 and 2 have resulted in judgements around contract revenue recorded, treatment of contract claims and the estimated costs to complete for, leading to this item being considered a key audit matter; and</li> <li>• The level of judgement around estimation of contract revenue with respect to unapproved contract claims and liquidated damages for the Moray East project have resulted in this being recognised as a key audit matter.</li> </ul>

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

### 5. Key audit matters

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

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

#### 5.1 Estimation of project costs and project revenues IMI Rigs 1 and 2

##### Key audit matter description

The IMI Rigs 1 and 2 projects were contracted at lower than usual projected margins and since project commencement have been subject to some delays. This exposes the Group to the possibility of liquidated damages (LDs) being charged by the customer, as well as increases to the forecast cost to complete which, given the low levels of margin on the projects, could result in the contracts becoming onerous. Delays in contract delivery also give rise to greater levels of uncertainty over forecast costs to complete.

No LDs have been provided for, despite delays in contract delivery to date, and claims income has been recognised despite it not being formally agreed by the customer.

Management has disclosed this as a critical judgement in Note 4.1.2, and has included the cost to complete as a key source of estimation uncertainty at Note 4.2.1.

The accounting for IMI Rigs 1 and 2 was considered by the Audit and Risk Committee as set out on =>> 69.

##### How the scope of our audit responded to the key audit matter

We performed the following procedures in assessing revenue recognised, forecast costs to complete and estimation of potential LD claims:

- obtained an understanding of relevant controls over the recognition of contract revenue, forecast costs and forecast margin (including by attending project review meetings where project status, estimates and forecasts are discussed by finance and operational personnel);
- read the original contracts and variations thereto, and verified the details of expected revenue, costs and critical dates of project deliverability milestones;
- met with operational project management and senior management to understand contract performance and the risks, probability of the risks materialising and the quantification of these risks within forecast costs to complete for each project;
- obtained claim documentation and other communication between the Group, its immediate customer and the ultimate customer on the status of the projects and with the assistance of specialists assessed the nature of the impact of delay events on the project position including with respect to LDs and the award of an extension of time in quantum and time;
- assessed and independently recalculated the risk and opportunities schedule for the projects to test whether management's estimates are reasonable and supported by appropriate evidence;
- agreed the costs to complete to supporting evidence and assessed the completeness and accuracy of the costs through analysis, inquiries, sub-contract agreements and detailed review of project management's forecast schedules. As part of this work, we specifically considered the impact of delays experienced to date on costs to complete. Based on this, we recalculated revenue recognised for the period;
- assessed management's accounting treatment against the requirements of IFRS 15; and
- considered the impact of COVID-19 on project execution and completion deadlines.

##### Key observations

Based on procedures performed we are satisfied that the revenue recognised, estimated costs to complete and management's assessment of potential LDs for the IMI Rigs 1 and 2 projects are reasonable.

## 5.2 Estimation of project revenue with respect to unapproved contract claims and liquidated damages for the Moray East project ⓘ

<b>Key audit matter description</b>	<p>The Moray East project is substantially complete with all jackets being completed and delivered to the customer. There are therefore minimal costs remaining to be incurred, but claims and counterclaims in respect of delays remained under negotiation at the year end.</p> <p>Management has assessed that there is no exposure to LDs and accordingly none have been recognised, and claims income has been recognised despite it not being formally agreed by the customer. Management has disclosed this as a critical judgement in Note 4.1.1.</p> <p>The accounting for Moray East was considered by the Audit and Risk Committee as set out on =&gt;&gt; 69.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>For the Moray East project, we have:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of relevant controls over the estimation of contract revenue with respect to unapproved claims and LDs;</li> <li>• met operational project management, as well as senior management to understand contract performance, progress of commercial close-out of the project and final developments through recent communication with the customer on unapproved claims and potential LDs;</li> <li>• obtained and read signed contract finalisation documentation agreed to date;</li> <li>• understood the basis for and obtained evidence in respect of management's judgements on LDs and claims income recognised, including customer correspondence and claim documentation; and</li> <li>• involved our internal claim specialists to specifically assess and independently evaluate the entitlement, quantum and likelihood of recovery relating to the claim position recorded by management and to evaluate the claims submitted and the risk of LDs being incurred.</li> </ul>
<b>Key observations</b>	<p>Based on procedures performed we are satisfied with the recognition of part of the claim submitted as highly probable of being received, and that appropriate mitigations exist to support that LDs for Moray East should not be recognised.</p>

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

<b>Key audit matter description</b>	<p>The Group has property, plant and equipment 'PP&amp;E' that is material to the Group's balance sheet. Due to the low levels of activity, limited bidding success in the year and slow recovery in the market as a result of the impact of the COVID-19 pandemic, the Group identified impairment indicators for non-current assets in the United Arab Emirates (UAE) cash generating unit (CGU). Management performed an impairment assessment as at 31 December 2020, in accordance with IAS 36 <i>Impairment of assets</i>.</p> <p>As disclosed in Note 4.2.2, where indicators exist, an impairment test is undertaken which requires management to estimate the recoverable amount of its assets, being the higher of the value in use (VIU) and the fair value less costs of disposal (FVLCD).</p> <p>For the year end assessment, management assessed that FVLCD would be higher than VIU and accordingly estimated FVLCD of the PP&amp;E with the assistance of external experts in the valuation of plant and equipment and real estate.</p> <p>Key assumptions in the valuations included assessment of the existence of an active market for the assets, and consideration and estimation of dismantling/installation costs. We consider this estimate to be a key audit matter because of the level of judgment and estimation uncertainty associated with these assumptions.</p> <p>Based on the exercise completed by management, an impairment loss of USD 3.3 million (31 December 2019: USD 79.3 million) has been recorded against PP&amp;E during the year.</p> <p>The resultant carrying amounts at 31 December 2020 of PP&amp;E was USD 158.8 million (2019: USD 160.1 million).</p> <p>The impairment assessment was considered by the Audit and Risk Committee as set out on page 69.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We performed the following procedures on the FVLCD estimate:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the controls around management's valuation process, including their use of valuation experts;</li> <li>• considered and challenged the approach adopted by management's valuation experts to derive the fair value of items of PP&amp;E, including that an active market exists for sale of the items;</li> <li>• together with internal specialists, met with management's valuation experts and challenged assumptions included within the valuations of the PP&amp;E assets;</li> <li>• together with our specialists, evaluated the competence, capabilities and objectivity of management's valuation experts and the appropriateness of their work as audit evidence;</li> <li>• challenged management's valuation experts on the dismantling and installation costs that were required to be considered in the FVLCD exercise; and</li> <li>• considered the costs to dispose determined by management by benchmarking to industry standards and developed an estimate to determine if management's valuation experts' conclusions fell within a reasonable range.</li> </ul>
<b>Key observations</b>	<p>Based on our work performed we consider the impairment charge and resultant carrying value of non-current assets recorded to be reasonable.</p>

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

## 6. Our application of materiality

### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed

or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Parent Company financial statements
<b>Materiality</b>	USD 5 million (2019: USD 5 million)	USD 2.9 million (2019: USD 4.7 million)
<b>Basis for determining materiality</b>	The Group materiality that we used in the current year was based on 1.5% of revenue. 2019 materiality was based on 1.9% of revenue.	The Parent Company materiality was determined based on 3% of Parent Company net assets.
<b>Rationale for the benchmark applied</b>	Consistent with 2019 we continue to use revenue as an appropriate benchmark for materiality, given its relative stability compared to other potential benchmarks.	In our professional judgement we believe that use of net assets is appropriate for a holding company.

### 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%). Parent Company performance materiality was set at 70% of Parent Company materiality for the 2020 audit (2019: 70%). In determining performance materiality we considered factors including our risk assessment and our assessment of the Group's overall control environment.

### 6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of USD 0.25 million (2019: USD 0.25 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1 Identification and scoping of components

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

The Group audit team performed a full scope audit of the Group's UAE operations.

In addition, we engaged one component audit team (a non-DTTL firm) who performed a full scope audit on the Group's IMI associate in the Kingdom of Saudi Arabia (KSA).

In total our full scope audit work comprises 99% of the Group's revenue and 99% of net assets.

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

### 7.2 Working with other auditors

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

### 7.3 Controls approach

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

## 8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

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

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

We have nothing to report in this regard.

## 9. Responsibilities of Directors

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

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

## 10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

### 11.1 Identifying and assessing potential risks related to irregularities

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: estimation of project costs and revenue recognition in respect of major contracts including Seagreen, IMI Rigs and Moray East and the recoverability of non-current assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

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

### 11.2 Audit response to risks identified

As a result of performing the above, we identified accounting for revenue and costs to complete for IMI Rigs 1 and 2, accounting for contract claims/LDs on Moray East and recoverability of non-current assets as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

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

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

## Report on other legal and regulatory requirements

### 12. Corporate governance statement

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

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

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on =>> 42;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on =>> 43;
- the Directors' statement on fair, balanced and understandable set out on =>> 68;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on =>> 43;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on =>> 44; and
- the section describing the work of the Audit and Risk Committee set out on =>> 68.

### 13. Matters on which we are required to report by exception

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

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for our audit; or
- proper books of account have not been kept by the Parent Company and that proper 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 books of account and returns; or
- certain disclosures of Directors' loans and remuneration specified by law are not being complied with.

We have nothing to report in respect of these matters.

## 14. Other matters which we are required to address

### 14.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed at the AGM in May 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ended 31 December 2016 to 31 December 2020.

### 14.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

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

## 15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Isle of Man Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and 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.

### Dean Cook, MA, FCA

(Senior statutory auditor)

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

28 June 2021

# Consolidated income statement

for the year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
Revenue	6	338,623	260,448
Cost of sales	7	(324,073)	(288,052)
<b>Gross profit/(loss)</b>		14,550	(27,604)
Selling and distribution expenses	8	(298)	(1,502)
General and administrative expenses*	10	(47,215)	(140,324)
Other gains – net	13	1,009	286
<b>Operating loss</b>		(31,954)	(169,144)
Finance costs	12	(5,980)	(8,327)
Finance income	12	370	1,023
Finance costs – net		(5,610)	(7,304)
Share of loss of investments accounted for using the equity method – net	20	(15,697)	(7,934)
<b>Loss before income tax</b>		(53,261)	(184,382)
Income tax (expense)/gain		(125)	868
<b>Loss for the year</b>		(53,386)	(183,514)
<b>Loss per share attributable to the equity holders of the Company during the period</b>	14		
Basic		(15.63)c	(53.71)c
Diluted		(15.63)c	(53.71)c

\* General and administrative expenses include:

- an impairment charge of USD 4.6 million (31 December 2019: 79.3 million) (Note 41) recognised in respect of property, plant and equipment, intangible assets and an investment accounted for using the equity method; and
- restructuring costs of USD 5.6 million (31 December 2019: nil) (Note 29) relating to staff redundancies and costs of closing down the Sharjah Khalid port yard.

The Notes on pages 106 to 142 form an integral part of these financial statements.

# Consolidated statement of comprehensive income

## for the year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
Loss for the year		(53,386)	(183,514)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of post-employment benefit obligations	28	(1,676)	(3,074)
Share of other comprehensive loss of equity accounted investments	20	(352)	(215)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences	27	43	308
<b>Other comprehensive loss for the year</b>		(1,985)	(2,981)
<b>Total comprehensive loss for the year</b>		(55,371)	(186,495)

The Notes on pages 106 to 142 form an integral part of these financial statements.

# Consolidated balance sheet

at 31 December 2020

	Notes	2020 USD'000	2019 USD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	162,024	160,077
Intangible assets	18	82	–
Investments accounted for using the equity method	20	55,888	44,420
Term and margin deposits	24	447	432
<b>Total non-current assets</b>		<b>218,441</b>	<b>204,929</b>
<b>Current assets</b>			
Inventories	21	14,252	89,758
Trade and other receivables	22	73,890	37,431
Contract assets	23	85,426	40,384
Cash and cash equivalents	24	57,625	26,162
Term and margin deposits	24	55,193	35,922
<b>Total current assets</b>		<b>286,386</b>	<b>229,657</b>
<b>Total assets</b>		<b>504,827</b>	<b>434,586</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	33	(880)	(20,058)
Trade and other payables	30	(70,866)	(93,469)
Contract liabilities	31	(159,991)	(3,826)
Lease liabilities	38	(2,136)	(1,985)
Current tax liabilities		(253)	(177)
Provision for warranty costs	32	(3,555)	(11,440)
<b>Total current liabilities</b>		<b>(237,681)</b>	<b>(130,955)</b>
<b>Net current assets</b>		<b>48,705</b>	<b>98,702</b>
<b>Non-current liabilities</b>			
Lease liabilities	38	(68,849)	(55,388)
Provision for employees' end of service benefits	28	(37,848)	(36,863)
<b>Total non-current liabilities</b>		<b>(106,697)</b>	<b>(92,251)</b>
<b>Total liabilities</b>		<b>(344,378)</b>	<b>(223,206)</b>
<b>Net assets</b>		<b>160,449</b>	<b>211,380</b>
<b>EQUITY</b>			
Share capital	26	30,346	30,346
Share premium	26	315,995	315,995
Other reserves	27	(19,292)	(19,335)
Retained losses		(166,600)	(115,626)
<b>Total equity attributable to the equity holders of the Company</b>		<b>160,449</b>	<b>211,380</b>

The financial statements on pages 98 to 142 were approved and authorised for issue by the Board of Directors on 28 June 2021 and signed on its behalf by:

**Christopher McDonald**  
Chief Executive Officer and Director

**Antony Wright**  
Chief Financial Officer and Director

# Company balance sheet

at 31 December 2020

	Notes	2020 USD'000	2019 USD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	19	82,022	86,858
Due from related parties	25	18,214	15,530
Total non-current assets		100,236	102,388
<b>Current assets</b>			
Other receivables		188	109
Cash and bank balance		42	377
Total current assets		230	486
<b>Total assets</b>		100,466	102,874
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals		(1,185)	(139)
Due to related parties	25	(481)	(481)
Total current liabilities		(1,666)	(620)
<b>Net current assets</b>		(1,436)	(134)
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	28	(492)	(380)
<b>Total liabilities</b>		(2,158)	(1,000)
<b>Net assets</b>		98,308	101,874
<b>EQUITY</b>			
Share capital	26	30,346	30,346
Share premium	26	315,995	315,995
Retained losses		(248,033)	(244,467)
<b>Total equity attributable to the equity holders of the Company</b>		98,308	101,874

The financial statements on pages 98 to 142 were approved and authorised for issue by the Board of Directors on 28 June 2021 and signed on its behalf by:

**Christopher McDonald**

Chief Executive Officer and Director

**Antony Wright**

Chief Financial Officer and Director

The Notes on pages 106 to 142 form an integral part of these financial statements.

## Consolidated statement of changes in equity

	Notes	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Retained earnings/ (losses) USD'000	Total USD'000
<b>At 1 January 2019</b>		30,346	315,995	(19,643)	66,255	392,953
Loss for the year		–	–	–	(183,514)	(183,514)
<b>Other comprehensive income:</b>						
Remeasurement of post-employment benefit obligations	28	–	–	–	(3,074)	(3,074)
Share of other comprehensive loss accounted for using the equity method	20	–	–	–	(215)	(215)
Currency translation differences	27	–	–	308	–	308
<b>Total comprehensive loss for the year</b>		–	–	308	(186,803)	(186,495)
<b>Transactions with owners:</b>						
Share-based payments:						
– value of services provided	9	–	–	–	4,993	4,993
– treasury shares purchased		–	–	–	(71)	(71)
<b>Total transactions with owners</b>		–	–	–	4,922	4,922
<b>At 31 December 2019</b>		30,346	315,995	(19,335)	(115,626)	211,380
Loss for the year		–	–	–	(53,386)	(53,386)
<b>Other comprehensive income:</b>						
Remeasurement of post-employment benefit obligations	28	–	–	–	(1,676)	(1,676)
Share of other comprehensive loss accounted for using the equity method	20	–	–	–	(352)	(352)
Currency translation differences	27	–	–	43	–	43
<b>Total comprehensive loss for the year</b>		–	–	43	(55,414)	(55,371)
<b>Transactions with owners:</b>						
Share-based payments:						
– value of services provided	9	–	–	–	4,440	4,440
<b>Total transactions with owners</b>		–	–	–	4,440	4,440
<b>At 31 December 2020</b>		30,346	315,995	(19,292)	(166,600)	160,449

The Notes on pages 106 to 142 form an integral part of these financial statements.

# Company statement of changes in equity

	Notes	Share capital USD'000	Share premium USD'000	Other reserve USD'000	Retained earnings/ (losses) USD'000	Total USD'000
<b>At 1 January 2019</b>		30,346	315,995	189,052	36,610	572,003
Loss for the year		–	–	–	(475,023)	(475,023)
<b>Other comprehensive income:</b>						
Remeasurement of post-employment benefit obligations	28	–	–	–	(27)	(27)
<b>Total comprehensive loss for the year</b>		–	–	–	(475,050)	(475,050)
<b>Transactions with owners:</b>						
Share-based payments:						
– value of services provided	9	–	–	–	1,298	1,298
– investment in subsidiaries	19	–	–	–	3,694	3,694
– treasury shares issued		–	–	–	(71)	(71)
Transferred to retained earnings		–	–	(189,052)	189,052	–
<b>Total transactions with owners</b>		–	–	(189,052)	193,973	4,921
<b>At 31 December 2019</b>		30,346	315,995	–	(244,467)	101,874
Loss for the year		–	–	–	(7,974)	(7,974)
<b>Other comprehensive income:</b>						
Remeasurement of post-employment benefit obligations	28	–	–	–	(32)	(32)
<b>Total comprehensive loss for the year</b>		–	–	–	(8,006)	(8,006)
<b>Transactions with owners:</b>						
Share-based payments:						
– value of services provided	9	–	–	–	1,202	1,202
– investment in subsidiaries	19	–	–	–	3,238	3,238
<b>Total transactions with owners</b>		–	–	–	4,440	4,440
<b>At 31 December 2020</b>		30,346	315,995	–	(248,033)	98,308

The Notes on pages 106 to 142 form an integral part of these financial statements.

# Consolidated cash flow statement

for the year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
<b>Operating activities</b>			
Cash generated from/(used in) operating activities	39	113,303	(7,739)
Tax paid		(49)	(69)
Net cash generated from/(used in) operating activities		113,254	(7,808)
<b>Investing activities</b>			
Purchases of property, plant and equipment	17	(13,906)	(19,817)
Proceeds from sale of property, plant and equipment		381	82
Additions to intangible assets	18	(288)	(1,012)
Increase in investment in an associate	20	(25,814)	–
Dividend received from an associate	20	–	901
Finance income	12	370	1,023
Inflows from deposits with original maturity of more than three months		–	10,333
Inflows from margin deposits under lien (with original maturity more than three months)		5,285	15,987
Outflows from margin deposits under lien (with original maturity more than three months)		(24,074)	(2,811)
Inflows from margin deposits under lien (with original maturity less than three months)		–	1,257
Outflows from margin deposits under lien (with original maturity less than three months)		(497)	–
Net cash (used in)/generated from investing activities		(58,543)	5,943
<b>Financing activities</b>			
Repurchase of treasury shares		–	(71)
Proceeds from borrowings	33	880	40,000
Repayments of borrowings	33	(20,000)	(40,000)
Finance costs		(1,411)	(3,715)
Repayment of interest expense on leases	38	(2,142)	(4,322)
Repayment of lease liabilities	38	(618)	(2,857)
Net cash used in financing activities		(23,291)	(10,965)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents, beginning of the year		26,162	38,684
Exchange rate translation		43	308
Cash and cash equivalents, end of the year from continuing operations	24	57,625	26,162

The Notes on pages 106 to 142 form an integral part of these financial statements.

# Company cash flow statement

## for the year ended 31 December 2020

	Notes	2020 USD'000	2019 USD'000
<b>Operating activities</b>			
Loss for the year	34	(7,974)	(475,023)
Adjustments for:			
Impairment of investment in subsidiary	19	8,074	475,191
Share-based payment – value of services provided	9	1,202	1,298
Provision for employees' end of service benefits	28	80	73
Operating cash flows before payment of employees' end of service benefits and changes in working capital		1,382	1,539
Changes in working capital:			
– Other receivables		(79)	81
– Accruals		1,046	(354)
– Due from related parties	25	(2,684)	(713)
– Due to related parties	25	–	(306)
Net cash (used in)/generated from operating activities		(335)	247
<b>Financing activities</b>			
Repurchase of treasury shares		–	(71)
Net cash used in financing activities		–	(71)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(335)	176
Cash and cash equivalents, beginning of the year		377	201
Cash and cash equivalents, end of the year		42	377

The Notes on pages 106 to 142 form an integral part of these financial statements.

# Notes to the consolidated financial statements

for the year ended 31 December 2020

## 1 Legal status and activities

Lamprell plc ("the Company"/"the Parent Company") was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited from Lamprell Holdings Limited, under a share for share exchange agreement dated 25 September 2006 and this transaction was accounted for in the consolidated financial statements using the uniting of interest method (Note 27). The Company was admitted to the Alternative Investment Market of the London Stock Exchange with effect from 16 October 2006. From 6 November 2008, the Company moved from the Alternative Investment Market and was admitted to trading on the London Stock Exchange plc's main market for listed securities. The address of the registered office of the Company is First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man and the Company is managed from the United Arab Emirates. The address of the principal place of the business is PO Box 33455, Dubai, UAE.

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

The Company has either directly or indirectly the following subsidiaries:

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

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

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

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the financial statements of the Parent Company have been prepared in accordance with IFRS and the Isle of Man Companies Acts 1931 to 2004. In accordance with the provisions of the Isle of Man Companies Act 1982, the Company has not presented its own statement of comprehensive income.

#### Going concern

These financial statements have been prepared on a going concern basis which assumes that the Group will continue to have adequate resources to continue in operational existence for the foreseeable future notwithstanding the pandemic and material uncertainty discussed below.

The Group incurred a loss before tax of USD 53.4 million during the year ended 31 December 2020 (31 December 2019: USD 183.5 million) and was in a Net Cash position of USD 112.4 million at 31 December 2020 (2019: Net Cash position of USD 42.5 million). This improvement in its financial results and resources is mainly attributable to the self-help measures implemented in Q1 2020, negotiating extended payables credit terms and the Net Cash inflows generated from operating activities of USD 113.3 million.

Of the Net Cash position at 31 December 2020, USD 55.6 million was restricted. The level of net unrestricted cash at 31 December 2020 was therefore USD 56.8 million (2019: USD 6.1 million).

As at 31 May 2021, net unrestricted cash has fallen to USD 18.6 million, as our ongoing projects have drawn working capital through the first half of 2021. The Group now faces acute solvency challenges in the coming months.

The Directors have performed a going concern assessment for the 15 months to 30 September 2022 and detailed below are the key assumptions included in the forecast cash flows:

#### Planned capital raise

As highlighted previously, the Group has been assessing its funding options, both in terms of meeting near-term working capital challenges and meeting its strategic objectives. Despite a committed programme of overhead reductions aimed at preserving liquidity, in 2H 2021, a number of major projects will have substantial working capital requirements, in particular the IMI rigs, thereby putting significant pressure on the balance sheet in Q3 2021.

To fulfil its near-term working capital needs and to then meet its medium-term strategic objectives, the Group must complete a new funding arrangement of USD 120–150 million by the end of Q3 2021, either through a combination of debt and equity, or via a larger equity raise.

At the date of publication, the Group is in advanced stages of negotiation with certain relationship banks to secure project finance facilities, which will be secured by the proceeds of specifically identified projects, of up to USD 90 million, backed by export credit agency support. While approval is expected by the Board, there can be no certainty of the project finance facilities being concluded. If the Group is unsuccessful in concluding the project finance facility which enables the Group to fund the payment of its debts as they fall due, the Group will need to raise capital through equity for the full amount of USD 120–150 million. Should these funding options not be executed successfully, the Group is unlikely to be able to maintain sufficient liquidity in order to continue trading.

In aggregate, the capital proceeds from the funding routes being pursued will then be used to fund initially the working capital requirements of the IMI Rig Projects, which draw their peak working capital requirement in 2H 2021 and the outstanding final committed and contractual equity contributions to the IMI joint venture in Saudi Arabia. Following receipt of the final milestone payments on the IMI rig projects, expected in October 2022, the proceeds will then be used to make further operational investment in efficiency and capacity growth, notably for renewables projects (which may be accelerated depending on the structure and quantum of the equity raise); and invest in the significant opportunities in developing the Digital business unit.

The timing and quantum of the equity raise is critical and dependent upon market conditions and the outcome of the Group's negotiations with the banks for project finance. Should the Group be unable to secure the capital raise, either through the project related debt and/or equity there is significant risk that the Group will be unable to meet its contractual obligations as they fall due.

#### Deferral of creditor payments

A key part of the Group's strategy to address current liquidity challenges is the extension of credit terms with certain suppliers, and the deferral of payments. This activity must continue until the proceeds of the new funding arrangements are received, and should the timing or quantum be different to forecast, will need to increase to a point that may not be sustainable. The group's ability to do this is critical and dependent on the reaction of key suppliers, which is outside the Group's control. Should the Group be unable to sustain this, there is a significant risk that the Group will be unable to meet its contractual obligations as they fall due.

Further key assumptions included in the forecast cash flows are as follows:

- conversion of a portion of the bid pipeline to contract awards in line with our strategy: This includes opportunities from the renewables and oil and gas markets. We have demonstrated strong progress on our strategy through the award of the Seagreen project in June 2020 and two LTA projects in February and April 2021. We continue to bid on selective quality projects in these markets which match our capabilities;
- release of restricted cash relating to the Bank Guarantees provided to our client on the EA1 project: a portion was released in June 2021 with the balance expected early Q3 2021;
- execution of existing major projects in accordance with agreed milestones, forecast costs and payment receipts in accordance with the contract: despite the wide-ranging effects of Covid-19, all our on-going projects are tracking in line with their current customer approved schedules which form the basis of the forecast cash flow assumptions. Upon achieving milestones, we do not anticipate delays in receipt of payments, based on historical payment receipts with these customers;

# Notes to the consolidated financial statements continued

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Going concern (continued)

- revenues from our Contracting Services segment and Rig Refurbishment business unit continue in line with those achieved in prior periods: these business units continue to deliver good financial performance, and we have seen a steady flow of work from our clients. The Rig Refurbishment business unit has also benefited from slow rig deployment by our clients, with completed projects going through additional scopes as they await commissioning; and
- the commercial closeout of the Moray East project in line with current forecasts and resulting final payments.

The COVID-19 pandemic continues to affect our ability to make forecasts and increases uncertainty around all of these assumptions, particularly the timing of new funding arrangements, new major contract awards, our ability to meet project milestones and also vendors' ability to accept extended credit periods.

In view of this, the Directors have considered downside sensitivities to the key assumptions which include no new significant contract wins in the going concern period and the inability of the Group to secure new funding arrangements. The Directors have concluded that, in aggregate, such matters beyond management's control represent a significant judgement on the entity's ability to continue as a going concern.

Significant disruption to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have considered the realistic availability and likely effectiveness of drastic and severe mitigating actions that they could take to avoid or reduce the impact or likelihood of a significant deterioration in the cash flows, along with the Group's ability to carry out those actions. These include:

- continued fiscal discipline and targets for managing working capital particularly with respect to the delivery of the two IMI rigs which draw their peak working capital requirement in 2H 2021. This includes extending credit periods with vendors in the months where our cash requirements are significant;
- delaying planned contributions to our IMI joint venture;
- deferring implementation of the 'Lamprell reimagined' strategy until a time the funding can be secured;
- self-help measures including extending periods of reductions in overheads, fees, salaries and allowances for the Board, senior management and professional staff, use of a deferred salary savings scheme and where operationally feasible, placing staff on reduced working hours or unpaid leave;
- reduced levels of capital expenditure and digital spend; and
- sale of non-core businesses or assets.

Following consideration of these actions, the Directors are satisfied they have appropriate available mitigating actions in place to ensure that the Group remains liquid in the short term. However, the Directors highlight that these mitigating actions are severe and will require support from vendors to manage working capital requirements for the business.

Assumptions in management's forecasts regarding the Group's plans to raise capital, and its ability to continue to defer payment to certain suppliers as set out above, which are outside their control, represent a material uncertainty that may cast significant doubt on the group's and company's ability to continue as a going concern.

#### Basis of accounting

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

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

#### (a) New and amended standards adopted by the Group

**IAS 1 and IAS 8 (amendments), 'Definition of material'**, The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The application of these amendments has had no effect on the Group's consolidated financial statements.

**IFRS 3 (amendments), 'Definition of a business'**, The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The application of these amendments has had no effect on the Group's consolidated financial statements but may impact future periods should the Group enter into any business combinations.

**IFRS 16 (amendments), COVID-19 related rent concessions.** On 28 May 2020, the International Accounting Standards Board issued COVID-19-related rent concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The application of these amendments has had no material effect on the Group's consolidated financial statements as the lease concessions the Group has benefited from during the year are not material.

*(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted*

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

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

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

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

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

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

## 2.2 Revenue recognition

### Contract revenue

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

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

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

# Notes to the consolidated financial statements continued

## 2 Summary of significant accounting policies (continued)

### 2.2 Revenue recognition (continued)

#### Contract revenue (continued)

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

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

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

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

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

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

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

#### Products and services

Revenue from sale of products and services is recognised in the accounting period in which the control is transferred or the service is rendered net of value added tax.

#### Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

### 2.3 Consolidation

#### (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests method to account for business combinations involving entities under common control.

Under the uniting of interest method, there is no requirement to fair value the assets and liabilities of the acquired entities and hence no goodwill is recorded as balances remain at book value. Consolidated financial statements include the profit or loss and cash flows for the entire year (pre- and post-merger) as if the subsidiary had always been part of the Group. The aim is to show the combination as if it had always been combined.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed or adjustments have been made to the financial statements of subsidiaries, where necessary, to ensure consistency with the policies adopted by the Group.

**(b) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(c) Joint arrangements**

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interest in joint ventures is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in the consolidated income statement. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

**(d) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the consolidated income statement.

**2.4 Investment in subsidiaries**

In the Company's separate financial statements, the investment in subsidiaries is stated at cost less provision for impairment. Cost is the amount of cash paid or the fair value of the consideration given to acquire the investment. Income from such investments is recognised as a dividend in the statement of comprehensive income.

**2.5 Foreign currency translation****(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's activities are primarily carried out from the UAE, whose currency, the UAE Dirham, is pegged to the United States Dollar and is the functional currency of all the entities in the Group (except MISCLP whose functional currency is the Omani Riyal, MISQWLL whose functional currency is the Qatari Riyal, LAK whose functional currency is the Kazakh Tenge and EBT and LUK whose functional currency is the Great British Pound). The consolidated and Parent Company financial statements are presented in USD.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred into other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains/(losses) – net'.

**(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

## Notes to the consolidated financial statements continued

### 2 Summary of significant accounting policies (continued)

#### 2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of property, plant and equipment is the purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated on a straight-line basis over the expected useful economic lives of the assets as follows:

	<b>Years</b>
Buildings and infrastructure	3 – 25
Operating equipment	3 – 20
Fixtures and office equipment	3 – 5
Motor vehicles	5

The assets' residual values, if significant, and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to property, plant and equipment and depreciated in accordance with Group policies.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.20).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/ (losses) – net' in the consolidated income statement.

#### 2.7 Intangible assets

##### (a) Trade name

A trade name acquired as part of a business combination is capitalised, separately from goodwill, at fair value at the date of acquisition if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably. Amortisation is calculated on a straight-line method to allocate the fair value at acquisition over its estimated useful life. The useful life of a trade name is reviewed on an annual basis.

##### (b) Leasehold rights

Intangible assets representing operating leasehold rights are carried at cost (being the fair value on the date of acquisition where intangibles are acquired in a business combination) less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of the leasehold right over its estimated useful life.

##### (c) Software

Directly attributable costs that are capitalised as part of the software product include the software development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives.

##### (d) Development and patents

Development expenditures and patent fee are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the asset
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure and patent fee as an asset, the asset is amortised over the period of expected future benefit and carried at cost less any accumulated amortisation.

##### (e) Work-in-progress

Work-in-progress pertains to assets in the course of development and is stated at cost. When commissioned, work-in-progress is transferred to intangible assets in accordance with Group policies.

#### 2.8 Inventories

Inventories comprise raw materials, finished goods, work-in-progress and consumables which are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises direct purchase, direct labour and other costs incurred in bringing the inventories to their present location and condition.

## 2.9 Trade receivables

Trade receivables are amounts receivable from customers for billing in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses. The Group measures the loss allowance for trade receivables based on the expected credit loss model using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and general economic conditions of the industry in which the debtor operates. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the consolidated income statement.

## 2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

## 2.12 Employee benefits

### (a) Provision for staff benefits

A provision is made for the estimated liability for performance related bonuses and employees' entitlements to annual leave and air fare as a result of services rendered by the employees up to the balance sheet date. This provision is disclosed as a current liability and included in trade and other payables.

Labour laws in the countries in which the Group operates require the Group to provide for other long-term employment benefits. Provision is made, using actuarial techniques, for the end of service benefits due to employees, for their periods of service up to the balance sheet date. The provision relating to end of service benefits is disclosed as a non-current liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The current service cost and interest cost is recognised in the income statement in 'employees' end of service benefits'.

### (b) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares/options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares/options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of shares/options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to retained earnings.

The Company has granted rights to its equity instruments to the employees of subsidiary companies conditional upon the completion of continuing service with the Group for a specified period. The total amount of the grant over the vesting period is determined by reference to the fair value of the equity instruments granted and is recognised in each period as an increase in the investment in the subsidiary with a corresponding credit to retained earnings.

In the separate financial statements of the subsidiary, the fair value of the employee services received in exchange for the grant of the equity instruments of the Company is recognised as an expense with a corresponding credit to equity.

## 2.13 Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The Group determines the lease term as the non-cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

### The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information. The non-lease components are accounted for in accordance with the Group's policies.

## Notes to the consolidated financial statements continued

### 2 Summary of significant accounting policies (continued)

#### 2.13 Leases (continued)

##### The Group as a lessee (continued)

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- a) is within the control of the Group; and
- b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

##### Lease liability

Lease liability is initially recognised at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Where (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate.

The Group recognises the amount of the remeasurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right-of-use of one or more underlying assets; and
- b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below USD5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term in the cost of sales or general and administration expenses line items of the consolidated income statement.

##### Right-of-use assets

The right-of-use asset is initially recognised at cost comprising:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of the right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs is incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

For assets that meet the definition of property, plant and equipment, the right-of-use asset is amortised over the term of the lease.

#### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks less margin deposits, other short-term highly liquid investments with original maturity of three months or less and bank overdrafts.

#### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the repayment value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method. The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. The fee is capitalised and amortised over the period of the facility to which it relates.

## 2.16 Dividend distribution

Dividend distributions are recognised as a liability in the Group's consolidated and Parent Company financial statements in the period in which the dividends are approved by the shareholders.

## 2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing the performance of the operating segments, and making strategic decisions, has been identified as the Executive Directors.

## 2.18 Financial assets

The Group classifies its financial assets in the following categories: at amortised cost or FVTOCI and FVTPL. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group's financial assets are held to collect as the cash flows will result from collecting contractual cash flows. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

### (a) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### (b) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses presented in the consolidated income statement to the extent they are not part of a designated hedging relationship within 'other gains/(losses) – net' in the period in which they arise. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the consolidated income statement.

### (c) Impairment of financial assets

In relation to the impairment of financial assets, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers financial assets to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. In doing so, the Group also takes into account the days the contractual payments are past due.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

### (d) Financial liabilities

Financial liabilities are subsequently carried at amortised cost using the effective interest method, except for contingent consideration and financial liability under option arrangements recognised in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

## 2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'other gains/(losses) – net'.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

## Notes to the consolidated financial statements continued

### 2 Summary of significant accounting policies (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, contracts work-in-progress or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of contracts work in progress or in depreciation in the case of fixed assets.

#### 2.20 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets are reviewed for possible reversal of the impairment at each reporting date. Any impairment loss or reversal is recognised in the consolidated income statement and separately disclosed (Note 41).

#### 2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds received net of any directly attributable transaction costs over the par value of the shares are credited to the share premium.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and cash flow interest rate risk), credit risk and liquidity risk. These risks are evaluated by management on an ongoing basis to assess and manage critical exposures. The Group's liquidity and market risks are managed as part of the Group's treasury activities. Treasury operations are conducted within a framework of established policies and procedures.

##### (a) Market risk – foreign exchange risk

The Group has foreign exchange risk primarily with respect to balances in Euro, Great British Pound, Omani Riyal, Qatari Riyal and Saudi Riyal with certain suppliers. During the year ended 31 December 2020, if foreign exchange rates on foreign balances had been 10% higher/lower, the exchange difference would have been higher/lower by USD 0.1 million (2019: USD 0.2 million).

##### (b) Market risk – cash flow interest rate risk

The Group holds its surplus funds in short-term bank deposits. During the year ended 31 December 2020, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by USD 0.2 million (2019: USD 0.2 million).

##### (c) Credit risk

The Group's exposure to credit risk is detailed in Notes 16, 22 and 24. The Group has a policy for only dealing with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks, financial assets carried at fair value through profit or loss, trade and other receivables, contract assets, related party balances and derivative financial instruments. The Group has a formal procedure of monitoring and follow up of customers for outstanding receivables. For banks and financial institutions, only independently rated parties with the equivalent of investment grade and above are accepted unless if the bank is situated in a frontier market where minimal balances are held.

The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments. The calculation reflects the probability weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due with reference to past default experience of the debtor, an analysis of the debtor's current financial position and general current and forecast economic conditions of the industry in which the debtor operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

	Contract assets USD'000	Trade receivables				Total USD'000
		Current USD'000	Up to 3 months USD'000	3 to 6 months USD'000	Over 6 months USD'000	
<b>31 December 2020</b>						
Expected credit loss rate	-	-	-	-	72%	
Gross carrying amount	85,426	43,760	5,690	1,143	4,682	140,701
Loss allowance	-	-	-	-	3,372	3,372
<b>31 December 2019</b>						
Expected credit loss rate	-	-	-	-	68.8%	
Gross carrying amount	40,384	10,481	6,676	326	5,045	62,912
Loss allowance	-	-	-	-	3,469	3,469

Balances in over 6 months have objective evidence of impairment and hence have been individually assessed. All other aging categories have been collectively assessed as the expected credit losses are not material.

The following table shows the rating and balance of the 13 major counterparties at the balance sheet date:

Counterparty	2020		2019	
	External rating <sup>+</sup>	USD'000	External rating <sup>+</sup>	USD'000
Bank A	A+	44,998	AA-	23,760
Bank B	A+	40,064	A+	23,359
Bank C	AA-	24,083	A+	10,426
Bank D	A+	2,151	A+	2,200
		111,296		59,745

+ Based on Fitch's long-term ratings.

	2020		2019	
	Internal rating <sup>++</sup>	USD'000	Internal rating <sup>++</sup>	USD'000
Customer 1	Group B	32,906	Group B	8,027
Customer 2	Group B	5,067	Group A	1,684
Customer 3	Group B	4,697	Group B	1,225
Customer 4	Group C	2,079	Group A	1,106
Customer 5	Group A	1,995	Group C	1,045
Customer 6	Group C	1,073	Group B	903
Customer 7	Group C	1,045	Group B	797
Customer 8	Group C	582	Group C	577
Customer 9	Group B	376	Group B	526
		49,820		15,890

++ Refer to Note 16 for the description of internal ratings.

The above represents 90% (2019: 70%) of trade receivables of USD 55.3 million (2019: USD 22.5 million) (Note 22).

The counterparties in 2020 are not necessarily the same counterparties in 2019.

The customers in 2020 are not necessarily the same customers in 2019.

Management does not expect any losses from non-performance by these counterparties.

## Notes to the consolidated financial statements continued

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group is currently financed from shareholders' equity and borrowings.

The following table analyses the Group's other financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount USD'000	Contractual cash flows USD'000	Less than 1 year USD'000	Between 1 and 5 years USD'000
<b>31 December 2020</b>				
Trade and other payables (Note 30)	70,866	70,866	70,866	–
Borrowings (Note 33)	880	880	880	–
	71,746	71,746	71,746	–
<b>31 December 2019</b>				
Trade and other payables (Note 30)	93,469	93,469	93,469	–
Borrowings (Note 33)	20,058	20,187	20,187	–
	113,527	113,656	113,656	–

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of the gearing ratio. In doing so, consideration is given of capital relative to the needs of the business and its strategic objectives. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and bank balances. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

At the balance sheet date, the Group has net cash position and was therefore un-gearred.

#### 3.3 Fair value estimation

The Group has no derivative financial instruments to be measured at fair value as of 31 December 2020 and 31 December 2019. Property, plant and equipment has been measured at fair value – see Note 41.

### 4 Critical accounting judgements and key sources of estimation uncertainty

The Group makes judgements, estimates and assumptions concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### 4.1 Critical judgements in applying accounting policies

Apart from those involving estimation (see Note 4.2), the Group has made the following critical judgements in applying accounting policies in the process of preparing these consolidated financial statements.

##### 4.1.1 Contract claims

A claim is an amount that the Group seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from, for example, customer caused delays, prolongation cost, cost of acceleration of project, programme errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer or the customer's representative, there is a clear contractual entitlement, and/or negotiations have reached a stage that it is highly probable that a significant reversal of revenue will not occur.

As at 31 December 2020, the balance due from customers on construction contracts includes an amount of unapproved contract claims as negotiations continue with our clients on the Moray East and IMI projects.

#### 4.1.2 Liquidated damages

The Group recognises liquidated damages where there have been significant delays against defined contractual delivery dates or unfulfilled contractual obligations and it is considered probable that the customer will successfully pursue these penalties. This requires management to estimate the amount of liquidated damages payable under the contract based on a combination of an assessment of the contractual terms, the reasons for any delays and evidence of cause of the delays to assess who is liable under the contract for the delays and consequently whether the Group is liable for the liquidated damages or not.

While certain contracts have been subject to delays and/or unfulfilled contractual obligations in 2020, based on a review of the status of and risk on ongoing projects, the current status of discussions with customers and information at hand, no provision for LDs have been made in the financial statements as at 31 December 2020.

#### 4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### 4.2.1 Revenue and margin recognition

The Group uses the input method in accounting for its contract revenue. Use of the input method requires the Group to estimate the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the Group's accounting policy. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each period end.

If the estimated total costs to completion of all outstanding projects were to decrease by 10% this would either result in contract assets increasing by USD 11.7 million (2019: USD 6.8 million) or contract liabilities decreasing by USD 11.7 million (2019: USD 6.8 million).

If the estimated total costs to completion of all outstanding projects were to increase by 10%, contract assets would either decrease by USD 10.9 million (2019: USD 5.2 million) or contract liabilities would increase by USD 10.9 million (2019: USD 5.2 million). For certain large projects where the margin is lower than average, increasing forecast costs to completion by 10% would result in an onerous contract provision of USD 21.2 million being recorded.

## 5 Segment information

The Group is organised into business units, which are the Group's operating segments and are reported to the Executive Directors, the chief operating decision-maker. These operating segments are aggregated into three reportable segments – 'Rigs', 'EPC(I)' and 'Contracting Services' based on strategic objectives, similar nature of the products and services, type of customer and economic characteristics.

The rigs segment contains business from new build jackup rigs, land rigs and refurbishment. The EPC(I) segment contains business from foundations, process modules, offshore platforms, pressure vessels and engineering and construction (excluding site works). The contracting services segment comprises site works, operations and maintenance, manpower supply and safety services.

Subsequent to the year end, the Group announced a strategic reorganisation of its business into Renewables, Oil & Gas and Digital segments, which future segment reporting will be based upon – see Note 40.

	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000
<b>Year ended 31 December 2020</b>				
Revenue from external customers	128,727	150,311	59,585	338,623
Gross operating profit before absorptions	8,869	21,262	16,461	46,592
<b>Year ended 31 December 2019</b>				
Revenue from external customers	24,766	167,230	68,452	260,448
Gross operating profit/(loss) before absorptions	3,579	(8,160)	27,702	23,121

The Group uses the standard costing method for recording labour, project management and equipment cost on projects. Standard cost is based on an estimated or predetermined cost rates for performing an operation under normal circumstances. Standard costs are developed from historical data analysis adjusted with expected changes in the future circumstances. The difference between total cost charged to the projects at standard rate and the actual cost incurred are reported as under or over absorption.

## Notes to the consolidated financial statements continued

### 5 Segment information (continued)

The reconciliation of the gross operating profit is provided as follows:

	2020 USD'000	2019 USD'000
Gross operating profit for rigs segment as reported to the Executive Directors	8,869	3,579
Gross operating profit/(loss) for the EPC(I) segment as reported to the Executive Directors	21,262	(8,160)
Gross operating profit for the contracting services segment as reported to the Executive Directors	16,461	27,702
Gross operating profit before absorptions	46,592	23,121
Under-absorbed employee and equipment costs	(2,893)	(10,526)
Provision for slow moving and obsolete inventories	(294)	(395)
Release/(provision) for impairment losses shown as part of operating profit (Note 10)	97	(41)
Project related bank guarantee charges shown as part of operating profit	(1,237)	(770)
Gross operating profit	42,265	11,389
Unallocated:		
Unallocated operational overheads	(10,743)	(20,167)
– Repairs and maintenance	(3,464)	(2,947)
– Yard rent and depreciation	(7,323)	(10,574)
– Others	(7,325)	(6,116)
Add back:		
Provision/(release) for impairment losses shown as part of general and administrative expenses (Note 10)	(97)	41
Project related bank guarantee charges shown as part of finance costs	1,237	770
<b>Gross profit/(loss)</b>	<b>14,550</b>	<b>(27,604)</b>
Selling and distribution expenses (Note 8)	(298)	(1,502)
General and administrative expenses – excluding impairment and restructuring costs (Note 10)	(37,070)	(61,023)
Other gains – net (Note 13)	1,009	286
Finance costs (Note 12)	(5,980)	(8,327)
Finance income (Note 12)	370	1,023
Share of loss of investment accounted for using the equity method (Note 20)	(15,697)	(7,934)
Impairment (Note 41)	(4,548)	(79,301)
Restructuring costs (Note 29)	(5,597)	–
<b>Loss before income tax</b>	<b>(53,261)</b>	<b>(184,382)</b>

The breakdown of revenue from all services is as disclosed in Note 6.

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

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

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

The Group's principal place of business is in the UAE. The revenue recognised in the UAE with respect to external customers is USD 336.5 million (2019: USD 258.1 million), and the revenue recognised from other countries is USD 2.1 million (2019: USD 2.3 million).

Certain customers individually accounted for greater than 10% of the Group's revenue and are shown in the table below:

	2020 USD'000	2019 USD'000
External customer A	99,156	129,401
External customer B	87,193	41,435
External customer C	51,152	31,584
	237,501	202,420

The revenue from these customers is attributable to the EPC(I) and rigs segment. The above customers in 2020 are not necessarily the same customers as in 2019.

## 6 Disaggregation of revenue

### Strategic markets

	Year ended 31 December 2020				Year ended 31 December 2019			
	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000
Renewables	–	150,312	–	150,312	–	160,985	–	160,985
Oil & gas	128,727	–	59,585	188,312	24,766	6,245	68,452	99,463
	128,727	150,312	59,585	338,624	24,766	167,230	68,452	260,448

### Major value streams

	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000
	New build jackups, refurbishment and land rigs	128,727	–	–	128,727	24,766	–	–
Platforms	–	–	–	–	–	6,245	–	6,245
Foundations	–	150,312	–	150,312	–	160,985	–	160,985
Operations and maintenance, site work and safety services	–	–	59,585	59,585	–	–	68,452	68,452
	128,727	150,312	59,585	338,624	24,766	167,230	68,452	260,448

### Timing of revenue recognition

	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000
	Recognised over time	128,727	150,312	59,585	338,624	24,766	167,230	68,452

There was no revenue recognised at a point in time during the years ended 31 December 2020 and 31 December 2019.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), to be recognised over time, as at 31 December are, as follows:

### Performance obligations (unsatisfied)

	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000	Rigs USD'000	EPC(I) USD'000	Contracting services USD'000	Total USD'000
	Within one year	252,770	142,872	61,562	457,204	103,806	94,395	12,069
More than one year	64,760	–	–	64,760	259,796	–	–	259,796
	317,530	142,872	61,562	521,964	363,602	94,395	12,069	470,066

## 7 Cost of sales

	2020 USD'000	2019 USD'000
Materials and related costs	131,921	81,633
Staff costs (Note 11)	107,692	96,409
Subcontract costs – including warranty provisions	30,803	62,187
Depreciation (Note 17)	17,986	21,265
Subcontract labour	16,376	7,795
Equipment hire	9,620	6,284
Write-down of inventory to net realisable value (Note 21)	6,934	2,500
Utilities	3,439	3,069
Repairs and maintenance	3,464	2,956
Warranty provision released	(9,039)	(1,525)
Recruitment costs	555	1,657
Others	4,322	3,822
	324,073	288,052

## Notes to the consolidated financial statements continued

### 8 Selling and distribution expenses

	2020 USD'000	2019 USD'000
Travel	214	1,312
Advertising and marketing	72	107
Entertainment	11	62
Others	1	21
	298	1,502

### 9 Share-based payments

#### Group

	2020 USD'000	2019 USD'000
Amount of share-based charge (Note 11):		
– relating to retention share plan	1,230	1,878
– relating to performance share plan	3,210	3,115
	4,440	4,993

#### Company

	2020 USD'000	2019 USD'000
Amount of share-based charge:		
– relating to retention share plan	–	11
– relating to performance share plan	1,202	1,287
	1,202	1,298

#### Retention share plan

The Company awarded shares to selected Directors, key management personnel and employees under the retention share plan that provides an entitlement to receive these shares at no cost. These retention shares are conditional on the Directors/key management personnel/employees completing a specified period of service (the vesting period). The awards do not entitle participants to dividend equivalents during the vesting period and some of the awards have a performance condition. The fair value of the share awards made under this plan is based on the share price at the date of the grant, less the value of the dividends foregone during the vesting period.

The details of the shares granted under this scheme are as follows:

Grant date	Number of shares	Vesting period	Fair value per share	Expected withdrawal rate
2017	1,229,929	36 months	£0.90	–
	24,972	17 months	£0.90	–
	11,825	30 months	£0.90	–
	37,032	5 months	£0.90	–
	1,303,758			
2018	2,903,073	36 months	£0.77	–
	10,000	34 months	£0.77	–
	10,000	22 months	£0.77	–
	30,000	10 months	£0.77	–
	2,953,073			
2019	1,720,724	36 months	£0.60	–
	558,390	36 months	£0.60	–
	2,279,114			

A charge of USD 1,230,454 (2019: USD 1,877,590) related to this scheme is recognised as staff costs in the consolidated income statement for the year with a corresponding credit to consolidated retained earnings. This includes a charge under staff costs recognised in the income statement of the Company with a corresponding credit to retained earnings of USD nil (2019: USD 11,358).

The Group has no legal or constructive obligation to settle the retention share awards in cash.

An analysis of the number of shares granted, vested during the year and expected to vest in future periods is provided below:

	<b>Number of shares</b>
<b>Shares expected to vest in future periods at 1 January 2019</b>	4,552,116
Shares granted under the retention share awards	2,230,724
Shares vested during the year	(71,783)
Shares lapsed during the year	(651,480)
<b>Shares expected to vest in future periods at 31 December 2019</b>	6,059,577
Shares vested during the year	(1,012,183)
Shares lapsed during the year	(385,264)
<b>Shares expected to vest in future periods at 31 December 2020</b>	4,662,130

#### Performance share plan

The Company granted share awards to Directors, key management personnel and selected employees that give them an entitlement to receive a certain number of shares subject to the satisfaction of a performance target and continued employment. The performance target is assessed against financial metrics that may include relative or absolute total shareholder return, cumulative EBITDA and end of period backlog. The fair value of the share awards made under this plan is based on the share price at the date of the grant less the value of the dividends foregone during the vesting period.

The details of the shares granted under this scheme are as follows:

<b>Grant date</b>	<b>Number of shares</b>	<b>Vesting period</b>	<b>Fair value per share</b>	<b>Dividend entitlement</b>	<b>Expected withdrawal rate</b>
<b>2017</b>					
2 October 2017	1,049,827	36 months	£0.76	No	–
2 October 2017	1,527,295	36 months	£0.76	No	–
	2,577,122				
<b>2018</b>					
9 April 2018	1,192,924	36 months	£0.77	No	–
9 April 2018	1,410,937	36 months	£0.77	No	–
	2,603,861				
<b>2019</b>					
5 April 2019	2,059,523	36 months	£0.52	No	–
5 April 2019	3,305,075	36 months	£0.52	No	–
	5,364,598				

Accordingly, a charge of USD 3,209,602 (2019: USD 3,114,601) is recognised in the consolidated income statement for the year with a corresponding credit to consolidated retained earnings. This includes a charge recognised in the income statement of the Company with a corresponding credit to retained earnings of USD 1,202,394 (2019: USD 1,286,594).

The Group has no legal or constructive obligation to settle the retention share awards in cash.

An analysis of the number of shares gifted/granted, vested during the year and expected to vest in future periods is provided below:

	<b>Number of shares</b>
<b>Shares expected to vest in future periods at 1 January 2019</b>	8,049,793
Shares granted under performance share plan	5,425,565
Shares lapsed due to non-satisfaction of vesting conditions	(3,480,706)
<b>Shares expected to vest in future periods at 31 December 2019</b>	9,994,652
Shares vested under performance share plan	–
Shares lapsed due to non-satisfaction of vesting conditions	(3,319,796)
<b>Shares expected to vest in future periods at 31 December 2020</b>	6,674,856

## Notes to the consolidated financial statements continued

### 10 General and administrative expenses

	2020 USD'000	2019 USD'000
Staff costs (Note 11)	25,574	37,708
Restructuring costs (Note 29)	5,597	–
Impairment of non-financial assets (Note 41)	4,548	79,301
Legal, professional and consultancy fees	3,452	4,958
Depreciation (Note 17)	2,045	2,462
IT support and maintenance	1,543	1,906
Utilities and communication	1,135	1,451
Insurance	916	869
Non-Executive Director fees	551	613
Digital initiatives	550	2,746
Office maintenance	513	1,535
Bank charges	105	97
Amortisation of intangible assets (Note 18)	9	3,891
(Release)/provision for impairment losses, net of amounts recovered	(97)	41
Others	774	2,746
	47,215	140,324

### 11 Staff costs

	2020 USD'000	2019 USD'000
Wages and salaries	100,209	103,625
Employees' end of service benefits (Note 28)	5,251	4,544
Share-based payments – value of services provided (Note 9)	4,440	4,993
Other benefits	23,366	20,955
	133,266	134,117
Staff costs are included in:		
Cost of sales (Note 7)	107,692	96,409
General and administrative expenses (Note 10)	25,574	37,708
	133,266	134,117
Number of employees at 31 December	5,346	6,029
Subcontracted employees at 31 December	1,275	1,202
Total number of employees (staff and subcontracted) at 31 December	6,621	7,231

Staff costs for the year ending 31 December 2020 is net of the COVID-19 savings realised from payroll deductions implemented at the onset of the pandemic amounting to USD 7.7 million (31 December 2019: nil). This contributes USD 5.4 million to cost of sales and USD 2.3 million to general and administrative expenses.

Directors' remuneration comprises:

	Salary 2020 USD'000	Fees 2020 USD'000	Allowances and benefits 2020 USD'000	COVID-19 deduction 2020 USD'000	Share- based payments value of services provided 2020 USD'000	Bonus USD'000	Post- employ- ment benefits 2020 USD'000	Total 2020 USD'000	Total 2019 USD'000
<b>Executive Directors</b>									
Christopher McDonald	700	–	218	(159)	815	521	47	2,142	1,874
Antony Wright	410	–	182	(103)	387	259	33	1,168	1,059
<b>Non-Executive Directors</b>									
John Malcolm	–	231	–	(43)	–	–	–	188	229
Mel Fitzgerald	–	93	–	(17)	–	–	–	76	93
Debra Valentine	–	111	–	(21)	–	–	–	90	115
Nicholas Garrett*	–	9	–	–	–	–	–	9	83
James Dewar	–	93	–	(17)	–	–	–	76	93
	1,110	537	400	(360)	1,202	780	80	3,749	3,546

The emoluments of the highest paid Director were USD 2.1 million (2019: USD 1.9 million) and these principally comprised salary, share-based payment, bonus and benefits.

\* Resigned as Non-Executive Director with effect from 10 February 2020.

## 12 Finance costs and income

	2020 USD'000	2019 USD'000
<b>Finance costs</b>		
Interest expense on leases (Note 38)	4,627	4,322
Bank guarantee charges	1,147	890
Interest on bank borrowings	129	1,607
Commitment fees	42	535
Others	35	973
	5,980	8,327

### Finance income

Finance income comprises interest income of USD 0.4 million (2019: USD 1.0 million) from bank deposits.

## 13 Other gains – net

	2020 USD'000	2019 USD'000
Exchange loss – net	(454)	(1,298)
Profit on disposal of assets	267	83
Others	1,196	906
Loss on derivative financial instruments	–	(218)
Release of provision related to discontinued operations	–	813
	1,009	286

## Notes to the consolidated financial statements continued

### 14 Loss per share

#### (a) Basic

Loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (Note 26).

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the retention share awards, and options under the executive share option plan and performance share plan, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards/options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards/options.

	2020 USD'000	2019 USD'000
The calculations of loss per share are based on the following loss and numbers of shares:		
Loss for the year	(53,386)	(183,514)
Weighted average number of shares for basic loss per share	341,710,302	341,710,302
Adjustments for:		
– Assumed vesting of performance share plan	–	–
– Assumed vesting of retention share plan	–	–
Weighted average number of shares for diluted loss per share	341,710,302	341,710,302
Assumed vesting of performance and retention share plans amounting to 3,199,269 (2019: 6,180,302) shares and 2,880,301 (2019: 2,466,979) shares respectively have been excluded in the current period as these are anti-dilutive.		
Loss per share:		
Basic	(15.63)c	(53.71)c
Diluted	(15.63)c	(53.71)c

### 15 Operating loss

#### (a) Operating loss

Operating loss is stated after charging/recognising:

	2020 USD'000	2019 USD'000
Depreciation (Note 17)	20,031	23,726
Impairment (Note 41)	4,548	79,301
Operating lease rentals – land and buildings	179	253
Write-down of inventory to net realisable value (Note 21)	6,934	2,500

#### (b) Auditor's remuneration

Services provided by the Group's auditor and its associates comprised:

	2020 USD'000	2019 USD'000
Audit of Parent Company and consolidated financial statements	966	1,085
Audit of Group companies pursuant to legislation	71	68
Interim review of Parent Company and consolidated financial statements	289	124
Other audit related service	–	12
Non-audit related service	–	65
	1,326	1,354

## 16 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

### Group

#### Assets as per balance sheet

	Classification	2020 USD'000	2019 USD'000
Trade receivables – net of provision (Note 22)	Amortised cost	51,903	19,059
Other receivables excluding prepayments	Amortised cost	10,871	5,804
Due from related parties (Note 25)	Amortised cost	8,602	3,973
Cash and bank balances (Note 24)	Amortised cost	113,265	62,516
		184,641	91,352

#### Liabilities as per balance sheet

	Classification	2020 USD'000	2019 USD'000
Accruals and other payables (Note 30)	Liabilities at amortised cost	44,163	52,693
Trade payables (Note 30)	Liabilities at amortised cost	26,586	40,127
Provision for warranty costs and other liabilities (Note 32)	Liabilities at amortised cost	3,555	11,440
Due to a related party (Note 25)	Liabilities at amortised cost	117	649
Borrowings (Note 33)	Liabilities at amortised cost	880	20,058
		75,301	124,967

### Company

#### Assets as per balance sheet

	Classification	2020 USD'000	2019 USD'000
Due from related parties (Note 25)	Amortised cost	18,214	15,530
Cash and bank balance	Amortised cost	42	377
Other receivables	Amortised cost	188	109
		18,444	16,016

#### Liabilities as per balance sheet

	Classification	2020 USD'000	2019 USD'000
Due to related parties (Note 25)	Liabilities at amortised cost	481	481
Accruals	Liabilities at amortised cost	1,185	139
		1,666	620

## Notes to the consolidated financial statements continued

### 16 Financial instruments by category (continued)

#### Credit quality of financial assets

##### Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	2020 USD'000	2019 USD'000
<b>Trade receivables</b>		
Group A	2,498	3,117
Group B	40,837	6,674
Group C	425	690
	43,760	10,481

Group A – Last six months average debtor days is less than 45.

Group B – Last six months average debtor days is between 46 and 90.

Group C – Last six months average debtor days is above 90.

	2020 USD'000	2019 USD'000
<b>Cash at bank and short-term bank deposits</b>		
Fitch's ratings		
A+	87,561	36,390
AA-	24,083	24,214
BB-	395	–
A	72	115
A-	1	–
B-	–	428
BB+	–	395
Not rated	298	203
	112,410	61,745
Cash in hand	855	771
Cash and bank balances and term and margin deposits (Note 24)	113,265	62,516

##### Company

	2020 USD'000	2019 USD'000
Due from related parties (Note 25)	18,214	15,530

Due from related parties is neither past due nor impaired.

	2020 USD'000	2019 USD'000
<b>Cash at bank</b>		
Fitch's ratings		
A+	42	377

## 17 Property, plant and equipment

	Buildings and infrastructure USD'000	Operating equipment USD'000	Fixtures and office equipment USD'000	Motor vehicles USD'000	Right-of-use assets USD'000	Capital work-in-progress USD'000	Total USD'000
<b>Cost</b>							
At 1 January 2019	154,241	153,099	18,441	3,358	–	26,235	355,374
Adjustment on transition to IFRS 16	–	–	–	–	57,477	–	57,477
Additions	5,241	8,657	958	20	401	4,941	20,218
Disposals	–	(959)	(18)	(148)	–	–	(1,125)
Remeasurements	–	–	–	–	(1,120)	–	(1,120)
Transfers	13,282	12,754	36	–	–	(26,072)	–
At 31 December 2019	172,764	173,551	19,417	3,230	56,758	5,104	430,824
Additions	337	5,705	173	–	13,569	7,691	27,475
Disposals	(95)	(6,367)	(1)	(347)	–	–	(6,810)
Remeasurements	–	–	–	–	(1,824)	–	(1,824)
Transfers	–	4,825	102	–	–	(4,927)	–
At 31 December 2020	173,006	177,714	19,691	2,883	68,503	7,868	449,665
<b>Depreciation</b>							
At 1 January 2019	(68,498)	(107,549)	(17,157)	(2,708)	–	–	(195,912)
Charge for the year	(7,842)	(10,343)	(778)	(377)	(4,386)	–	(23,726)
Impairment (Note 41)	(46,256)	(5,876)	(102)	–	–	–	(52,234)
Disposals	–	959	18	148	–	–	1,125
At 31 December 2019	(122,596)	(122,809)	(18,019)	(2,937)	(4,386)	–	(270,747)
Charge for the year	(4,264)	(10,648)	(872)	(149)	(4,098)	–	(20,031)
Impairment (Note 41)	(311)	(3,172)	(76)	–	–	–	(3,559)
Disposals	68	6,281	–	347	–	–	6,696
At 31 December 2020	(127,103)	(130,348)	(18,967)	(2,739)	(8,484)	–	(287,641)
<b>Net book value</b>							
At 31 December 2020	45,903	47,366	724	144	60,019	7,868	162,024
At 31 December 2019	50,168	50,742	1,398	293	52,372	5,104	160,077

Buildings have been constructed on land, leased on a renewable basis from various government authorities. The remaining lives of the leases range between two and 21 years.

Property, plant and equipment with a carrying amount of USD 58.4 million (2019: USD 59.2 million) is under lien against the bank facilities (Note 33).

A depreciation expense of USD 18.0 million (2019: USD 21.3 million) has been charged to cost of sales; plus USD 2.0 million (2019: USD 2.5 million) to general and administrative expenses (Notes 7 and 10). This includes a depreciation charge on right-of-use assets of USD 4.1 million (2019: USD 4.4 million). An impairment loss of USD 3.6 million (2019: USD 52.2 million) has been recorded based on the impairment tests performed at year end. Refer to Note 41 for details of the impairment assessments performed at year end and key assumptions.

Capital work-in-progress represents the cost incurred towards construction and upgrade of infrastructure and operating equipment.

## Notes to the consolidated financial statements continued

### 18 Intangible assets

	Trade name USD'000	Leasehold rights USD'000	Software USD'000	Development and patents USD'000	Work-in- progress USD'000	Total USD'000
<b>Cost</b>						
At 1 January 2019	22,335	17,032	15,957	–	1,948	57,272
Additions	–	–	5	3	1,004	1,012
Transfers	–	–	1,351	556	(1,907)	–
At 31 December 2019	22,335	17,032	17,313	559	1,045	58,284
Additions	–	–	210	78	–	288
Transfers	–	–	–	–	–	–
At 31 December 2020	22,335	17,032	17,523	637	1,045	58,572
<b>Amortisation</b>						
At 1 January 2019	(17,751)	(4,771)	(4,804)	–	–	(27,326)
Charge for the year (Note 10)	(1,804)	(1,000)	(1,077)	(10)	–	(3,891)
Impairment (Note 41)	(2,780)	(11,261)	(11,432)	(549)	(1,045)	(27,067)
At 31 December 2019	(22,335)	(17,032)	(17,313)	(559)	(1,045)	(58,284)
Charge for the year (Note 10)	–	–	–	(9)	–	(9)
Impairment (Note 41)	–	–	(128)	(69)	–	(197)
At 31 December 2020	(22,335)	(17,032)	(17,441)	(637)	(1,045)	(58,490)
<b>Net book value</b>						
At 31 December 2020	–	–	82	–	–	82
At 31 December 2019	–	–	–	–	–	–

Trade name represented the expected future economic benefit to be derived from the continued use of the MIS trade name acquired through the acquisition of MIS.

Leasehold rights represented a favourable operating right acquired upon the acquisition of MIS and existing leasehold rights in the books of MIS on acquisition of Rig Metals LLC in 2008. The value of the intangible assets has been determined by calculating the present value of the expected future economic benefits to arise from the favourable lease terms of 10 to 17 years.

Development cost and patent represented the costs incurred on patent fee and in developing the Group's proprietary designs.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

	Years
Software	15
Development cost and patents	10

The Group carries out an impairment review whenever events or changes in circumstance indicate that the carrying value of intangible assets may not be recoverable. Management performs the review at the CGU relating to an operating segment's assets located in a particular geography.

As at 31 December 2020, the Group has recorded impairment of USD 0.2 million (2019: 27.1 million) based on the impairment tests performed during the year and detailed in Note 41.

### 19 Investment in subsidiaries

	2020 USD'000	2019 USD'000
Balance at 1 January	86,858	558,355
Share-based payments to employees of subsidiaries in accordance with IFRS 2	3,238	3,694
Impairment during the year	(8,074)	(475,191)
Balance at 31 December	82,022	86,858

The recoverable amount of the investment in subsidiaries is determined based on net asset value of the subsidiaries. Net asset value of the subsidiaries is calculated based on the subsidiaries' total assets less total liabilities as at 31 December 2020.

Based on these calculations, an impairment charge of USD 8.1 million (2019: 475.2 million) has been recorded during the year in the Company balance sheet. The investment was accounted for using the uniting of interests method for business combinations.

The Company granted retention and performance shares to employees of its subsidiaries under various plans (Note 9). These shares have a vesting period of 36 months. Accordingly, the proportionate share-based charge for the year of USD 3.2 million (2019: USD 3.7 million) has been recorded as an increase in investment in subsidiaries with a corresponding credit to retained earnings.

## 20 Investment accounted for using the equity method

### Group

	2020 USD'000	2019 USD'000
At 1 January	44,420	53,321
Dividend received during the year	–	(901)
Increase in investment in an associate	25,814	–
Share of loss of investments accounted for using the equity method – net	(15,697)	(7,934)
Impairment (Note 41)	(792)	–
Excess loss reclassified to other liabilities (MISA)	2,123	–
Excess loss reclassified to other liabilities (LSAL)	372	149
Share of other comprehensive loss accounted for using the equity method	(352)	(215)
At 31 December	55,888	44,420

Details of the associates and joint venture during the year and at the balance sheet date are as follows:

Name of company	Place of incorporation and operation	Proportion of ownership	Classification	Status
Maritime Industrial Services Arabia Co. Ltd. ("MISA") *	Jubail, Kingdom of Saudi Arabia	30%	Associate	Operational
International Maritime Industries ("IMI")**	Ras Al Khair, Kingdom of Saudi Arabia	20%	Associate	Operational
Lamprell Saudi Arabia LLC ("LSAL")***	Riyadh, Kingdom of Saudi Arabia	50%	Joint venture	Operational

\* Production, manufacturing and erection of heat exchangers, pressure vessels, tanks, structural steel, piping and other related activities.

\*\* Establishment, development and operation of a maritime yard for the construction, maintenance and repair of offshore drilling rigs and marine vessels.

\*\*\* Commissioning works, industrial works, oil & gas piping works, marine works and installation services.

### Investment in an associate – MISA

	2020 USD'000	2019 USD'000
At 1 January	2,013	4,764
Dividend received during the year	–	(901)
Share of loss for the year	(3,344)	(1,677)
Excess loss reclassified to other liabilities	2,123	–
Impairment (Note 41)	(792)	–
Share of other comprehensive loss accounted for using the equity method	–	(173)
At 31 December	–	2,013

MISA is a private company and there is no quoted market price available for its shares.

During the year, the Directors approved the disposal of the investment for a nominal value and this process is ongoing. As a result, an impairment of USD 0.8 million has been recorded to bring its book value to nil.

### Investment in an associate – IMI

	2020 USD'000	2019 USD'000
At 1 January	42,407	48,492
Investment made during the year	25,814	–
Share of loss for the year	(11,981)	(8,400)
Adjustment to previously reported share of loss	–	2,357
Share of other comprehensive loss accounted for using the equity method	(352)	(42)
At 31 December	55,888	42,407

## Notes to the consolidated financial statements continued

### 20 Investment accounted for using the equity method (continued)

Summarised financial information in respect of the Group's associate is set out below:

	2020 USD'000	2019 USD'000
Total non-current assets	281,614	183,230
Total current assets	288,012	71,831
Total non-current liabilities	(145,896)	(1,117)
Total current liabilities	(161,166)	(58,785)
Net assets	262,564	195,159
Group's share of associate's net assets – 20%	52,513	39,032
Acquisition cost capitalisation	3,375	3,375
Carrying amount at 31 December	55,888	42,407
Revenue	156,289	506
Expenses	(216,195)	(42,506)
Loss for the year	(59,906)	(42,000)
Group's share of associate's net loss	(11,981)	(8,400)

IMI is a private company and there is no quoted market price available for its shares.

#### Investment in a joint venture – LSAL

	2020 USD'000	2019 USD'000
At 1 January	–	65
Share of loss for the year	(372)	(214)
Excess loss reclassified to other liabilities	372	149
At 31 December	–	–

Summarised financial information in respect of the Group's joint venture is set out below:

	2020 USD'000	2019 USD'000
Total current assets	3	66
Total current liabilities	(1,082)	(364)
Net liabilities	(1,079)	(298)
Group's share of joint venture's net liabilities – 50%	(540)	(149)
Expenses	(744)	(428)
Loss for the year	(744)	(428)
Group's share of joint venture's net loss	(372)	(214)

LSAL is a private company and there is no quoted market price available for its shares.

### 21 Inventories

	2020 USD'000	2019 USD'000
Raw materials, consumables and finished goods	16,995	22,741
Work-in-progress	–	69,605
Less: Provision for slow moving and obsolete inventories	(2,743)	(2,588)
	14,252	89,758

The cost of inventories recognised as an expense amounts to USD 19.6 million (2019: USD 10.8 million) and this includes USD 6.9 million (2019: 2.5 million) in respect of write-down of inventory to net realisable value due to the current downturn in oil and gas market. The net realisable value was determined by an independent expert based on a fair valuation of the components making up the finished goods.

The work in progress inventories at 31 December 2019, were including two rig kits which have been utilised in newly awarded Rig contracts.

## 22 Trade and other receivables

	2020 USD'000	2019 USD'000
Trade receivables	55,275	22,528
Other receivables and prepayments	13,191	14,268
Advance to suppliers	194	131
Receivables from a related party (Note 25)	8,602	3,973
	77,262	40,900
Less: Provision for impairment losses	(3,372)	(3,469)
	73,890	37,431

An analysis of trade receivables is as follows:

	2020 USD'000	2019 USD'000
Fully performing	43,760	10,481
Past due	8,143	8,578
Impaired	3,372	3,469
	55,275	22,528

At 31 December 2020, trade receivables of USD 8.1 million (2019: USD 8.6 million) were past due but not impaired. These relate to a number of independent customers for whom the Group is not expecting any credit losses. The Group considers that the carrying amount of trade receivables approximates to their fair value.

	2020 USD'000	2019 USD'000
Up to 3 months	5,690	6,676
3 to 6 months	1,143	326
Over 6 months	1,310	1,576
	8,143	8,578

At 31 December 2020, trade receivables of USD 3.4 million (2019: USD 3.5 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in a difficult economic situation. The ageing analysis of these trade receivables is over six months.

The carrying amounts of the Group's trade and other receivables are primarily denominated in USD or UAE Dirhams, which are pegged to the USD.

Movements on the provision for impairment losses are as follows:

	2020 USD'000	2019 USD'000
At 1 January	3,469	4,189
Provision for impairment losses	27	41
Amounts recovered during the year	(124)	–
Receivables written off during the year as uncollectable	–	(761)
At 31 December	3,372	3,469

The creation and release of the provision for impairment losses have been included in general and administrative expenses in the consolidated income statement (Note 10).

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The carrying value of trade receivables approximates to their fair value.

Refer to Note 3.1(c) for an assessment of expected credit losses.

## Notes to the consolidated financial statements continued

### 23 Contract assets

	2020 USD'000	2019 USD'000
Amounts due from customers on contracts	30,859	26,318
Contract work-in-progress	54,567	14,066
	85,426	40,384

Amounts due from customers on contracts comprise:

	2020 USD'000	2019 USD'000
Costs incurred to date	228,178	401,548
Attributable profit/(loss)	30,179	(102,029)
	258,357	299,519
Less: Progress billings	(227,498)	(273,201)
	30,859	26,318

The Group does not expect any credit losses from contract assets due to the history of payment from these customers. Refer to Note 3.1(c) for an assessment on expected credit losses.

### 24 Cash and bank balances

#### (a) Cash and cash equivalents

Group	2020 USD'000	2019 USD'000
Cash at bank and on hand	57,625	26,162

#### (b) Term and margin deposits

Group	2020 USD'000	2019 USD'000
Margin deposits – under lien (with original maturity less than three months)	3,040	2,543
Margin deposits – under lien (with original maturity more than three months)	52,600	33,811
Term and margin deposits	55,640	36,354
Non-current	447	432
Current	55,193	35,922
	55,640	36,354

At 31 December 2020, the cash at bank and short-term deposits were held with eleven banks (2019: thirteen banks). The effective interest rate on short-term deposits was 0.77% (2019: 2.11%) per annum. Margin and short-term deposits of USD 3.0 million (2019: USD 2.5 million) and deposits with an original maturity of more than three months amounting to USD 52.6 million (2019: USD 33.8 million) are held under lien against bank guarantees (Note 37).

Cash and cash equivalents are assessed to have low credit risk as further detailed in Note 3.1c. Therefore, management does not estimate the loss allowance on cash and cash equivalents at the end of reporting period as material.

#### Company

The cash and bank balance comprises cash held with one bank (2019: one bank).

### 25 Related party balances and transactions

Related parties comprise LHL (which owns 33.12% of the issued share capital of the Company), certain legal shareholders of the Group companies, Directors and key management personnel of the Group and entities controlled by Directors and key management personnel. Key management includes the Directors and members of the executive committee. Related parties, for the purpose of the Parent Company financial statements, also include subsidiaries owned directly or indirectly and joint ventures. Other than those disclosed elsewhere in the financial statements, the Group entered into the following significant transactions during the year with related parties at arm's length prices:

Group	2020 USD'000	2019 USD'000
Key management compensation	8,002	8,195
Sales to associates*	90,351	6,948
Purchases from associates	117	225
Rechargeable expenses to associates	2,369	8,398
Sponsorship fees and commissions paid to legal shareholders of subsidiaries (Note 1)	329	316

\* Sales to associates includes contract revenue earned from the IMI rigs USD 88.2 million (2019: nil). Contract liabilities on the balance sheet includes an amount of USD 97.3 million related to these rigs in line with IFRS 15 accounting.

<b>Company</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
Key management compensation	3,310	2,933
Revenue (management fees charged to subsidiaries)	5,130	4,903

**Key management compensation comprises:**

<b>Group</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
Salaries and other short-term benefits	3,912	5,013
Bonus and share-based payments – value of services provided	3,874	2,971
Post-employment benefits	216	211
	8,002	8,195

<b>Company</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
Salaries and other short-term benefits	1,248	1,571
Bonus and share-based payments – value of services provided	1,983	1,289
Post-employment benefits	79	73
	3,310	2,933

The terms of the employment contracts of the key management personnel include reciprocal notice periods of between three and 12 months.

**Due from/due to related parties****Due from related parties**

<b>Group (Note 22)</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
MISA (in respect of sales to associate)	698	1,870
IMI (in respect of expenses on behalf of associate)	6,852	1,681
LSAL (in respect of expenses on behalf of joint venture)	1,049	354
Mada Al Sharq Company LLC (in respect of investment in joint venture)	3	68
	8,602	3,973

<b>Company</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
MIS*	11,370	11,370
MOL#	3,372	3,372
LEL~	3,346	662
EBT^	126	126
	18,214	15,530

\* Primarily comprises a receivable in respect of management fees charged by the Company.

# Primarily comprises a receivable in respect of expenses incurred for IMI.

~ Primarily comprises a receivable in respect of expenses incurred on behalf of the Company.

^ Primarily comprises payments made for treasury shares acquired by EBT on behalf of the Group.

Furthermore, the Company has provided performance guarantees on behalf of its subsidiary. These guarantees, issued in the normal course of business, are outstanding at the year end and no outflow of resources embodying economic benefits in relation to these guarantees is expected by the Company.

**Due to a related party**

<b>Group</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
MISA (in respect of purchases) (associate) (Note 30)	117	649

<b>Company</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
CBL (in respect of expenses incurred on behalf of the Company)	481	481

## Notes to the consolidated financial statements continued

### 26 Share capital and share premium

#### Issued and fully paid ordinary shares

##### Group/Company

	Equity number	Share capital USD'000	Share premium USD'000
At 1 January 2019 and 31 December 2019	341,726,570	30,346	315,995
At 1 January 2020 and 31 December 2020	341,726,570	30,346	315,995

The total authorised number of ordinary shares is 500 million shares (2019: 400 million shares) with a par value of 5 pence per share (2019: 5 pence per share).

During 2020, Lamprell plc EBT acquired no shares (2019: 101,783 shares) of the Company. The total amount paid to acquire the shares was nil (2019: USD 71,023) and has been deducted from consolidated retained earnings. During 2020, no shares (2019: 101,783) were issued to employees and 16,268 shares (31 December 2019: 16,268 shares) were held as treasury shares at 31 December 2020. The Company has the right to reissue these shares at a later date. These shares will be issued on vesting of the retention shares/performance shares/share options granted to certain employees of the Group.

### 27 Other reserves

#### Group

	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Total USD'000
At 1 January 2019	98	(18,572)	(1,169)	(19,643)
Currency translation differences	–	–	308	308
At 31 December 2019	98	(18,572)	(861)	(19,335)
Currency translation differences	–	–	43	43
At 31 December 2020	98	(18,572)	(818)	(19,292)

#### Legal reserve

The legal reserve relates to subsidiaries (other than the subsidiaries incorporated in Free Zones) in the UAE and the State of Qatar. In accordance with the laws of the respective countries, the Group has established a statutory reserve by appropriating 10% of the profit for the year of such companies. Such transfers are required to be made until the reserve is equal to, at least, 50% (UAE) and 33.3% (State of Qatar) of the issued share capital of such companies. The legal reserve is not available for distribution.

#### Merger reserve

On 11 September 2006, the Group acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition was accounted for using the uniting of interests method.

On 25 September 2006, the Company entered into a share for share exchange agreement with LEL and LHL under which it acquired 100% of the 49,003 shares of LEL from LHL in consideration for the issue to LHL of 200,000,000 shares of the Company. This acquisition has been accounted for using the uniting of interests method.

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

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2020 and 2019, using the projected unit credit method, in respect of employees' end of service benefits payable under the labour laws of the countries in which the Group operates. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. The obligation for end of service benefit is not funded.

The movement in the employees' end of service benefit liability over the periods is as follows:

#### Group

	2020 USD'000	2019 USD'000
At 1 January	36,863	32,088
Current service cost	4,308	3,391
Interest cost	943	1,153
Remeasurements	1,676	3,074
Benefits paid	(5,942)	(2,843)
At 31 December	37,848	36,863

Remeasurements consist of actuarial gain from a change in financial assumptions of USD 0.5 million (2019: loss of USD 2.0 million) and an actuarial loss from a change in other experiences of USD 2.2 million (2019: loss of USD 1.1 million).

**Company**

	2020 USD'000	2019 USD'000
At 1 January	380	280
Current service cost	74	64
Interest cost	6	9
Remeasurements	32	27
At 31 December	492	380

**Group**

The amounts recognised in the consolidated income statement are as follows:

	2020 USD'000	2019 USD'000
Current service cost	4,308	3,391
Interest cost	943	1,153
Total (included in staff costs) (Note 11)	5,251	4,544

The above charges are included in cost of sales and general and administrative expenses.

**Company**

	2020 USD'000	2019 USD'000
Current service cost	74	64
Interest cost	6	9
Total (included in staff costs)	80	73

The above charge of USD 0.1 million (2019: USD 0.1 million) is included in general and administrative expenses.

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	1.70%	2.80%
Future salary increases:		
Management and administrative employees	2.00%	2.00%
Yard employees	2.00%	2.00%

The rate used for discounting the employees' post-employment defined benefit obligation should be based on market yields on high quality corporate bonds. In countries where there is no deep market for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market for corporate bonds and no market for government bonds and therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy. On this basis, the discount rate applied was 1.7% (2019: 2.8%).

The rates used for future salary increases are long-term assumptions which take into account inflation, relevant factors in the employment market and the Group's own expectations.

Due to the nature of the benefit, which is a lump sum payable on exit for any cause, a combined single decrement rate has been used as follows:

	Percentage of employees at each age exiting the plan per year	
	2020	2019
Yard employees:		
20 – 34 years	15%	15%
35 – 64 years	10%	10%
65 years and above	100%	100%
Management and administrative employees:		
20 – 34 years	16%	16%
35 – 64 years	12%	12%
65 years and above	100%	100%
Executive Directors:		
35 – 39 years	10%	10%
40 – 64 years	7%	7%
65 years and above	100%	100%

## Notes to the consolidated financial statements continued

### 29 Restructuring costs

During January 2020, the Group undertook a major review of its current operational footprint against medium term fabrication requirements and decided to consolidate its operations within one yard in order to streamline operations and achieve significant overhead reductions. As a result of this review, the Jebel Ali facility was mothballed in January 2020 and the Sharjah Yard handed over to the landlord in October 2020. These measures have also resulted in headcount reductions which have already been implemented.

The Hamriyah yard, being the largest facility, will continue to operate and gives the opportunity to expand our yard capacity. These actions allow for the Group to gradually grow fabrication volumes whilst significantly improving efficiency and reducing its cost base.

The total one-off charge/exceptional item amounts to USD 5.6 million. These expenses pertain to staff redundancies and costs of closing down Sharjah. Capital commitments related to the restructuring programme amount to USD 1.3 million (Note 36).

### 30 Trade and other payables

	2020 USD'000	2019 USD'000
Trade payables	26,586	40,127
Accruals and other payables	44,163	52,693
Payables to a related party (Note 25)	117	649
	70,866	93,469

The Group considers that the carrying amount of trade payables approximates to their fair value.

### 31 Contract liabilities

	2020 USD'000	2019 USD'000
Amounts due to customers on contracts	159,991	3,826
Amounts due to customers on contracts comprise:		
Progress billings	343,734	312,310
Less: Cost incurred to date	(168,790)	(270,947)
Less: Recognised profit	(14,953)	(37,537)
	159,991	3,826

### 32 Provision for warranty costs and other liabilities

	Warranty costs USD'000
<b>At 1 January 2019</b>	4,166
Charge during the year	8,799
Released/utilised during the year	(1,525)
<b>At 31 December 2019</b>	11,440
Charge during the year	1,154
Released/utilised during the year (Note 7)	(9,039)
<b>At 31 December 2020</b>	3,555

Warranty costs charged during the year relates to management's assessment of potential claims under contractual warranty provisions. The charge during the year is included in subcontract cost in Note 7. During the year ended 31 December 2020, an amount of USD 0.6 million (2019: USD 0.3 million) was utilised and USD 8.4 million (2019: USD 1.2 million) released against the provision for warranty costs.

### 33 Borrowings

	2020 USD'000	2019 USD'000
Trade credit facility	880	–
Term loan	–	20,058
The bank borrowings are repayable as follows:		
Current (less than 1 year)	880	20,058

At 31 December 2020, the Group has separate bilateral unfunded facilities of USD 321.3 million (2019: USD 305.9 million) with commercial banks. The facilities include letters of guarantees and letters of credit and there has been no change in the nature of security pledged against these facilities as at 31 December 2020. These are summarised below:

	Facility USD'000	Amount utilised USD'000	Amount available to be used USD'000
<b>31 December 2020</b>			
<b>Funded facilities</b>			
Trade credit facility	880	880	–
<b>Unfunded facilities</b>			
Bank guarantees (Note 37)	329,619	96,141	233,478
<b>Total</b>	<b>330,499</b>	<b>97,021</b>	<b>233,478</b>

Repayments of borrowings amounting to USD 20.0 million were made during the year. A new trade credit facility draw-down during the year amounted to USD 0.8 million. As at 31 December 2020, the Group borrowings amount to USD 0.8 million.

Bank facilities are secured by liens over term deposits of USD 55.6 million (2019: USD 36.4 million) (Note 24), the Group's counter indemnities for guarantees issued on their behalf, the Group's corporate guarantees, letter of undertakings, letter of credit payment guarantees, cash margin held against letters of guarantees, shares of certain subsidiaries, certain property, plant and equipment, movable assets, leasehold rights for land and certain contract related receivables.

As at 31 December 2020, the Group had arranged for bank facilities amounting to USD 2.7 million (2019: nil) in the form of letters of credit.

The borrowings include accrued interest of nil (2019: accrued interest of USD 0.1 million).

The carrying amounts of borrowings in the year approximated to their fair value and were denominated in USD or UAE Dirhams, which are pegged to the USD.

#### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flows as cash flows from financing activities.

#### Year ended 31 December 2020

	1 January USD'000	Draw-down during the year (cash) USD'000	Repayment during the year (cash) USD'000	Accrued interest/ additions to lease liabilities (non-cash) USD'000	Remeasurements/ finance cost (non-cash) USD'000	31 December USD'000
Trade credit facility	–	880	–	–	–	880
Term loan	20,058	–	(20,058)	–	–	–
Lease liabilities	57,373	–	(618)	13,569	661	70,985
	77,431	880	(20,676)	13,569	661	71,865

#### Year ended 31 December 2019

Term loans	19,768	40,000	(40,000)	290	–	20,058
Lease liabilities	60,949	–	(2,857)	402	(1,121)	57,373
	80,717	40,000	(42,857)	692	(1,121)	77,431

### 34 Loss of the Company

The loss of USD 8.0 million (2019: loss of USD 475.0 million) in respect of the Company is included in these consolidated financial statements.

### 35 Dividends

There were no dividends declared or paid during the year ended 31 December 2020 or 31 December 2019.

## Notes to the consolidated financial statements continued

### 36 Commitments

#### (a) International Maritime Industries commitments

In 2017, the Group entered into commitments associated with the investment in International Maritime Industries. Under the Shareholders' Agreement, the Group will invest up to a maximum of USD 140.0 million in relation to its commitment over the course of construction of the Maritime Yard between 2017 and 2023 with USD 84.8 million already paid to date. The forecast contributions are as follows:

	2020 USD'000	2019 USD'000
Within one year	17,000	–
Later than one year but not later than four years	38,200	80,966
	55,200	80,966

#### (b) Other commitments

	2020 USD'000	2019 USD'000
Capital commitments for restructuring programme	1,304	–
Capital commitments for construction of facilities	883	110
Capital commitments for purchase of operating equipment and computer software	2,433	7,919

### 37 Bank guarantees

	2020 USD'000	2019 USD'000
Performance/bid bonds	84,673	88,284
Advance payment, labour visa and payment guarantees	8,754	13,599
	93,427	101,883

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. Certain guarantees are secured by cash margins, assignments of receivables from some customers and in respect of guarantees provided by banks to the Group companies, they have been secured by Parent Company guarantees (Note 33). In the opinion of the management, the above bank guarantees are unlikely to result in any liability to the Group.

### 38 Lease liabilities

The following is the movement in lease liabilities during the year ended 31 December 2020:

	2020 USD'000	2019 USD'000
At 1 January	57,373	60,949
Additions during the year	13,569	402
Interest expense on leases	4,627	4,322
Repayment of lease liability	(618)	(2,857)
Repayment of interest expense on leases	(2,142)	(4,322)
Remeasurements	(1,824)	(1,121)
At 31 December	70,985	57,373
Non-current	68,849	55,388
Current	2,136	1,985
	70,985	57,373

During the year, the Group has taken additional space on lease at Hamriyah yard as part of its restructuring programme.

The table below provides details regarding the contractual maturities of lease liabilities as at 31 December 2020 on an undiscounted basis:

	2020 USD'000	2019 USD'000
Not later than one year	7,085	5,826
Later than one year but not later than five years	28,827	26,131
Later than five years	83,683	63,868
	119,595	95,825

### 39 Cash generated from/(used in) operating activities

	Notes	Year ended 31 December	
		2020 USD'000	2019 USD'000
<b>Operating activities</b>			
Loss before income tax		(53,261)	(184,382)
Adjustments for:			
Share-based payments – value of services provided	9	4,440	4,993
Depreciation	17	20,031	23,726
Amortisation of intangible assets	18	9	3,891
Impairment of non-financial assets	41	4,548	79,301
Share of loss of investments accounted for using the equity method – net	20	15,697	7,934
(Release)/provision for warranty costs and other liabilities – net	32	(7,885)	7,274
Profit on disposal of property, plant and equipment		(267)	(83)
Provision/(release) for slow moving and obsolete inventories	21	155	(128)
(Release)/provision for impairment of trade receivables, net of amounts recovered		(97)	41
Provision for employees' end of service benefits	28	5,251	4,544
Finance costs	12	5,980	8,327
Finance income	12	(370)	(1,023)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		(5,769)	(45,585)
Payment of employees' end of service benefits		(5,942)	(2,843)
Changes in working capital:			
Inventories before movement in provision	21	75,351	993
Derivative financial instruments		–	218
Trade and other receivables before movement in Provision for impairment losses	22	(36,362)	30,283
Contract assets	23	(45,042)	14,547
Trade and other payables	30	(25,098)	13,195
Contract liabilities	31	156,165	(18,547)
Cash generated from/(used in) operating activities		113,303	(7,739)

### 40 Events after the balance sheet date

#### Strategic reorganisation

In January 2021, the Group took the decision to reorganise into three business units of Renewables, Oil & Gas, and Digital. We intend to align Group financial reporting with this structure for the full year 2021.

#### Joint venture agreement with Injazat

During May 2021, the Group has signed a joint venture agreement with Injazat Data Systems LLC ("Injazat"), the UAE's leader in digital transformation, to create and market innovative digital solutions focusing predominantly on the renewables and oil & gas industries. The initial funding of USD 7 million will be split equally between the partners and invested in 2021.

#### Balance sheet recapitalisation programme

On 29 June 2021 the Group announced that it will be seeking to raise new funding of USD 120 – 150 million either through a combination of debt and equity. The amount is dependent on the outcome of current negotiations with certain relationship banks in relation to the project financing. For more information see note 2.1.

## Notes to the consolidated financial statements continued

### 41 Impairment of non-financial assets

#### Group

<b>Impairment comprises the following:</b>	<b>2020 USD'000</b>	<b>2019 USD'000</b>
Impairment of property, plant and equipment (Note 17)	3,559	52,234
Impairment of intangible assets (Note 18)	197	27,067
Impairment of an investment accounted for using the equity method (Note 20)	792	–
	<b>4,548</b>	<b>79,301</b>

The Group determines at the end of the reporting period whether there are indicators of impairment in the carrying amount of its property, plant and equipment, intangible assets and other non-financial assets. Where indicators exist, an impairment test is undertaken for the assets which requires management to estimate the recoverable amount based on the higher of its value in use and its FVLCD.

Management performs the review at the CGU relating to an operating segment's assets located in a particular geography. An indicator of impairment exists at the reporting date that predominantly arose from the ongoing COVID-19 pandemic and low oil prices which continue to impact NOC budgets and spending. This has had an impact on our backlog and utilisation of our assets attributable to the United Arab Emirates CGU.

Based on this review, an impairment loss of USD 3.8 million (2019: USD 79.3 million) has been recorded during the year largely as a result of operating equipment valuation reductions. Refer to Note 17 and 18. The recoverable amount is based on fair value less costs of disposal except for intangible assets where value in use has been used given the nature of the assets.

In addition, an impairment of USD 0.8 million has been recorded in respect of an investment accounted for using the equity method based on the decision to dispose of the investment for a nominal value (Note 20).

FVLCD represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date net of costs of disposal e.g. dismantling costs, brokerage and legal fees. The fair value of the Group's property, plant and equipment at 31 December 2020 has been arrived at based on a valuation carried out at that date by Cavendish Maxwell Real Estate Valuation Services LLC ("Cavendish Maxwell"), independent valuers not connected with the Group. The valuation conforms to International Valuation Standards and was determined as follows:

- Buildings and infrastructure, right-of-use assets and leasehold rights – based on the market comparable approach that reflects recent transaction prices for similar properties. Adjustments are made where the 'sale comparable' differs from the subject property. These adjustments are made on a percentage basis and are applied to the price per square metre of the subject. The fair values used have been categorised as Level 2 in the fair value hierarchy as the valuation has been performed based on available market and transactional evidence as well as the valuers' general market knowledge of such assets.
- Operating equipment, fixtures and office fittings and motor vehicles – The depreciated replacement cost method has been used to derive the market value of the assets adjusted for dismantling costs. This is calculated based on the gross current replacement cost of a new asset, adjusted, where necessary, in respect of technical and functional obsolescence and installation costs determined with reference to historical data for similar assets. This is then depreciated to reflect age, wear and tear and other relevant factors, including any residual value at the end of the assets economic working life. The dismantling costs are based on historical data for similar assets. The fair values used have been categorised as Level 3 in the fair value hierarchy as the valuation has been done based on available market and transactional evidence as well as the valuers' general market knowledge of such assets.

Right of use assets pertain to lease land where buildings and infrastructure are located. Therefore, these have been fair valued as part of the buildings and infrastructure. The fair values is based on IFRS 16 less lease liabilities pertaining to right of use assets which would be transferred to the buyer in the event of a disposal.

The costs of disposal have been determined with reference to transaction fees of the market in which the assets are located as well as the costs to dismantle based on historical data for similar assets.

The carrying amount of property, plant and equipment at 31 December 2020 was USD 162.0 million (31 December 2019: USD 160.1 million). The carrying amount of intangible assets at 31 December 2020 was USD 0.1 million (31 December 2019: nil).

# Glossary

<b>ABC</b>	Anti-bribery and corruption	<b>IA</b>	Internal Audit
<b>ADNOC</b>	Abu Dhabi National Oil Company	<b>IAS</b>	International Accounting Standards
<b>AED</b>	Arab Emirates Dirham	<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>AGM</b>	Annual General Meeting	<b>IFRS</b>	International Financial Reporting Standards
<b>BD</b>	Business Development	<b>IMI</b>	Industrial Maritime Industries
<b>CEO</b>	Chief Executive Officer	<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>CGU</b>	Cash Generating Unit	<b>ISO</b>	International Organisation for Standardisation
<b>CFO</b>	Chief Financial Officer	<b>IT</b>	Information Technology
<b>Code</b>	UK Corporate Governance Code 2018	<b>JD</b>	Juris Doctor
<b>Company</b>	Lamprell plc	<b>LATC</b>	Lamprell Assessment and Training Centre
<b>CRPO</b>	Contract Release Purchase Orders	<b>LD's</b>	Liquidated Damages
<b>DRR</b>	Directors Remuneration Report	<b>LEL</b>	Lamprell Energy Limited
<b>EA1</b>	East Anglia ONE	<b>LHL</b>	Lamprell Holdings Limited
<b>EBITDA</b>	Earnings before Interest, Taxes, Depreciation and Amortisation	<b>LSAL</b>	Lamprell Saudi Arabia LLC
<b>EBT</b>	Lamprell plc Employee Benefit Trust	<b>LTA</b>	Long Term Agreement
<b>EPC</b>	Engineering, Procurement, Construction	<b>LTIP</b>	Long-Term Incentive Plan
<b>EPC(I)</b>	Engineering, Procurement, Construction and Installation	<b>MBA</b>	Master of Business Administration
<b>EPIC</b>	Engineering Procurement Installation and Commissioning	<b>MIS</b>	Maritime Industrial Services Co. Ltd. Inc.
<b>EPS</b>	Earnings Per Share	<b>MISA</b>	Maritime Industrial Services Arabia Co. Ltd.
<b>ESG</b>	Environmental Social Governance	<b>NED</b>	Non-Executive Director
<b>EU</b>	European Union	<b>NGO</b>	Non-governmental organisation
<b>FPSO</b>	Floating Production Storage and Offloading	<b>NOC</b>	National Oil Company
<b>FTSE</b>	Financial Times Stock Exchange	<b>PP&amp;E</b>	Property, Plant and Equipment
<b>FVTOCI</b>	Fair Value Through Other Comprehensive Income	<b>SNOC</b>	Sharjah National Oil Corporation
<b>FVTPL</b>	Fair Value Through Profit or Loss	<b>STIP</b>	Short-Term Incentive Plan
<b>GBP</b>	Pound Sterling	<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>GCC</b>	Gulf Cooperation Council	<b>TRIR</b>	Total Recordable Injury Rate
<b>GHG</b>	Greenhouse Gas	<b>TSR</b>	Total Shareholder Return
<b>HMRC</b>	Her Majesty's Revenue & Customs	<b>UAE</b>	United Arab Emirates
<b>HR</b>	Human Resources	<b>UK</b>	United Kingdom
<b>HSE</b>	Health Safety & Environment	<b>UN SDG</b>	United Nations Sustainable Development Goals
<b>HSES</b>	Health Safety Environment & Security	<b>US</b>	United States
<b>HVAC/</b>	High Voltage Alternating Current/	<b>USD</b>	United States Dollar
<b>HVDC</b>	High Voltage Direct Current	<b>VIU</b>	Value In Use
		<b>VP</b>	Vice-President

## Additional information

### Alternative performance measures

We use a range of financial and non-financial measures to assess our performance. The tables below set out the definitions of such measures, reconciliations to amounts presented in the financial statements and the reason for their inclusion in the report. The metrics presented are consistent with those presented in our previous Annual Report and there has been no change to the bases of calculation.

### EBITDA

In addition to measuring financial performance of the Group based on operating profit, we also measure performance based on EBITDA. EBITDA is defined as the Group profit/(loss) for the year from continuing operations before depreciation, amortisation, impairment, net finance expense, taxation, one-off items and share of loss of investments accounted for using the equity method.

We consider EBITDA to be a useful measures of our operating performance because it approximates the operating cash flow by eliminating depreciation and amortisation. EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

Reconciliation from Group loss for the year, the most directly comparable IFRS measure, to EBITDA is set out below:

#### Year ended 31 December

	2020 USD'000	2019 USD'000
Loss for the year	(53,386)	(183,514)
Depreciation (Note 17)	20,031	23,726
Amortisation (Note 18)	9	3,891
Interest on bank borrowings and leases (Note 12)	4,756	5,929
Finance income (Note 12)	(370)	(1,023)
Income tax expense/(gain)	125	(868)
Impairment (Note 41)	4,548	79,301
One-off item – Inventory write down (Note 21)	6,934	–
Restructuring costs (Note 29)	5,597	–
Share of loss of investments accounted for using the equity method – net (Note 20)	15,697	7,934
EBITDA	3,941	(64,624)
EBITDA margin	1.2%	(24.8%)

### Net cash

Net cash measures financial health after deduction of liabilities such as borrowings. A reconciliation from the cash and cash equivalents per the consolidated cash flow statement, the most directly comparable IFRS measure, to reported net cash, is set out below:

	2020 USD'000	2019 USD'000
Cash and cash equivalents (Note 24)	57,625	26,162
Margin deposits – under lien (with original maturity less than three months) (Note 24)	3,040	2,543
Margin deposits – under lien (with original maturity more than three months) (Note 24)	52,600	33,811
Borrowings (Note 33)	(880)	(20,058)
Net cash	112,385	42,458

Of net cash at 31 December 2020, USD 55.6 million is restricted (31 December 2019: USD 36.4 million).

## Overheads

Overheads are costs required to run our business, which cannot be directly attributed to any specific project or service. A reconciliation from unallocated expenses per the segment note in the consolidated financial statements to reported overhead, is set out below:

	2020 USD'000	2019 USD'000
General and administrative expenses – excluding digital initiatives impairment loss, restructuring costs and COVID-19 related salary reductions (Note 10)	38,824	58,277
Selling and distribution expenses (Note 8)	298	1,502
Direct overheads included in cost of sales:		
Unallocated operational overheads – excluding COVID-19 related salary reductions (Note 5)	16,175	20,167
Yard rent and depreciation (excluding impairment) (Note 5)	7,323	10,574
Repairs and maintenance (Note 5)	3,464	2,947
Interest expense on leases (Note 12)	4,627	4,322
Other	7,333	6,117
Underlying overheads	78,044	103,906
Restructuring costs (Note 29)	5,597	–
Impairment (Note 41)	4,548	79,301
COVID-19 related salary reductions	(7,736)	–
Overheads	80,453	183,207

An analysis of overhead nature is as follows:

<b>Overhead nature:</b>	2020 USD'000	2019 USD'000
Fixed	27,169	34,804
Semi-variable	6,167	5,824
Variable	44,708	63,278
Underlying overhead	78,044	103,906

An analysis of overhead types is as follows:

<b>Overhead type:</b>	2020 USD'000	2019 USD'000
Cash	53,016	70,606
Non-cash	25,028	33,300
Underlying overhead	78,044	103,906



# Lamprell plc

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