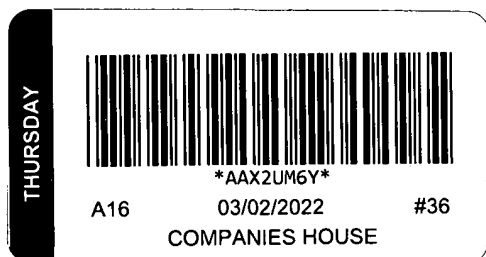


Lloyd's Register Group Limited
Report and consolidated financial
statements
30 June 2021

Company registration number: 08126909



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Preface

The report and financial statements contained in this document relate to the Lloyd's Register Group ('LR' or 'the Group'), which comprises Lloyd's Register Group Limited ('the Company') and its subsidiaries, joint ventures referred to in note 26 to the financial statements. Lloyd's Register Group Limited's own financial statements are presented alongside those of the Group. Its own principal activities include provision of management services to the Group and ownership and development of Group intellectual property.

Lloyd's Register Group Limited is the principal subsidiary of Lloyd's Register Foundation ('the Foundation'), a company limited by guarantee and a registered charity. Lloyd's Register Foundation has prepared consolidated group financial statements which are available from the Lloyd's Register Foundation Company Secretary.

Our Business

Lloyd's Register is a global professional services company specialising in engineering and technology for the maritime industry. We are the world's first marine classification society, created more than 260 years ago to improve the safety of ships. Our technical expertise serves clients based in 182 countries.

Our Marine and Offshore business is a leading provider of classification and compliance services to the marine and offshore industries, helping our clients design, construct and operate their assets to the highest levels of safety and environmental compliance. In the race to zero emissions, our solutions, technical expertise and industry-firsts support a safe, sustainable maritime energy transition.

In the drive for efficiency in the ocean economy, our newly created Maritime Performance Services business line enables businesses to reach their full potential – now and into the future – by addressing the twin maritime industry challenges of decarbonisation and digitalisation. We offer our clients advice, support and solutions on fleet management, fleet optimisation, business operations, risk management, emergency response, fuel testing and maritime training.

Our digital solutions combine modern digital tools with deep technical expertise to optimise safety, operational efficiency and sustainability, helping our clients get the most from their assets. We combine modern digital tools with deep technical expertise to optimise safety, operational efficiency and sustainability, helping our clients get the most from their assets.

Lloyd's Register is wholly owned by the Lloyd's Register Foundation, a politically and financially independent global charity that aims to engineer a safer world through promoting safety and education. The Foundation focuses on the most pressing global safety challenges, establishing the best evidence and insight to understand the complex factors that affect safety, and by building partnerships for change. For a thriving ocean economy, Lloyd's Register and Lloyd's Register Foundation work together to fund research, foster industry collaboration and develop action-oriented solutions.

All of this helps us stand by the purpose that drives us every single day; working together for a safer world.

Chairman's Statement

Against the backdrop of the evolving Covid-19 pandemic, the rationale for Lloyd's Register's purpose has been highlighted; preserving the safety of people and assets, and more widely, saving lives through the accelerated application of science, technology, and engineering. On behalf of the Board, I would like to thank the employees of Lloyd's Register for the extraordinary efforts they have made over a prolonged period of significant disruption. We appreciate that this has brought mental as well as physical challenges, which have been met with focus and resilience. I would also like to extend my appreciation to our stakeholders more broadly, including our shareholder, our customers, our partners, and our suppliers, for their co-operation and understanding.

The recently introduced requirement to report against Section 172 of the Companies Act has brought enhanced disclosure, but for Lloyd's Register this is simply a matter of explaining what we already do. More detail about how we engage with our stakeholders, the outcomes of that engagement and examples of how the Board balances the interests of different stakeholder groups in decision making is available on page 8. Throughout its history, Lloyd's Register has upheld the importance of considering non-financial metrics when assessing its performance, and that awareness of the organisation's societal impact continues. The Board monitors Lloyd's Register's balance between generating profit and being a force for good. There were significant achievements in both areas during this reporting period.

The Board welcomed Lloyd's Register's new chief executive officer, Nick Brown, during this reporting period. I would like to thank my colleagues on the Board for their committed service.

Performance against our updated strategy

I am pleased to report resilient performance, both financially and in terms of client deliverables. During the six-month reporting period, the Board saw the new CEO, the Executive Leadership Team and the wider management team embed the updated strategy successfully across the organisation. A key strategic pillar has been the realignment of LR's business lines, with the announcement of the successful sale of the Business Assurance & Inspection Services business line to Goldman Sachs Asset Management. We are delighted to have identified such a strong home for the business and our colleagues. For our maritime

business, there was a renewed focus on shipping, with the creation of the Maritime Performance Services team, as well as consideration of opportunities in the broader maritime sector and the wider sustainable ocean economy.

The objective of our refined strategy is to ensure our growth is profitable, and we continue to focus on the efficiency of operations, including outsourcing activities where appropriate.

The company's long history of focusing on the improvement of technology and its impact on the environment around us is as relevant as ever. We are proud to have been a contributor to the debates and solutions discussed at the UN Climate Change Conference (COP26), with significant Lloyd's Register Group and Lloyd's Register Foundation colleagues seconded to the working teams preparing for the conference, among them Katharine Palmer, LR's global sustainability manager, who was appointed UN Climate Change's High-Level Climate Champion Shipping Lead to support the industry's drive for decarbonisation. Other LR colleagues contributed to the conference through their continued work with the UN Global Compact on sustainable ocean business, and championing seaweed as a sustainable ocean food.

Leveraging our unique ownership

The Board and I are excited about the even stronger collaboration between the Group and the Foundation on making the world a safer place. The Safetytech Accelerator collaboration is the first dedicated technology accelerator focused on safety and risk in industrial sectors, defining the space where digital technologies can deliver significant improvements to safety and risk management in maritime supply chains. During the reporting period, it launched a new proof-of-concept fund to foster new collaborations with corporates and start-ups.

The Lloyd's Register family has a unique corporate model, creating financial value as well societal value. Lloyd's Register Group's commercial success creates more opportunity for its one shareholder, Lloyd's Register Foundation, to invest in projects and research that bring societal benefits. This is in addition to the significant contribution that the Group's work in safety and sustainability makes to the Foundation's social impact. This unique model has been operating successfully for almost a decade, and on behalf of the Board I would like to thank everyone

Chairman's Statement

in the organisation who has shown their drive and determination to make the world a safer place during challenging times.

Thomas Thune Andersen
Chairman, Lloyd's Register Group Limited

Strategic Report

Chief Executive Officer's report

Refocusing for profitable growth

I am delighted to report strong results for the six months to June 30, 2021, the first reporting period following the sale of our Energy consulting business.

In this period, we launched our Strategy for Profitable Growth. We will focus on fewer activities, allowing better allocation of resources, producing a greater positive impact for our customers and higher commercial returns. Our aim is to build on our long history of independence and technical excellence to become a trusted professional advisor to our customers, on compliance, performance and sustainability in the maritime industry and broader ocean economy.

In line with this strategy, in June, we announced the successful sale of our Business Assurance and Inspection Services (BA&IS) business line, including cybersecurity firm Nettitude, to Goldman Sachs Asset Management.

Business performance

Our steps to refocus the business drove a significant turnaround in profitability during the period, with £23.5 million of operating profit on revenues of £375.7 million which includes the BA&IS business line. To have achieved this against a backdrop that included the Covid-19 pandemic, the strain on global supply chains and the climate emergency is testament to the hard work and commitment of our colleagues.

Our pro-forma year-on-year sales results from continuing activities were significantly higher partly due to the growth in new vessel construction activity. We also saw positive sales results from our new services, such as our fleet management solution software, Hanseaticsoft, on which we completed a final transaction to bring the business under 100% LR ownership. We also supported the cruise industry to return to operations with our safe sailing products and services (LR SHIELD and LR SHIELD+), and are encouraged to see newly built cruise ships being transferred into Lloyd's Register class.

We have seen a marked increase in customers looking to comply with new environmental regulations such as the International Maritime Organization's Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII). Keen to reduce fuel

consumption and improve the efficiency of fleet operations, we saw several of the leading vessel charterers adding significant numbers of vessels to our i4 Insight fleet optimisation suite of services. To enhance our status as a trusted advisor able to support customers with improved operational efficiency, reduced emissions and optimised commercial performance, we started the acquisition processes of C-MAP Russia and GreenSteam, both of which were completed after the reporting period ended.

In terms of safety, unfortunately we saw an increase in the number of lost time incidents (LTIs) per hours worked. This may be partly attributed to a more volatile workload, caused by the pandemic, as some countries went from periods of lockdown to intense activity.

Our strategy for profitable growth

With the sale of our BA&IS business line, our focus on maritime operations and the decarbonisation of maritime supply chains increased. The longevity, trust and independence of our brand and our unique ownership by the Foundation makes us well placed to be the independent, trusted advisor of choice to our customers and wider ocean economy stakeholders, helping them understand their options in terms of hardware, fuels, ways of operating their fleet, and available technologies. This was the rationale for establishing the Maritime Performance Services (MPS) team which will be reported as a standalone business line from 1 July 2021, separate from our Marine & Offshore business line. MPS is focused on growing our advisory and professional services, including our various digital solutions that seek to improve the efficiency and performance of our customers' activities.

Historically, our services have focused on supporting those who design, build, operate or manage ships, but the challenges of decarbonisation and benefits that can be gained from digitalisation in the maritime industry open up avenues to support the broader shipping value chain. This includes providers of existing and new fuels, and flag authorities and port authorities where these new fuels will be stored and supplied on to vessels. We will also support insurers, charterers, and finance providers with our expertise as all stakeholders increase their commitment to support the industry's transition. We will also increase our work with governments to support the necessary investment in the land-based infrastructure

Strategic Report (continued)

to produce and supply new, zero-carbon fuels, and enable the safety risks and hazards of handling those new fuels is to be fully evaluated and minimised.

We want to improve our tools, processes and technical expertise in our core compliance and classification business, making sure we have the best people and processes to support our customers and colleagues in the most efficient way. Much of that change will involve digitalisation. We see opportunities to work with the Lloyd's Register Foundation on increased safety assurance on vessels, using digital twins. This is an exciting area that, although digitally enabled, will continue to need human expertise to interpret the data and provide advice to our customers.

External market

The need for the maritime sector to digitalise and decarbonise, and to do so with much greater urgency than even 12 months ago, has been brought about by a variety of factors. The Intergovernmental Panel on Climate Change report's 'code red for humanity', the continuing COVID-19 pandemic and the greater visibility of society's reliance on global supply chains have all accelerated the need for change.

In response, LR has continued the increased digitalisation of our services, for example the launch of our collaboration with Inmarsat to enable the increased use of remote surveys and via greater satellite connectivity at sea, to ensure shipping remains safe, and to reduce the workload and stress on seafarers when they are in ports and at their busiest.

On decarbonisation, we've seen great progress on the design of future vessels with low and zero carbon emissions, and we believe we're only two years away from those vessels being technically feasible, though there still needs to be further global collaboration across the entire value chain to make zero emission, deep-sea vessels commercially viable.

People and culture

The period saw some key appointments, with Philippa Charlton, Mark Darley and Andy McKeran appointed to lead our consolidated marketing efforts, the M&O business line, and the Maritime Performance Services business line, respectively.

Our M&O business was enhanced with the appointment of John Hicks as our Strategic

Implementation Director. Jale Cairney joined our Maritime Performance Services business as Head of Commercial and Sales. Rebecca Berry was appointed to drive forward our diversity and inclusion strategy.

We have retained many of the initiatives that were implemented at pace in the early months of the pandemic, when we increased the visibility and accessibility of our executive teams, and the leadership teams around the world. Flexible ways of working, which are valued by colleagues, were formalised in this reporting period. Remote working allows greater input to projects from talent across the Group, but we are also mindful of the need to share expertise in person, and so ask colleagues to work in our offices two days per week.

The disruption caused by the COVID-19 pandemic remains a live issue in many parts of the world. I would like to offer my deepest thanks to our field-based colleagues for continuing their essential work throughout the restrictions caused by the pandemic. I believe wider society must also thank them as key workers for keeping critical infrastructure, such as energy producing units and global supply chains, safe and operating throughout this difficult period.

Environment, Society and Governance (ESG)

We believe collaboration – across the maritime industry and with other industrial sectors – will be the key to meeting the challenge of maritime decarbonisation. In late 2020, we launched the Lloyd's Register Maritime Decarbonisation Hub; a joint initiative between Lloyd's Register and Lloyd's Register Foundation, to offer the shipping industry leadership, collaboration and evidence-based direction to achieve its decarbonisation goals. We are pleased to be working with organisations with similar collaborative goals, such as the Maersk McKinney Moller Center for Zero Carbon Shipping and the Singapore-based Global Centre for Maritime Decarbonisation.

LR is proud to be one of the few maritime organisations to have signed up to the UN Climate Change 'Race to Zero'. We have set science based targets and an ambition to reach net zero by 2050 but hope to achieve this sooner. We remain committed to the Ten Principles of the UN Global Compact and continue to focus our efforts on upholding these principles for a just and fair transition to a safe and sustainable ocean economy.

Strategic Report (continued)

We increased our focus on inclusion, equality and diversity in our workforce. We launched our three-year 'Belonging' strategy, defining the ways that LR will pursue its aim of becoming a beacon of diversity and inclusion in our industry. We coached colleagues on good mental health and trained over 100 mental health first aiders around the world.

Our new ways of working have helped harness more international and diverse input to decision-making and the way we implement our strategy. We value the support provided to the Executive Leadership Team by our many talent groups, including the Bench Strength cohort, the Business Forum, our Rising Talent communities, and our Asian Talent programme.

Outlook for 2022 and beyond

We see attractive growth opportunities in classification and verification, as well as our advisory and performance businesses, and digital services. There are opportunities to improve efficiency, by reviewing long standing processes and systems and optimising them to align them to the expectations of our customers and regulators better.

To capitalise on these will require a step change in our culture, which has tended to be inherently risk-averse and conservative. As an organisation, we need to recognise that for some of the challenges faced by our customers, no one is better placed than LR to be their trusted advisor, and we will be more active in our approach to finding solutions to their challenges.

Our ownership model, with its symbiotic relationship between Lloyd's Register Group and the research activities and grant recipients of the Lloyd's Register Foundation, offers a unique opportunity to solve some of the long-term and increasingly urgent challenges and opportunities in the maritime industry. The 10th anniversary of the Foundation in 2022 will provide us with an opportunity to increase the visibility of our unique capability to the maritime industry.

Nicholas Brown

Nick Brown
Chief Executive Officer,
Lloyd's Register Group Limited

10 January 2022

Strategic Report (continued)

Pro forma financial and operational highlights – 12 months to 30 June 2021 – unaudited

As part of our response to COVID-19 ('the pandemic'), the Directors extended the previous statutory period-end from 30 June 2020 to 31 December 2020 to focus on business resilience and cashflow management during the crisis in particular supporting our customers with remote service delivery and providing our colleagues with new ways of working during the pandemic. The current accounting period has been shortened from 31 December 2021 to 30 June 2021. To allow comparison of performance with 12 month periods, pro forma performance measures, including both continuing and discontinued operations for the 12 months to June 2020 and June 2021 have been presented. Financial highlights for the statutory 6 month period to 30 June 2021 have been presented below. These highlights are discussed in more detail in the Financial results section below.

Financial key performance indicators

Turnover £781m 2019/20: £848m	Adjusted operating profit* £75m 2019/20: £21m	Operating cash inflow £83m 2019/20: £99m
Contribution to Lloyd's Register Foundation £3m 2019/20: £3m	Operating profit £44m 2019/20: Operating loss £21m	Turnover per employee £128,000 2019/20: £123,000

Non-financial key performance indicators

Safety: Lost time incidents rate** 0.20 2019/20: 0.10	Employee survey result: Engagement score*** 67% 2019/20: 67%	Average headcount (Number) 6,084 2019/20: 6,878
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Statutory financial highlights - 6 months to 30 June 2021 - audited

Turnover £376m	Adjusted operating profit * £38m	Operating profit £24m	Operating cash flow £49m
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* Adjusted operating profit is operating profit before exceptional costs, goodwill amortisation and development project expenditure to enhance internal systems and processes (6 months to June 2021: £3.9m, 18 months to December 2020: £6.0m).

** Lost time incidents rate: Total number of lost time incidents per 200,000 hours worked.

*** This metric represents the result of the Employee Survey in May 2021. The Engagement Score is measured based on answers to the following two questions:

- "How happy are you working at LR?"; and
- "Would you recommend LR as a great place to work?".

Strategic Report (continued)

Section 172(1) statement

Oversight, Strategy and the Longer-term

The Lloyd's Register Board of Directors ('the Board' or 'Group Board') has overall responsibility to promote the long-term success of the Group in achieving its purpose of working together for a safer world and providing benefit to its shareholder, Lloyd's Register Foundation, whilst maintaining oversight of, and providing challenge to, the executive management in the operation of the Group's businesses.

The Board is supported by three committees, which have been delegated authority on certain matters (Audit and Risk; Nominations; and Remuneration). The Board meets six times each year and in addition attends a joint board meeting with the Board of Trustees of the Lloyd's Register Foundation.

Through the use of standing agenda items and agenda items which rotate throughout the annual calendar, the Board regularly reviews all aspects of the business, its operations and risk management over both the present and the longer term.

At each Board meeting a detailed 'deep dive' investigation and discussion is undertaken into a specific risk area, other than at the meeting where the annual risk register update is considered. The risk deep dives which took place during the period were Commercial Excellence and Customer Focus and Business Resilience Planning. In each instance, the relevant risk owner from the business presented to the Board and responded to questions.

These activities result in the Board's effective oversight of the Group and its operations and enable it to plan for the longer term.

Key areas of the Board's focus during the period have included: the decision to dispose of the Group's Business Assurance and Inspection Services business; the development of the Marine and Offshore strategy; the impact of the pandemic; the Group's sustainability programme; and employee engagement.

This report on the Board's responsibilities under s172 has been designed and structured to demonstrate the significance of relevant stakeholders to the Group and how the Board has engaged with and taken stakeholders into account. The Board considers that stakeholder engagement has provided the relevant context for its decision making and focus during the period.

Stakeholder engagement

The following section describes the Board's engagement with the various stakeholder groups and the impact on its key decisions taken during the period. It includes the disclosures required in respect of Section 172(1) of the Companies Act 2006 (s172).

1. Lloyd's Register Foundation

Lloyd's Register Foundation (the Foundation) is the sole shareholder of the Company.

Why we focus on this stakeholder

The Foundation is the sole shareholder and member of the Group. Many of the activities of the Group are of a public benefit nature, aligned to the Foundation's mission and objectives. The Foundation also receives a return on its investment when Gift Aid payments are made by the Group.

What the Foundation expects of us:

- social investment;
- further its charitable objectives; and
- a financial return.

How the Board engages and communicates

The Group's Chairman and one of the non-executive directors are members of the Group Board and the Board of Trustees of the Foundation ('Foundation Board'). At each meeting of the Group Board they provide an update on the Foundation's:

- key developments in planning, strategy and events; and
- financial and operating performance.

At each Foundation Board meeting, the Group's Chairman and Chief Executive Officer update the Trustees on the financial and operating performance of the Group.

Every year the Group holds an AGM and an Investor Relations Session, at which the Foundation's Board of Trustees consider the Group's annual and long-term financial plans and review the annual performance of the Group.

At least once a year, the Group's Board of Directors and Foundation's Board of Trustees conduct joint board meetings. The agenda for these meetings include detailed presentations by the Group's business leaders. Before social distancing measures implemented in response to the pandemic prevented

Strategic Report (continued)

travel and in-person meetings, these meetings took place at one of the Group's key operational locations.

When appropriate, the Board enters into joint initiatives with the Foundation Trustees where the Group's expertise can be used to further the impact of the Foundation's work towards achieving its charitable objectives.

The Framework Protocol between the Foundation and the Company provides the mechanism to prevent the Group conducting business that would be detrimental to the purpose and reputation of the Foundation and matters of governance.

Additionally, the Group Board and Foundation Board work together on a number of key initiatives which further their shared objectives.

How Board has taken account of these interests / Outcome

There is close alignment between the interests of the Foundation's Board of Trustees and the Group Board. The Foundation Board of Trustees view their investment in the Group as a 'social investment' as:

- the profits generated by the Group help fund the public benefit activities of the Foundation through the payment of Gift Aid donations; and
- the Group carries out activities which further the Foundation's goals globally.

The Group Board considers the potential both to enhance the financial return on the Foundation's investment and to further the mission and objectives of the Foundation when making strategic and operational decisions. The Foundation Board is routinely consulted before such decisions are made.

Examples of key decisions where the Foundation Board of Trustees was consulted during the financial period included:

- the decision to divest the Group's Business Assurance and Inspection Services business in June 2021;
- the development of the Marine and Offshore Strategy; and
- the Group's sustainability programme.

Work has continued on two key joint initiatives between the Group Board and the Foundation Board during the period - the Maritime Decarbonisation Hub, open to undertaking and actively seeking partnerships with stakeholders across the industry,

focused on creating a more sustainable future for shipping and contributing to society's global challenge of slowing climate change – and the Safetytech Accelerator programme with a focus on commercial application to create stronger and deeper proof points of Safetytech impact on clients' management of safety and risk. This is carried out through Safetytech Accelerator Limited, a non-profit distributing subsidiary of the Group.

In February 2021, the Board approved the payment of a donation to the Foundation in accordance with its historic dividend policy.

In March 2021, the Board held its joint Board meeting with the Foundation Board. The Boards looked at the work of the Foundation, its goals and future plans. They considered the evaluation and monitoring of the social investment of the Group to the Foundation, by providing a financial return whilst furthering the Foundation's charitable objects, and considered shared projects, including the projects noted above and the secondment of Group employees into the wider community, including with the UN and in connection with climate change and low carbon shipping commitments.

In June 2021, the Board held its annual investor relations meeting with the Foundation, with presentations in respect of strategy, including the sale of the BA&IS business, the plans for growth of the Marine and Offshore business, the LR Group budget and how to identify and monitor the social and financial returns of the Group as a social investment of the Foundation.

2. Customers

LR's customers are those stakeholders to whom LR provides our services

Why we focus on these stakeholders

Customers are at the heart of everything that LR does. Our customers expect the Group not only to deliver world-class testing, inspection and certification services but increasingly also become a trusted advisor, helping them to maximise their operating efficiency, profitability and sustainability.

Customers care about:

- Safety
- Sustainability
- Trusted long-term partnerships

Strategic Report (continued)

- Technical expertise
- Quality of service

How the Board engages and communicates

At each Board meeting, the Chief Executive Officer's report includes an update on customer matters including key engagements with customers since the previous meeting, sales and marketing reports including sales team data and growth in new products. The report contains sections from each of the business lines on customer engagement and operational matters including contracts under negotiation and new products.

In more normal times, the Board undertakes an annual visit to a customer site. Activities at that event include engagement with key client representatives and discussion on customer satisfaction and how LR can enhance its services to meet the customer needs further.

The potential for negative impact on LR's brand and loss of market share due to loss of customer trust as a result of negative customer experience is one of the Group's principal risks. Each year, the Board conducts a detailed review of the risk register which includes customer experience as a risk, and the mitigating actions to avoid competitors customer experience exceeding those of LR.

How Board has taken account of these interests / Outcome

- During the period the Board continued to develop the strategy based on the review during the previous year, focussing on the following objectives: the divestment of the BA&IS business line to enable it to take more control of its business and services for customers;
- Developing a strategy to focus solely on the maritime sector and opportunities within the Ocean Economy; and
- To enhance LR's service delivery to its maritime customers by investing in the development of Marine Performance Services.

Regular updates have been provided to both the Group Board and the Foundation Board on progress with these objectives, with the sale of the BA&IS business being approved by the Board in June 2021.

Also during the period, the acquisition of the C-Map Marine Consultancy business was approved, in furtherance of the objective to invest in Marine Performance Services.

During the period, a risk deep dive in respect of Commercial Excellence and Customer Experience was presented to the Board. The Board noted and supported the organisational changes that had been made to improve customer engagement and to align commercial teams better to create a stronger team with clarity of roles, responsibilities and interdependencies.

The Board prioritises investment in LR's technical standards to maintain the Group's position as a world-renowned thought-leader in the industries in which it operates focused upon customer safety, operational efficiency and profitability. Examples of research and insights published by LR are available on <https://www.lr.org/en-gb/insights/articles>.

At its meeting in February 2021, the Board noted and confirmed the adoption of Technical Rule changes which had been discussed and agreed by the Marine technical committees and confirmed the elections and re-elections of members of the technical committees.

The Board's drive for LR's thought leadership and innovation has led to the development of further products and services to meet our customers' needs better. Particularly during the period, these include investment in digitisation of our services to deliver remote testing in all our key business lines.

3. Workforce

The Group defines its workforce as its employees and subcontractors.

Why we focus on this stakeholder

The Group's workforce is vital to the success of the Group. By demonstrating the Group's values of "We care, We share, We do the right thing" they build and maintain the relationships with our customers and continue to support the Group's reputation for technical excellence.

Strategic Report (continued)

Our workforce expects to:

- be safe when performing their work;
- work in a culture in which they can achieve their potential;
- receive fair pay; and
- have good working conditions.

How the Board engages and communicates

The Group's Human Resources Director presents once a year at a Board meeting to brief members on various initiatives such as the implementation of the Group's Diversity and Inclusion programme and Talent and Succession planning.

Safety of the Group's workforce is of primary importance to the Board who approves the annual safety plan and receives a Health, Safety and the Environment report at each Board meeting.

The Board also receives updates on the employee surveys including the overall employee engagement score key performance indicator and the related action plans. The Board has delegated the development of action plans to respond to the findings of the employee surveys to the Executive Leadership Team who report on the goals and initiatives, which are measured through the results in subsequent years' surveys.

The Board engages directly with Group employees by video communication from the CEO and Chairman on the Group intranet, at a Global Business Forum event for leaders from across the Group and, when possible, by an annual visit to a different business location where the Directors meet with local employees.

The Group maintains a number of significant defined benefit pension schemes and the Board is responsible for the continued ability of the Group to settle these post-retirement obligations. With regard to the Group's largest defined benefit plan, the LR Superannuation Fund Association (LRSFA), the Chief Financial Officer periodically attends Trustee meetings to update on historical and forecast Group performance.

The Chair of the Remuneration Committee reports to the Board at each meeting on the matters considered by any Remuneration Committee meetings held since the last Board meeting. These matters include the structure of remuneration and benefits across the Group and at executive level.

How Board has taken account of these interests / Outcome

Key actions taken by the Board and the Executive Leadership Team to promote and measure employee engagement are described in more detail in the section on employee engagement on page 22 below.

The regular HSES reports to the Board during the period contained a strong focus on employee safety and included updates on the Group's response to the pandemic, which centred around the protection of the Group's workforce. The three central commitments of the response were to: keep Group colleagues safe; protect jobs and livelihoods where possible; and to continue to serve and support Group clients.

The Board delegates employee engagement to the Executive Leadership Team which provides quarterly Group-wide webinars for all Group employees including question and answer sessions.

During the period the Group Human Resources Director provided updates to the Board on the outcome from the Employee Opinion Survey and the actions being taken as a result. He also provided the annual update on Talent and Succession planning and the actions being taken in respect of Diversity and Inclusion.

4. Suppliers and Regulators

LR's suppliers are those stakeholders from whom LR receives goods and services.

Regulators are those stakeholders by whom LR and its services are assessed and regulated.

Why we focus on these stakeholders

Reliable suppliers are vital to the success of the Group as they include not only the provision of critical infrastructure such as IT systems but also contractors who provide services alongside our workforce to complement services provided to clients by Group employees.

Suppliers and regulators care about:

- fair terms of trade;
- prompt payment; and
- high standards of skill and compliance with the requirements of the regulatory bodies.

Strategic Report (continued)

Many of the services provided by the Group are subject to compliance with accreditation bodies and regulators such as British Standards Institution (BSI), International Organization for Standardization (ISO), International Association of Classification Societies (IACS), European Maritime Safety Agency (EMSA) and American Society of Mechanical Engineers (ASME) amongst others.

The Group relies upon its accreditation from regulatory bodies to operate in its respective industries. Further, the Group's reputation is enhanced by having accreditation with regulatory bodies.

The selection of suppliers and services are typically monitored by the Group's operational functions working with Group procurement, however the selection of key suppliers of, for example, banking arrangements, IT systems and major property leases are also reviewed by the Board.

How Board engages and communicates

As detailed further in the Audit and Risk Committee report, the Board delegates the detailed oversight of the Group's compliance with various regulatory and compliance standards to that Committee.

At each meeting the Audit and Risk Committee receives a report from the Group's Quality, Health, Safety, Environment and Security (QHSES) function which performs reviews of compliance with the Group Management System, a global set of documented policies, procedures and guidance covering all aspects of the Group's operations, that is designed to ensure ongoing compliance with the requirements of our external regulators. The report includes the results of external assurance work testing by the accreditation bodies and regulators which test the Group's compliance with various regulatory and compliance standards. A report is given to the Board by the Audit and Risk Committee of any meetings held since the last Board meeting.

Reports to the Audit and Risk Committee at each meeting from the Ethics and Compliance Committee, Internal Auditor and QHSES, all of which include reports relating to regulation and accreditation bodies.

How Board has taken account of these interests / Outcome

The activities of the Audit and Risk Committee detailed above have all taken place during the period.

In January 2021, the Audit and Risk Committee noted the successful outcome of the applications for Brexit Notified Body registration and accreditation, which had previously been authorised by the Board as part of the Group's response to Brexit, resulting in Notified Body appointment for existing Group entities in a number of EU countries.

During the period, the Board gave its approval for the CEO's appointment as the Chairman of IACS, a two-year appointment, providing Lloyd's Register with an opportunity to lead the classification society during a period of change, with the objective of improving IACS' effectiveness in driving safety and supporting the International Maritime Organization.

5. Society and the Environment

LR's impact on social and environmental communities where LR deliver its services

Why we focus on this stakeholder

To further LR's aim of 'working together for a safer world', LR has a responsibility to use its position of influence to be a thought-leader on sustainability.

What society expects of us:

- Corporate responsibility
- Trusted advisor to our industries, promoting safety and efficiency
- Operate sustainably

How the Board engages and communicates

LR Group is a social investment of the LR Foundation – it has a social purpose with strong links to safety in the community. At each meeting the Board receives a report on Health, Safety and Environmental Services (HSES) matters and discussed Sustainability and Environmental, Social and Governance (ESG) matters and either initiated or considered initiatives to influence global progress in this area.

The HSES reporting includes any lost time incidents throughout the Group which have led to injury or time away from work due to HSES factors which is considered a key performance indicator.

Strategic Report (continued)

The Board also receives an update on the activities of the Lloyd's Register Foundation at each meeting providing insight into work carried out to achieve the Foundation's and Group's objectives.

How Board has taken account of these interests / Outcome

The actions taken by the Group on ESG factors are reported in a separate publication on www.unglobalcompact.org and are summarised in the section on sustainability below.

Lloyd's Register was a contributor to the development of the Sustainable Ocean Principles along with stakeholders from the private sector, NGOs, academic institutions and UN agencies and signed the United Nations Global Compact in 2018.

As described above in the section on the Foundation as a stakeholder, the Group is wholly owned by the Lloyd's Register Foundation as a social investment. This is reflected in how the Board has approved joint initiatives between Lloyd's Register Group and Foundation on the creation of the LR Maritime Decarbonisation Hub and the Safety Accelerator. The Group's operations include many activities which are of a public benefit nature, aligned to the Foundation's mission of securing high technical standards of design, manufacture, construction, maintenance, operation and performance and to advance engineering-related public education. In addition, the Group's activities in delivering services such as food supply chain security and clean energy are examples of how the Board has regard for the societal and environmental benefits resulting from the Group's operations.

The Board also supports in smaller scale social sponsorship and donations to contribute toward the communities in which the Group participates. Activity in this area during the period has included provision of discounted classification for Mercy Ships as part of the donations to charitable grants and activities reported in the Directors' Report.

In February 2021, the Board received an update from the Chief Marketing Officer and the Group Environmental Manager on the Group's Sustainability Strategy, noting the priorities for global challenges, including climate change and supporting the UN's Sustainable Development Goals. The report included

details on how the Group planned to address challenges within its own operations, including safety, diversity and emissions, whilst enabling clients to improve their own sustainability performance in sectors such as ocean clean transport and energy transition.

Strategic Report (continued)

Risk Management

Governance

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management and internal controls.

Lloyd's Register has in place an established risk management and control framework that facilitates the effective identification, evaluation and management of our key and emerging risks.

This framework is regularly refreshed and updated. There have been no significant changes to the framework in the period.

Identifying and evaluating risks

The identification of risks within LR is a continual process. We have established a defined structure within business streams and functions designed to identify and evaluate the risks facing the business. Through management and stakeholder engagement, streams and functions prepare their business risk registers, forming the foundations for the Group Risk Register.

The Group considers both internal and external risks, assessing each risk against a defined scale to allow a consistent evaluation methodology to be followed across the organisation.

The risk scale matches impact with likelihood, with the assessment of the risk impact considering:

- Financial;
- Reputational;
- Legal & Regulatory;
- Management time; and
- Health, Safety, Environment and Security.

The key elements of LRG's risk management framework for evaluating, categorising and presenting risks are as follows:

- risks are evaluated using a combination of impact and likelihood;
- each risk is evaluated at three points: the unmitigated (gross) risk; the current (net) risk score considering all current controls; and the target risk score considering the impact of future mitigating actions;
- each risk is categorised according to whether it is a strategic, operational or legal and compliance risk;

- each risk is flagged as to whether it is being monitored or managed;
- each risk has its own velocity score to assess the speed at which the exposure can impact LRG;
- to enable a common approach and consistency when assessing the impact and likelihood, a risk evaluation scale is used; and
- the complete risk register is expressed graphically in a risk heatmap to allow comparison between risks.

When evaluating risks, the Board focuses on the impact of a risk, irrespective of the likelihood. This allows the Board to consider all risks with a potentially material impact, ensuring in particular that high-impact, low-probability risks remain fully visible.

Management of Risks

Key and emerging risks identified by the business are aggregated within the Group Risk Register, with the risks identified owned and managed by members of the key management personnel. They are responsible for ensuring that the internal control framework operates effectively and for implementing risk mitigation plans.

The Group Risk Register is subject to regular and detailed review and discussion by key management personnel and is updated to reflect changes in strategic, operational and legal and compliance risks, and the controls and mitigations associated with these risks.

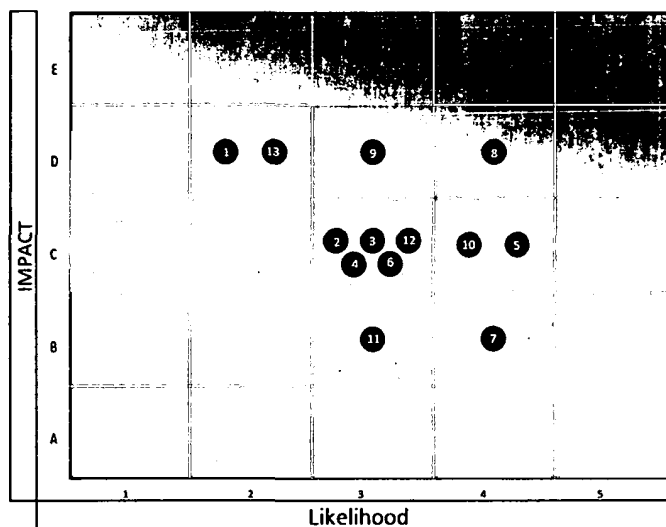
On an annual basis, the Board undertakes an assessment of the risk management framework and the key risks. Furthermore, a programme of risk deep dives is presented by senior leadership at each Board meeting.

Strategic Report (continued)

Risk heatmap

The risk heatmap illustrates the risk identification and assessment process used to prepare the Group Risk Register. The chart plots the relative likelihood and impact of the key risks identified, demonstrating the net risk.

- 1 Reliance on key industries and services or geographies / appropriateness of Group strategy
- 2 Market disruption through technology & innovation
- 3 Competition
- 4 People, Talent and Succession
- 5 Commercial excellence and customer experience
- 6 Strategic corporate development investments fail to deliver benefits
- 7 Geopolitical changes
- 8 Safety & Security Incidents
- 9 Technical quality failure
- 10 Cyber & data security
- 11 Business resilience event/crisis / Third party supplier management
- 12 Major Change Projects do not achieve expected benefits
- 13 Loss of a major accreditation



Principle risks & uncertainties

Strategic Risks		
Risk	Possible Impact	Mitigations
1 Reliance on key industries, services or geographies and appropriateness of Group strategy LR is materially exposed to a number of industries, products and geographies. A sharp decline in any of these areas will impact LR's revenue and earnings.	<ul style="list-style-type: none"> Downward pressure on pricing leading to lower revenue and / or margins. Lower renewal rates and / or loss of market share. Inability to realise ambitions with digital services or to achieve targets for Strategic Growth Initiatives. 	<ul style="list-style-type: none"> Rigorous review against strategic growth initiatives through Quarterly Business Reviews. Regular Board review of strategy and oversight of implementation and alignment. Monthly rolling outlook forecasting and detailed reviews of sales pipeline and opportunities and risks.
2 Market disruption through technology & innovation Disruption to LR's business model by both digital and data led models.	<ul style="list-style-type: none"> Loss of market share. Reduced revenue and earnings. Loss of LR's reputation for technical leadership. 	<ul style="list-style-type: none"> Development of new digital innovation capabilities including marine specific solutions working closely with partners. Evolution of digital innovation hub allowing scaling of capability and support for the Digital Product Strategy.
3 Competition Disruption to existing core markets due to aggressive competitor activity and / or increased competition from new entrants to core markets.	<ul style="list-style-type: none"> Downward pressure on pricing leading to lower revenue and/or margins. Lower renewal rates and loss of market share. Inability to realise ambitions with digital services. Inability to achieve strategic initiative growth targets. 	<ul style="list-style-type: none"> Group and stream level monitoring of competitive landscape. Quarterly business reviews and explicit monitoring of competitor activity. Investment in technical capabilities and rule development. Development and roll out of digital strategy.

Strategic Report (continued)

<p>4</p>	<p>People, talent and succession</p> <p>Long-term resource: lack of skills required to support strategic growth, innovation and new product development.</p> <p>Succession planning: Loss of key technical and/or management may arise, leaving LR without appropriate resources for succession.</p> <p>Short-term resource: Major project wins may result in sudden increased resource requirements. Failure to locate and secure appropriately skilled resources impacts the ability to deliver contracts.</p>	<ul style="list-style-type: none"> • Successful delivery of strategic business goals may be jeopardised. • Reputational damage caused by a lack of expertise, especially in new technologies. • Inability to respond to new opportunities, impacting revenue, earnings and growth targets. • Reduced ability to deliver technical capabilities or respond to clients' needs. • Permanent / contractor balance may not be optimal resulting in higher costs or service quality issues. 	<ul style="list-style-type: none"> • Strategic workforce planning by business streams. • Ongoing succession planning to develop pipelines of identified talent, including bench strength and primary successor programmes addressing key successor development needs. • Retention planning. • Identification of high-risk individuals and high value professionals. • Asia talent programme implemented to identify successors and test framework for global extension.
<p>5</p>	<p>Commercial excellence and customer experience</p> <p>In increasingly competitive markets, there is a risk that our competitors' commercial capabilities and customer experience may exceed those of LR, resulting in the inability to attract new customers and / or the loss of existing customers to competitors.</p>	<ul style="list-style-type: none"> • Lower awareness of LR, diminished reputation results in loss of market share or reduced ability to cross-sell services, up-sell new digital services, retain clients or sell new services. • Reduced sales pipeline and conversion rate leading to lower revenues and margins. 	<ul style="list-style-type: none"> • Product and portfolio management commercial dashboards and sales targets and reporting. • Customer experience dashboard linking to Net Promoter Score and complaints monitoring. • PR and digital measurement. • Cultural change through Be The change programme. • Global Employee Opinion Survey.
<p>6</p>	<p>Strategic corporate development investments fail to deliver expected benefits</p> <p>Risk that acquisitions, joint ventures and partnerships do not generate expected returns on the investment or other benefits that the Group expect to derive.</p>	<ul style="list-style-type: none"> • Expected benefits are not achieved. • Impairment or write off-of investments. • Management time focused on strategic investments at the expense of core business. • Assumed business liability is not as expected e.g. business litigation. 	<ul style="list-style-type: none"> • Business cases developed by accountable executives. • Due diligence undertaken prior to investment, with warranties included in acquisition contracts. • Post investment monitoring. • Post-acquisition implementation review checklist incorporated into the business case. • Defined governance procedures for new investments. • Post investment appraisal conducted independently of accountable executive.
<p>7</p>	<p>Geopolitical changes</p> <p>Specific changes in policy, sanctions or tensions between countries may directly impact LR's markets, licence to trade or employees.</p>	<ul style="list-style-type: none"> • Depressed market demand and slow growth due to uncertainty. • Inability to trade in certain locations with a direct impact on income and earnings. • Political unrest implications for LR people. • Mutual recognition impacts on income streams and technical quality. 	<ul style="list-style-type: none"> • Legal and business stream management with oversight from key management personnel. • Global QHSES teams monitor situations locally and report on employee impact to the Executive Leadership Team ("ELT"), with regular updates to clients and colleagues. • Participation in EU and IMO working groups on mutual recognition.

Strategic Report (continued)

Operational Risks		
Risk	Impact / Current risk issues	Mitigations and Future actions
<p>8 Safety & security incidents</p> <p>The risk of a serious incident to one or more LR personnel that results in death, life-changing injuries, or health conditions as a result of work conditions and working in or travelling to high risk environments that are often outside LR's direct control.</p>	<ul style="list-style-type: none"> • Injury or death of employees. • Human impact on individuals' concerns, their colleagues and families. • Potential legal or regulatory actions and fines. • Reputational damage. • Loss of customer trust. 	<ul style="list-style-type: none"> • Oversight by Group Safety Council and key management personnel, with alignment to Group Strategy and objectives. • QHSES strategy focused on key risks and strengthening the safety culture within LR. • Independent audits. • Progress, incidents and performance reported and reviewed at ELT and Board via Integrated QHSES dashboard metrics. • Practical training for all employees likely to be involved in high potential activities and review / monitoring of high-risk journeys. • Specialist consultants managing emergency response. • COVID-19 response protocols.
<p>9 Technical quality failure</p> <p>Failure of LR technical or quality procedures or internal controls resulting in defective advice or certification leading to the operation of unsafe assets.</p>	<ul style="list-style-type: none"> • Potential legal claims. • Reputational damage. • Client complaints and loss of key clients. • Regulatory investigation and fines. • Loss of license to operate. 	<ul style="list-style-type: none"> • Technical competency management (including activity monitoring). • Product service delivery procedures. • Technical verification. • Internal Technical audits and process audits.
<p>10 Cyber & data security</p> <p>A targeted cyber-attack or other breakdown of security resulting in loss of personal or commercially sensitive data which could include confidential client data or commercially sensitive information.</p>	<ul style="list-style-type: none"> • Fines. • Legal claims. • Reputational damage. • Loss of business. • Fraud. • Use of management time. 	<ul style="list-style-type: none"> • Enhanced security event monitoring focused on cloud platforms. • Multifactor authentication as standard for all cloud-based platforms. • Independently assessed ISO27035 Incident Response Process, with 24/7 monitoring and resolution. • Data classification and labelling enabling identification of sensitive information and appropriate protections. • Best in business Cyber Security Training. • Fully embedded security collaboration at all levels across the business, including vulnerability management as a primary focus.

Strategic Report (continued)

11	<p>Business resilience event/crisis and third-party supplier management</p> <p>Major resilience events impact the Group leading to infrastructure disruption that could prevent the Group from delivering its operations.</p> <p>Reliance on third party suppliers may also impact the Group's resilience, through loss of business understanding, supplier financial failure, supply chain interruption and failure, disruption to LR's ability to achieve its strategic goals and objectives and lack of expertise in managing third party suppliers.</p>	<ul style="list-style-type: none"> • Inability to deliver services to clients. • Inability to operate back office functions e.g. cashiering, payroll, invoicing and payments. • Competitors are better prepared and gain market share. • Reduction in revenue, margin, lower renewal rates and market share. • Reputational damage and loss of customer trust. • LR employees' health and safety. 	<ul style="list-style-type: none"> • Crisis management plans/tool kit in place for key management personnel and business leadership. • Business continuity plans in place and refreshed and rehearsed regularly. • Regular testing of data centre resilience. • Business impact assessments at key locations. • Emergency response communication software in place.
12	<p>Major change projects do not achieve expected benefits and opportunities are missed</p> <p>Change projects may not achieve expected outcomes due to poor project scoping and change control, shortages of delivery skills and capability, low business maturity around project decision-making - impacting ROI (scope change), lack of ownership by sponsoring business streams or ineffective benefits tracking and lessons learned reviews means that success of projects cannot be assessed.</p>	<ul style="list-style-type: none"> • Strategic objectives not met. • Increased spend on projects. • Expected change and benefit is not delivered resulting in wasted cost and continued inefficiencies. • Opportunities are missed which resulting in loss of potential revenue. 	<ul style="list-style-type: none"> • ELT Management of major group projects. • Monthly Change Board with oversight of change portfolio and ELT attendance to approve all change investments. • Project sponsorship role defined - providing ownership of projects. • Lessons learned reviews and sharing of key recommendations. • Improvement in QA reviews of investment documents.
Legal and Compliance Risks			
Risk		Impact / Current risk issues	Mitigations and Future actions
13	<p>Loss of a major accreditation.</p> <p>A major accreditation (licence to operate) is lost in a key market or across key geographies. This may arise from regulator audit(s) highlighting significant non-conformities with standards that cannot be quickly remediated, significant technical failures (see risk 9), whistleblowing highlighting LR's non-compliance with regulations or procedures or a breakdown of the relationship between LR and the Regulator.</p>	<ul style="list-style-type: none"> • Loss of market access and market share. • Lower revenue and/or margins. • Reputational damage. 	<ul style="list-style-type: none"> • Technical competency management, including activity monitoring and product service delivery procedures in place. • Technical verifications and internal technical and process audits undertaken. • Accreditation relationship management and supervision thereof.

Strategic Report (continued)

Sustainability

Our Vision for Safe and Sustainable Oceans:

The UN Sustainable Development Goals (“SDGs”) set a global framework to address society’s most important challenges. They form the foundation of our approach to sustainability.

The shared mission of Lloyd’s Register Group and Lloyd’s Register Foundation is to work together to make the world a safer place. We reduce risk and enhance the safety of the critical infrastructure that modern society relies on. Although our activity touches many of the SDGs, our efforts are focused on those where we make the most difference.

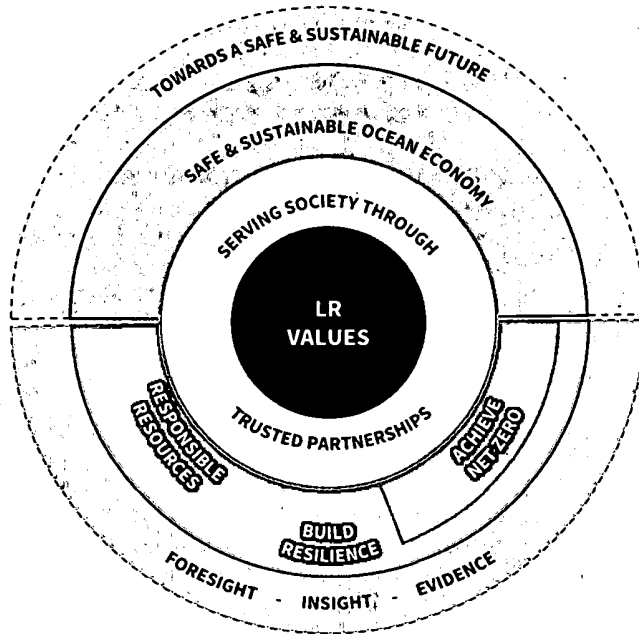
We will direct our expertise toward creating a safe and sustainable ocean economy by achieving net-zero emissions by 2050, building the resilience of global supply chains, and adopting a responsible approach to using resources. We will actively look ahead at how we can achieve the SDGs in the oceans in a safe way. This will be underpinned by aligning our ways of working with our values.

		SDG	LR Value
To achieve this LR will:			
Embed a sustainability culture	Build safe, equitable, inclusive and ethical ways of working	5	We care
Invest in a safe and sustainable society	Invest the profits from our commercial business into society to help improve safety for a sustainable future	3 / 8	We share
Partner with global leaders	Form partnerships at the highest levels to drive a safe and sustainable future	17	
And in partnership with our communities and customers we will:			
Achieve net zero	Support our stakeholders to achieve net zero by 2050 whilst also meeting net zero by no later than 2050 in our own operations	13 / 14	We do the right thing
Build resilience	Build resilient infrastructure, systems and supply chains across sectors	9 / 14	
Use resources responsibly	Apply a responsible approach to the use of the world’s resources	12 / 14	



Strategic Report (continued)

LR Sustainability Framework model 2020/21:



- **A sustainable future is also a safe future** - We have identified six challenge areas where there is a compelling need to change, and by harnessing our unique strengths and assets, we can make a real difference.
- **Embed a sustainability culture** - Our sustainability vision is built on the strong foundations of our values and culture. It is these that inform the decisions we make, how we engage with our stakeholders and how we do business. Safety, ethics and compliance, diversity and inclusion are all embedded within these, which are essential to being regarded as a trusted partner.
- **Partnerships for change** - We cannot achieve our vision alone. We need to collaborate and be seen as the trusted partner for our stakeholders and our communities. Through shared vision and ambition, we can create shared value to achieve transformational change.

Achieve net zero

The climate crisis requires an urgent response. We are in a decade of action for the race to zero, both we and our stakeholders need to play our part. We will work to enable commercially viable zero carbon energy, take urgent climate action to decarbonise our value chains and support the achievement of sectoral net zero goals.

Responsible resourcing

Unsustainable production and consumption of resources are linked to environmental impacts such as climate change, pollution and reduced biodiversity. For LR and our stakeholders, more circularity of resource use and greater sustainability in global supply chains will be vital in supporting economic growth, whilst reducing environmental impact.

Build resilient supply chains

Society depends on global supply chains for food, energy and healthcare and telecommunications, for example. These are complex, interdependent and susceptible to geopolitical or other uncertainties and disruption. For us and our stakeholders, building resilience into infrastructure and business models to minimise disruption and manage uncertainties in global supply chains is critical to all our futures.

Energy and Carbon Reporting

The table below reports on all sources of Greenhouse Gas (GHG) emissions and energy usage in the Group's operations as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Strategic Report (continued)

Working with The Carbon Trust, the below table has been prepared in accordance to ISO14064-3 which is the standard that specifies principles, requirements and provides guidance for verifying and validating greenhouse gas statements.

GHG Scope	Category	Global			
		Total Emissions (t CO2e)		% of total value chain	
		6 months to 30 June 2021	18 months to 31 December 2020	6 months to 30 June 2021	18 months to 31 December 2020
Scope 1	Scope 1 – Gas, lease car miles and F-gas	1,304	4,314	6%	3%
Scope 2	Scope 2 – location based electricity consumption	1,029	5,501	5%	4%
Scope 3	Scope 3 – indirect emissions (not included in scope 2)	18,501	117,086	89%	91%
		20,834	126,901	100%	100%

Total t CO2e / £m turnover	55.5	101.4
Total Scope 1 and 2 emissions – location based (t CO2e)	2,333	9,815
Total Scope 3 emissions (t CO2e)	18,501	117,086
Total Scope 1, 2, and 3 emissions – location based (t CO2e)	20,834	126,901

Quantity of Energy consumed for which the company is responsible	Global	
	Kilowatt Hours kWh	
	6 months to 30 June 2021	18 months to 31 December 2020
Gas	2,392,399	8,776,165
Purchased electricity	4,450,170	15,450,399

Our GHG Reduction Plan and Science-Based Target [Net Zero 2050]

To avoid the most catastrophic impacts on an already warming planet, the world must limit global warming to 1.5°C above pre-industrial levels by achieving net zero emissions no later than 2050. As well as working with our clients and stakeholders to help them achieve their own decarbonisation and net zero goals, we have set ourselves a science-based emissions reduction target (SBT), validated by the SBTi, that is in line with a 1.5°C trajectory and applies to all relevant scopes of emissions. We will also achieve net zero at the latest by 2050.

Lloyd's Register commits to reduce absolute scope 1 and 2 GHG emissions by 63% by FY2034/35 from a FY 2019/20 base year.

Lloyd's Register also commits to reduce absolute scope 3 GHG emissions from purchased goods and services and business travel by 37.5% within the same timeframe.



The foundation of the GHG reduction plan is the achievement of absolute reductions across four phases of implementation:

- 1. Set the pathway to zero:** 2021-25 - mobilise policy interventions and set principles to define our pathway.
- 2. Gain momentum towards zero:** 2025-30 – achieve challenging way-marker targets and embed culture change for sustainability.
- 3. Achieve transformational change for zero:** 2030-35 - low and zero emissions ways of operating become the norm.
- 4. Deliver on our net zero promise:** post-2035 - beyond the lifespan of the current SBT, our emission reductions will need to be enhanced and residual emissions balanced through a carbon removal mechanism.

Strategic Report (continued)

Progress and plans

	FOOTPRINT SHARE*	PROGRESS 2020/21	PLANS 2021/22
AIR TRAVEL	41%	Our app-enabled remote survey solution for clients has become a mainstay of the way we do business	Deploy revised travel policy and develop low / zero emission service delivery
CAR TRAVEL	24%	Consolidation of lease car provider and approval of the <i>Sustainable Fleet</i> policy	Operationalise <i>Sustainable Fleet</i> policy to transition to e-mobility
PROCUREMENT	28%	Baseline supply-chain impact and define key supplier group	Engage key suppliers and assess sustainability credentials
PROPERTY	7%	The Property Transformation project is well underway based on our new ways of working principles	Accelerate the review of property footprint and leases to 'right-size' and enable flexible working
DATA	N/A		Re-baseline due to sale of part of the business

*based on 2019/20 as less affected by responses to the Covid pandemic

COVID-19

Having proven its resilience and weathered the initial COVID-19 pandemic storm well, LR Group continued to employ an agile response to the impacts of the pandemic in the countries in which it operates, allowing the organisation to support the safety of customers and employees in line with local guidelines.

A number of the steps put in place to make our business more resilient, such as the introduction of new ways of working and remote provision of our services, became embedded in the business, as trading patterns normalised.

LR continued to communicate regularly with all employees, outlining the Group's response to the pandemic, keeping colleagues up to date with the latest 'return-to-office' plans and local COVID-19 protocols; as well as updates on any continuing impact from the pandemic on LR's operations and financial performance.

Employee engagement

The challenges posed by the pandemic fundamentally changed how employees were able to interact with customers and colleagues. Lockdowns and social distancing brought about a seismic shift in our working environment and whether office-based or on-site, many of our colleagues successfully and quickly migrated to remote working.

Although this initially created challenges for both our operational effectiveness and for employees' wellbeing, significant progress was made during the reporting period, redefining how and where work was done using new ways of working to foster the right blend of employee wellbeing and high performance.

New ways of working

Following consultations with colleagues around the world, and having seen the way employees succeeded in making the change to remote working without impacting business performance during the pandemic, LR decided that the future should include the best of office, field and remote working; an environment where colleagues have greater flexibility than ever before to achieve their full potential.

The principles of new ways of working were introduced and incorporated into our global business, delivering the health, wellbeing and environmental benefits of a more flexible working model, whilst retaining the collaborative gains of office working.

Strategic Report (continued)

Employee surveys

In line with previous pre-pandemic years, LR Group performed one main employee opinion survey, as well as a number of shorter 'pulse' check-in surveys during this reporting period.

In May 2021, the Group ran an extensive employee survey asking colleagues 32 questions about their experience of working for LR. Despite the ongoing impact of the pandemic, our engagement score held steady at 67%, with scores in 13 of the 32 questions increasing by up to three points when compared with results from the survey in November 2020. The number of comments submitted to the survey also increased by 54% to 11,476 – the highest number received to date.

Diversity, Inclusion and Belonging

LR wants every employee to feel they belong, and to offer a place of safety where people can be their authentic selves, bringing their unique perspectives and talents to every challenge. To this end, LR regularly engages with colleagues to explore their views on how LR responds to its targets to encourage diversity, inclusion and belonging. Preparations were made during this reporting period for a Diversity, Inclusion and Belonging survey (DIBS) which took place in September 2021. 68% of employees completed the survey, with modest increases across most of the answers, and the overall 'Belonging' score of 70 at one point higher than in the 2020 DIBS and two points short of the external benchmark of 72.

The Group took action on its commitment to promote of a greater sense of belonging at LR by setting up colleague networks. These open forums, each sponsored by a member of the ELT, were organised around diversity categories on Gender, Ethnicity, and LGBT to identify issues and opportunities relating to shared identities and experiences and suggested ways that LR can improve its diversity, inclusion and belonging.

Strategic Report (continued)

Financial Results

Turnover for the 6 month period to 30 June 2021 was £375.7m (18 months to 31 December 2020: £1,253.2m).

The Group's underlying trading performance is measured through its adjusted operating profit measure which was £38.1m for the 6 months to 30 June 2021 (18 months to 31 December 2020: £58.4m). Adjusted operating profit is defined as operating profit before exceptional costs, goodwill amortisation and development project expenditure to enhance internal systems and processes. Development project expenditure for the 6 months to 30 June 2021 was £3.9m (18 months to 31 December 2020: £6.0m).

Total Group operating profit before exceptional costs for the 6 months to 30 June 2021 was £29.9m, (18 months to 31 December 2020: £28.6m). The prior period operating profit before exceptional costs includes £57.5m relating to the continuing operations of the Group offset by a loss of £28.9m from discontinued operations. Discontinued operations comprise the Energy business which was disposed of on 31 October 2020. The increase in operating margin before exceptional costs from continuing operations to 7.9% (18 months to 31 December 2020: 5.2%) reflects the impact that the pandemic had on the Group's retained businesses during the prior period.

Total Group exceptional costs for the 6 month period of £6.4m (18 months to 31 December 2020: £29.2m) relates to restructuring activity associated with changes in processes and resource requirements following restructuring within back office functions in line with the Group's strategy.

Statutory operating profit for the 6 month period, after exceptional costs, was £23.5m (18 months to December 2020: loss of £0.6m).

Donation to the Foundation

During the period, the Group made a £3.0m (18 months to December 2020: £3.0m) donation to its parent Lloyd's Register Foundation. This payment has been disclosed as a movement in the statement of changes in equity.

Performance review – pro forma

As part of the Group's response to the pandemic, the Directors elected to extend the previous financial period to 31 December 2020, and have shortened the current period to 30 June 2021. To enable the comparison of the period's performance with prior 12 month periods, pro forma performance measures for the 12 months to June 2020 and June 2021 have been presented. Pro forma information is presented on a comparable basis of preparation however is unaudited.

Reconciliations are shown below between the Group's financial Key Performance Indicators: pro forma turnover; adjusted operating profit; and operating profit before exceptional costs and the results for these metrics for the 6 month period to 30 June 2021 and the 18 month period to 31 December 2020. The Board believes that the presentation of pro forma results for the 12 month period facilitates comparison.

Strategic Report (continued)

Reconciliation of pro forma turnover to reported turnover KPI

		Current period £m	Prior period £m
Pro forma turnover			
Continuing operations		755	725
Discontinued operations		26	123
Pro forma turnover (unaudited)	12 months to June 2021/20	781	848
Effect of change in reporting date			
Continuing operations		(379)	379
Discontinued operations		(26)	26
Turnover	6 months to June 2021 / 18 months to December 2020	376	1,253

A further analysis of pro forma turnover to reported turnover by business line is provided below:

	Marine & Offshore	Energy	Digital Products	Business Assurance and Inspection	Total
	£m	£m	£m	£m	£m
Pro forma turnover – 12 months to June 2020	410	123	20	295	848
Pro forma turnover – 6 months to December 2020	213	26	7	159	405
Turnover – 18 months to December 2020	623	149	27	454	1,253
Pro forma turnover – 12 months to June 2021	420	26	21	314	781
Pro forma turnover – 6 months to December 2020	(213)	(26)	(7)	(159)	(405)
Turnover – 6 months to June 2021	207	—	14	155	376

Strategic Report (continued)

Pro forma operating profit reconciliations

Table 1: impact of change in reporting date on operating profit

		Current period £m	Prior period £m
Pro forma operating profit			
Continuing operations		54	4
Discontinued operations		(10)	(25)
Pro forma operating profit / (loss) – (unaudited)	12 months to June 2021/20	44	(21)
Effect of change in reporting date			
Continuing operations	6 months to December 2020	(30)	30
Discontinued operations	6 months to December 2020	10	(10)
Operating profit / (loss)	6 months to June 2021 / 18 months to December 2020	24	(1)

Table 2: impact of change in reporting date on operating profit before exceptionals

		Current period £m	Prior period £m
Pro forma operating profit before exceptional costs			
Continuing operations		70	18
Discontinued operations		(11)	(18)
Pro forma operating profit before exceptional costs – (unaudited)	12 months to June 2021/20	59	–
Effect of change in reporting date			
Continuing operations		(40)	40
Discontinued operations		11	(11)
Operating profit before exceptional costs	6 months to June 2021 / 18 months to December 2020	30	29

Table 3: impact of change in reporting date on adjusted operating profit (operating profit before exceptionals, goodwill amortisation and development project expenditure)

		Current period £m	Prior period £m
Pro forma adjusted operating profit			
Continuing operations		82	30
Discontinued operations		(7)	(9)
Pro forma adjusted operating profit – (unaudited)	12 months to June 2021/20	75	21
Effect of change in reporting date			
Continuing operations		(44)	44
Discontinued operations		7	(7)
Adjusted operating profit	6 months to June 2021 / 18 months to December 2020	38	58

Strategic Report (continued)

Taxation

The tax charge from continuing operations of £8.8m (2020: £28.7m) represents an effective tax rate of 38% (2020: 52%). The effective rate was affected by the geographical mix of profits earned.

Investment in Research and Development (R&D)

Research and development into new and better ways to improve safety, performance and quality in the industries it serves are an integral part of the Group's activities and considerable investment was made during the period. Total expenditure on R&D in the period, none of which was capitalised, was £5.7m, equivalent to 1.5% of sales (2020: 1.4%).

Balance sheet and working capital

Net assets for the Group at 30 June 2021 were £485.4m (31 December 2020: £472.4m), an increase of £13.0m. The increase is principally related to:

- £31.9m decrease in net pension liabilities due to actuarial gains and employer contributions;
- £37.6m increase in cash balances described below, partially offset by;
- £12.1m decrease in taxation recoverable following the settlement of overseas tax cases;
- £5.5m decrease in listed investments due to realised and unrealised gains / losses on investments;
- £17.2m increase in accruals and deferred income due to a 12 month accrual for bonuses and other employee related accruals;
- £11.1m increase in provisions, principally due to the increase in deferred tax liabilities; and
- £4.4m decrease in intangible assets driven by £4.9m of amortisation.

Cash and banking facilities

Cash and cash equivalents have increased by £37.6m since December 2020 to £296.8m.

The cash balance includes £12.4m (31 December 2020: £18.9m) held by overseas entities which cannot be remitted to other Group entities.

Due to the current and forecast levels of available cash, the Group does not currently require any borrowing facilities.

Net cash inflow from operating activities for the 6 months to 30 June 2021 was £49.3m (18 months to 31 December 2020: £132.8m) primarily driven by operating profit of £23.5m and an increase in creditors, partially offset by cash outflows from investing activities. The cash outflow from investment activities of £8.0m includes £4.4m for the purchase of C-MAP and £2.5m for the purchase of the non-controlling interest in Hanseaticsoft.

Business lines' review

Marine & Offshore

Overview

The agreed sale of the BA&IS business line put the focus of Lloyd's Register's activity predominantly on the maritime segment and the ocean economy. LR is known as a leader in the maritime business and is now well-positioned to address the significant challenges that this sector faces from decarbonisation and digitalisation.

Performance

The Marine & Offshore business generated turnover of £206.5m in the 6 months to 30 June 2021 (pro forma turnover for 12 months to June 2021: £419.2m, 12 months to June 2020: £410.1m). It had a positive six months from a revenue and margin perspective, with a high level of activity.

During the period, the new construction market staged a strong recovery, from a 10-year low in the previous period to an 8 to 10 year high. Growth in the container ship segment accelerated, as the world started to release from lockdowns and economies revived, driving the new construction market. There was also growth outside container ships, due to increased commodity and energy trading around the world, which in turn led to spikes in charter rates and an appetite to build new tonnage in support of those new routes and trends. As a result, the major shipyards of the world, in China, Korea and Japan, and the derivative equipment and component

Strategic Report (continued)

suppliers, started increasing production and requiring extra services from LR.

The upturn in activity was faster than predicted requiring rapid response in terms of surveyor availability and survey attendance. To address this, LR invested significantly in our service delivery community around the world to support new construction and the in-service business, as laid-up ships returned to activity.

Market drivers

The International Maritime Organization (IMO) is driving decarbonisation regulation changes through the Maritime Environment Protection Committee (MEPC), with the industry calling to accelerate the decarbonisation agenda. Market-based measures and carbon pricing are under discussion. The industry will see deep-sea vessels operating on materially different fuels in the future. This will influence our investment decisions in the next 12 to 24 months, with the emergence of greater certainty on the price of future fuels, and possible levies on carbon-based emissions.

The pandemic gave the industry confidence to use remote services more extensively, and the trend continued through the reporting period. About a third of LR's survey work was carried out remotely. We continued to develop our remote survey techniques and capabilities, in support of our clients, to keep their ships running and maximise their vessels' operational performance. In response to client feedback, we have successfully transitioned to carrying out remote surveys using satellite communications, rather than using mobile phone signal or ship wifi, through an agreement with Inmarsat. This provides a stable communication channel.

Outlook

With the organisation's strategy focused on maritime as a whole, LR can now invest with confidence in the capabilities we need to address the challenges the industry faces. Following the increase in new construction over the last six months, we see a slight softening in the market as lead times for delivery stretch into 2024/25.

On the in-service side of the business, many future regulatory changes are driving demand for retrofit options, both in terms of energy saving devices to meet statutory regulation like the Energy Efficiency

Shipping Index (EEXI) and Carbon Intensity Index (CII), and also proactive collaboration with clients in other decarbonisation efforts.

We know that the technologies and processes involved in a future world of decarbonised shipping could be materially different, changing what our clients expect from us, and impacting the way our business is run. To prepare for this, we are focusing on attracting new talent that can understand and support decarbonisation and also develop our existing capabilities making the business sustainable for the future.

Digitising the M&O business line remains a priority, with a focus on the digital customer journey, making sure we provide the quickest, simplest route for clients to book surveys, manage their accounts and receive technical advice. We are investing in artificial intelligence, natural language understanding and machine learning technologies to evaluate how they could support the delivery of better service.

This is the fourth maritime energy transition that Lloyd's Register has seen over its 260-year history. We anticipate this transition will be shorter than the previous three, so collaboration is vital. We are confident that LR will continue to be central in addressing the maritime challenges of decarbonisation and digitalisation, today and in the future.

Maritime Performance Services

Overview

The Maritime Performance Services ("MPS") team was created in January of 2021 and will be reported as a separate business line from 1 July 2021, as part of Lloyd's Register's strategy of refocusing for growth. It includes Marine activity currently reported within the Digital Products business line and creates an exciting opportunity to build LR's credibility as a trusted advisor for safe, sustainable and efficient shipping for our clients and industry partners. It brings together a unique set of skills and capabilities to add value to our clients' businesses and solve their biggest issues.

Performance

In the first six months since the creation of the team, the operations that will become the Maritime Performance Services business line showed strong sales performance, despite the difficult trading conditions caused by the global COVID-19 pandemic.

Strategic Report (continued)

There was strong performance in the core professional services product portfolio, with improved sales performance in maritime digital products.

Market drivers

The target audience for MPS is broad, ranging across the many stakeholders in the maritime industry, including insurers and financiers, though there are two priority audiences; the shipowners and managers who operate vessels and marine assets, and charterers who own, operate and charter vessels and marine assets or exclusively charter vessels. These current and potential clients of MPS are facing a series of challenges; the maritime energy transition, the drive for digital transformation, a renewed focus on seafarer wellbeing and a new vessel construction cycle.

MPS offers three key solution areas to these problems. Its professional services help manage risk and reduce costs, ensuring operators remain operationally efficient and prepared for future challenges. Its fleet management services are designed to optimise the productivity of shipping operations through digital transformation, providing a single cloud-based source of truth for clients, using the Cloud Fleet Manager product provided by LR-owned Hanseaticsoft. Finally, its fleet optimisation services provide clients with real-time intelligence to optimise their operations every hour of the day, using our bespoke digital platform, i4 Insight.

Together, the MPS offering aims to make Lloyd's Register known for being much more than a renowned compliance provider, building on that reputation to become the go-to trusted advisor for maritime operational efficiency solutions.

Outlook

The two profound forces of decarbonisation and digitalisation sweeping across the maritime industry have been amplified by the emergence of global economies from stasis caused by the pandemic. The MPS portfolio of products and services is positioned to capitalise on these forces of change, helping Lloyd's Register's plans for sustainable growth in serving the needs of the global maritime industry.

Business Assurance and Inspection Services

Overview

In June 2021, Lloyd's Register agreed the sale of the Business Assurance & Inspection Services (BA&IS) business line, including cybersecurity business Nettitude, to Goldman Sachs Asset Management. The transaction is an important milestone in LR's strategy to become the go-to partner and advisor on compliance, performance and sustainability to the maritime industry. The divestment was completed in December 2021.

Performance

Turnover for the 6 month period to 30 June 2021 was £155.4m (pro forma turnover for 12 months to June 2021: £314.0m, 12 months to June 2020: £295.3m).

Under the new ownership, the BA&IS business line will adopt the brand name LRQA, reflecting its 35 years of expertise and heritage in the assurance market. As an independent business, LRQA will continue to be one of the leading players in the fragmented assurance and inspection market, with a global footprint to service its customer base across a wide range of sectors.

LR's business assurance, inspection services and cyber security offering have delivered robust performance and created significant value for customers over the years. This transaction now provides a new owner with an opportunity to unlock LRQA's potential in digital assurance further.

Outlook

The transaction will enable the remaining LR business to support its maritime clients better in responding to the regulatory, economic and societal pressures to digitalise and decarbonise within challenging timeframes. In particular, the divestment allows accelerated investment in its maritime services offering, both organically and through acquisition.

Digital Products

Overview

During the period, Digital Products strengthened its position in its established core and saw encouraging growth in emerging markets such as carbon capture and storage, geothermal power and lithium extraction.

Strategic Report (continued)

Performance

Digital Products generated £13.8m of revenue in the 6 months to June 2021 (pro forma turnover for 12 months to June 2021: £21.4m, 12 months to June 2020: £19.9m). This was a strong performance with the business recovering well from the challenges of COVID-19 and downward pressure on the oil and gas markets. We exceeded our planned financial targets and continued to build and improve the world class functionality and features across our product portfolio.

A number of important new clients were added to our three product lines, we delivered top-quartile client retention. Our continued excellent customer focus and service was again acknowledged through recent independent market research confirming that the oil and gas engineering community view our IP/IC software as the number one subsurface software product in our area of specialism. The subsurface software business secured a long term supply and partnering contract with one of the world's largest oil field service companies. We also strengthened our position as a trusted supplier in China.

While AllAssets and RiskSpectrum remain independent product lines, they are being combined and connected by our ModelBuilder capability. This is an important step in building a best-in-class advanced solution to manage the performance and risk of complex engineered assets.

Innovation and technology

This period saw the completion of the start-up phase of two important initiatives launched in partnership with the LR Foundation; the SafetyTech Accelerator and the Maritime Decarbonisation Hub (MDH). The LR SafetyTech Accelerator will help our clients tackle some of the more intractable safety, compliance and risk management challenges, including cargo-related fires and risks, catastrophic navigational issues and methane slippage. The Maritime Decarbonisation Hub is helping LR position itself as the trusted advisor to support the maritime industry's transition to zero carbon fuels, notably through the Zero Carbon Fuel Monitor, which will become a reference point for the financial and practical readiness of clean fuel options.

In addition, we have increased our investment in the development of Digital Twinning capabilities particularly focused on ship hulls and similar offshore

structures. This project combines LR's core strengths in materials, naval architecture and structural engineering with leading edge computational and software development capabilities.

We have made further progress on a suite of solutions to drive improvements in operational risk management; LR SafetyScanner, SeverityScanner, and SafetySignals (in collaboration with our partner STC Insiso). These use advanced data analytics to drive deep insights into incident and near-miss reporting data. This will allow our clients to focus on the right actions and initiatives to mitigate emerging areas of increased risk exposure.

Outlook

Upcoming regulatory changes and the rapid evolution of maritime and industrial sectors are increasing the need for digital solutions to drive efficiency gains and improve risk management. Our investment in a suite of digital solutions and innovation capability puts LR in a strong position for growth in the coming years.

Principal risks and uncertainties

The Board Audit and Risk Committee (ARC) reviews the application and effectiveness of the policies and processes of the Company on matters of internal control and risk and makes recommendations to the Board.

In the opinion of the Directors, the principal risks and uncertainties facing LR are effectively considered through the activities of the Board, Executive Leadership Team and the ARC. The work of the ARC is supplemented by the Ethics and Compliance Committee and the Internal Audit and Risk, and Assurance and Quality functions, each of which monitor performance against established Group policies.

The Group Risk Register is regularly reviewed and updated to reflect changes in strategic, operational and legal and compliance risks, and the controls and mitigations associated with these risks. The principal strategic and operational and compliance risks of the Group are detailed in the risk management section on pages 14 to 18 of this Strategic Report.

LR is exposed to certain financial risks as a result of its operations and the activities that it carries out. These financial risks include foreign exchange risk, credit risk, restrictions on immediate movement of cash held in some countries and interest rate risk.

Strategic Report (continued)

Authorised by the Board for issue and approved by

Nicholas Brown

Nick Brown
Chief Executive Officer
Lloyd's Register Group Limited

10 January 2022

Directors and advisors

Directors

Mr T Thune Andersen (Chairman)

Mr W E Armstrong

Mr N L Brown

Mr C G Finlayson

Mrs C B Firstbrook

Mr M V Kelsey

Mr M F Lykiardopulo

Ms I J S Macpherson

Mrs M E Waldner

Company Secretary

Ms M K Davies

Statutory Auditor

Deloitte LLP

London

United Kingdom

Registered office

71 Fenchurch Street

London

EC3M 4BS

United Kingdom

Registered number

08126909

Board of Directors

Thomas Thune Andersen



Thomas is the Chairman of the Lloyd's Register Foundation and Chairman of Lloyd's Register Group Limited. He is a member of the Foundation's Nominations Committee and the Lloyd's Register Group Limited Remuneration Committee. Thomas, a former member of the executive Board of the A.P. Moller-Maersk Group with more than 30 years tenure in its maritime and energy sectors, was appointed to the Board in July 2012.

Thomas is Chairman of Ørsted A/S and of VKR Holding A/S and a Non-Executive Director of IMI plc, BW Group Limited and Green Hydrogen Systems A/S. He is a member of the World Economic Forum Chairmen's Council, Friends of Ocean Action and the Danish Committee on corporate governance.

Nicholas Brown



Nick joined Lloyd's Register in 1996 and was appointed CEO in January 2021. In an extensive career with LR, he has worked as a field surveyor in Bahrain, Dubai, Finland and Germany before moving to China to spend seven years leading LR's activities in the country. He has since been Director for Business Development and Innovation, Marine Chief Operating Officer and Marine & Offshore Director.

Nick is a Chartered Mechanical Engineer and a Member of both the Institute of Mechanical Engineers and the Institute of Marine Engineering, Science and Technology. Nick sits on the Supervisory Board of the UK Chamber of Shipping and the Advisory Council of the Global Maritime Forum. From July 2021 Nick took up the additional role as the first elected Chair of the International Association of Classification Societies (IACS).

Ellis Armstrong



Ellis had an extensive career in the upstream oil and gas industry where he spent over 30 years with BP. He now has a portfolio of Non-Executive board roles. In addition to Lloyd's Register, he is on the board of Frontera Energy. He has a BSc and PhD in Civil Engineering and a Master's degree in Business Administration.

Chris Finlayson



Chris is Chairman of Siccar Point Energy and a Non-Executive Director of Swire Pacific Offshore and TGS-NOPEC Geophysical Company ASA. Formerly, he was Chief Executive of BG Group, Chairman of InterOil Corp. and an Executive Vice President and Managing Director with Royal Dutch Shell. Chris is a geologist, physicist and petroleum engineer with nearly 40 years' technical and commercial experience in the oil and gas industry.

Board of Directors

Caroline Firstbrook



Caroline, a Canadian with a degree in electrical engineering and an MBA from Harvard Business School, has deep experience in the field of professional services. Caroline is currently the Chief Operating Officer at Clifford Chance LLP, a major global law firm, which she joined in 2015.

She previously led Accenture's 1,000 person strategy practice for Europe, Latin America and Africa, and spent 12 years post MBA at strategy consultancy Monitor Company. Caroline is also an experienced entrepreneur having founded and worked with a range of startup and early stage companies in the life sciences and professional services sectors.

Michael F Lykiardopulo



Michael was appointed Senior Independent Director on 26 May 2016. Michael is a Director of Lykiardopulo and Co Ltd and is responsible for the commercial management of a fleet of oil tankers and bulk carriers. He is a qualified barrister.

Michael was part of the Lloyd's Register Board which helped formulate the plans for the 2012 restructure and he served as a Trustee to help oversee the initial development of the Lloyd's Register Foundation. He is presently also Chairman of the Hellenic War Risks Association as well as serving as Vice Chairman of The Gard Insurance Mutual and a Director of the UK Freight Demurrage and Defence Association.

Mark Kelsey



Mark is the Chief Executive Officer for RELX Group PLC's Risk division.

Having begun his career with RELX in marketing, he went on to pioneer the launch of several online data services in the mid-1990s. Appointed as CEO in 2010, he was responsible for transforming the RBI division from a traditional magazine publisher to a leading provider of online and data services, turning-around the business and profitability. Mark holds a BA in Geography from Liverpool University and a MBA from Bradford University.

Ishbel Macpherson



Ishbel spent over 20 years in corporate finance in the City of London with BZW, ABN AMRO Hoare Govett and Dresdner Kleinwort Benson.

At Dresdner Kleinwort Benson she led the mid-market corporate finance, corporate broking, corporate broking support and investment trust teams. Since leaving the City Ishbel has become an experienced Non-Executive Director having had roles with over 10 publicly listed companies as chairman, chairman of audit committees, remuneration committees and as senior independent Director.

Currently, she is Senior Independent Director and Chairman of the Remuneration Committee at Dechra

Board of Directors

Pharmaceuticals plc. Ishbel is also a Trustee of Lloyd's Register Foundation and Chairman of its Audit, Risk and Investment Committee. She is Chairman of the Lloyd's Register Group's Audit and Risk Committee.

Mary Waldner



Mary joined LR as Chief Financial Officer in March 2016, having previously been Group Finance Director at Ultra Electronics plc. Before this Mary was Director, Group Finance at QinetiQ Group plc and Group Financial Controller at 3i Group plc. From 1998 to 2008, she held a number of senior roles at British Airways plc. She is also a Non-Executive Director and Chair of the Audit Committee at Oxford Instruments plc. Mary holds an MA in Physics from Oxford University.

Board Evaluation Review

The Board of Directors undertakes an annual evaluation of its performance and effectiveness. In line with the UK Corporate Governance Code, evaluations are externally facilitated every third year. The last external Board evaluation was carried out by Leadership Advisor Group in 2018, with the 2019 and 2020 evaluations having been internally facilitated (with coordination and collation only by Leadership Advisor Group to preserve the anonymity of individual respondents).

As reported in the 2020 report and accounts, the 2020 performance evaluation was carried out internally via questionnaire. The questionnaire covered key governance matters, the effectiveness of Board and Committee meetings, the quality of Board papers, the effectiveness of the Chairman, oversight of risks and strategy, and Board and corporate culture.

The results of the evaluation were considered by the Board at its November meeting in 2020. There was

general satisfaction with the performance and operation of the Board. In relation to areas identified for development, in the context of the restrictions put in place in response to the pandemic, the Board has agreed to discuss the observations arising in conjunction with the outcome of the 2021 board evaluation.

An external Board evaluation is due in 2021. In order to gain the benefit of an informed perspective on the way in which the Board has evolved since 2018, particularly through the recent period of change, the Board has agreed to appoint Leadership Advisor Group to facilitate the 2021 external Board evaluation.

This will enable the tailoring of the process to Lloyd's Register, with a facilitator who has a demonstrable understanding of Lloyd's Register. The evaluation will progress during the second half of 2021 by way of questionnaires, individual interviews, and observation at a Board meeting, with the final report and discussion to take place in the first quarter of 2022.

Remuneration Committee report for the period ended 30 June 2021

Report scope

This report describes the constitution and activities of the Remuneration Committee during the 6 month period ended 30 June 2021.

The Committee

The Committee comprises members of the Board of Directors and a representative of the Lloyd's Register Foundation. Its current membership is as follows:

Mr C G Finlayson (Chair)
Mr T T Andersen
Mrs R Martin (representing Lloyd's Register Foundation)

The members of the Committee are appointed and removed by the Board of Directors.

It is the role of the Committee to:

- Aim to reflect best practice in the Group's reward structure;
- Provide advice to the Board of Directors on the remuneration policy for the Chairman, Chief Executive Officer and Executive Leadership Team of the Group;
- Implement the remuneration policy in practice through determination of all aspects of the remuneration of the Chairman and Executive Directors;
- Review and approve the recruitment and termination arrangements for the Chairman, Executive Directors and, where required by the rules of any Group incentive plan, for the Executive Leadership Team;
- Approve the salary and bonus proposals and payments for the Executive Directors and review remuneration decisions regarding other Executive Leadership Team members, with reference to the Group employee salary budget;
- Review and approve all changes to terms of pension scheme arrangements for the Chairman, Chief Executive Officer and Executive Leadership Team of the Group;
- Set the level of fees for the Non-Executive Directors;
- Have oversight of diversity and gender spread, including relative salaries, globally across the Group; and
- Review any proposed major changes in employee benefit structures across the Group.

The Chief Executive Officer may be invited to attend meetings to offer advice as necessary to assist the Committee in the performance of its duties, except in relation to matters specifically concerned with their own remuneration. The Chairman will also not attend where agenda items are specifically concerned with their own arrangements. The Committee is committed to continue making the Group's reward reflect best practice in the belief that performance is delivered through people being motivated and rewarded accordingly.

General policy

In determining the general policy regarding the total remuneration of the members of the Executive Leadership Team, the Board of Directors has directed the Committee to have regard to three fundamental principles:

- The importance of recruiting and retaining management of the required quality;
- Linking reward to the Group's performance, including the key business objective of promoting safety; and
- Giving encouragement to enhance the Group's performance through innovation and achievement within the very competitive markets in which it operates.

The Committee applies these principles to develop total remuneration which:

- Provides a base salary designed to attract and retain leaders of suitable calibre which also reflects their level of responsibility and experience;
- Provides incentive arrangements which reflect challenging objectives and recognise the importance of motivating management to sustain annual, as well as long-term growth;
- Is set to see that they are fairly and responsibly rewarded for their individual contributions; and
- Takes account of competitive rates of total remuneration based upon surveys of comparative organisations which are undertaken annually.

Independent External Advice

The Committee has access to, and takes cognisance of, professional advice both from within the organisation and from independent external

Remuneration Committee report for the period ended 30 June 2021 (continued)

consultants. The current external advisor is EY and the Group Human Resources Director acts as Secretary to the Committee.

Total remuneration of Executive Directors and Executive Leadership Team

The Committee has determined total remuneration to comprise of the below components:

- Base salary and benefits;
- Incentive arrangement; and
- Pension

The total remuneration of the Board of Directors and Executive Leadership Team is shown in the note 23 of the financial statements. The decrease compared to the prior period is principally as a result of the shorter financial reporting period from 18 to 6 months.

Directors' Remuneration

	6 months to June 2021 £000	18 months to December 2020 £000
Emoluments	799	3,031
Amounts receivable under long-term incentive schemes	—	2,306
Group contribution to defined contribution pension scheme	12	—
	811	5,337

	Number 2021	Number 2020
Directors members of:		
Defined benefit pension schemes	—	1
Defined contribution pension schemes	1	1
Long-term incentive plan	2	2

Highest paid Director, current period

The highest paid Director serving in the period received aggregate emoluments of £293,000 which includes no long term incentive plans for the 6 months ended 30 June 2021. He was a member of the

Company defined contribution scheme and £12,000 was paid by the Company during the period.

Highest paid Director, prior period

The highest paid Director in the prior period was the Group Chief Executive Officer who served in this role until 31 December 2020. In the prior period he received £2,847,000 which includes £1,558,000 in respect of a long-term incentive plan for the 18 months ended 31 December 2020. He was a member of a Company defined contribution pension scheme, however no amounts were paid by the Company during the period. He is also a member of the Company's Unfunded, Unregulated Retirements Benefits Scheme, which is a defined benefit scheme, under which he had accrued total entitlements during the 18 months ended 31 December 2020 of £812,000. The timing of this payment is determined by the scheme rules.

Base salary and benefits

Base salary and benefits are reviewed annually by the Committee having regard to job responsibilities, market trends, and review of individual performance. The Group aims for base salaries to be at median levels relative to similar job responsibilities in organisations of equivalent size and complexity or where we would compete for talent. For the 6 months to 30 June 2021, the Committee approved an increase to base salary for the Executive Leadership Team in line with CPI and the level given to the broader UK workforce.

Incentive Arrangement

The Executive Leadership Team's incentive arrangement combines both short and long-term components operating under one scorecard in a Bonus Banking Plan established in 2019. The Plan term covers 4 years in total, (3 performance years). An annual contribution to the Bonus Bank is dependent upon the achievement of annual financial targets, individual performance against agreed goals and leadership behaviours and includes shared objectives which are set each year and are aligned to the strategic priorities of the Group. At the end of the performance year, a pre-determined percentage of the Bank is released as a bonus payment with the remaining value incorporated into the Bonus Bank of the following performance year. In addition to the annual assessment, the Plan also includes a long-term multiplier performance incentive which is applied to the Bank at the end of Year 4 based on achievement of the annual Profit Before Tax targets accumulated over

Remuneration Committee report for the period ended 30 June 2021 (continued)

a three year period. The bonus payment is non pensionable.

Pension

The Chief Executive Officer and members of the Executive Leadership Team are eligible to join the Lloyd's Register Superannuation Fund Association (LRSFA), which is a registered defined contribution pension scheme offering retirement and risk benefits. The scheme, which requires members to contribute a percentage of base salary, offers retirement benefits, lump sum death benefits equal to four times base salary, and dependants' pensions.

Where tax limits are exceeded, a Pension Cash Allowance is offered as an alternative and separate life insurance cover is provided.

Service contracts

Neither the Chairman, Chief Executive Officer, nor any member of the Executive Leadership Team has a service contract containing a notice entitlement exceeding one year.

Non-Exec Remuneration

Non-Executives who serve on the Board are paid a base fee commensurate with the time they commit to their service, plus an additional sum for chairing or serving on a Board sub-committee. Non Executives are appointed for an initial term of three years unless terminated earlier by either party giving one month's prior written notice. Non-Executives are typically expected to serve two three-year terms but, subject to satisfactory performance, may be invited by the Board with shareholder approval to serve for an additional period. Any term renewal is subject to Board review. Notwithstanding any mutual expectation, there is no right to reappointment by the Board after any three-year period.

Periodically, the Committee commissions their external advisors (EY) to review the fees paid to Non-Executives who serve on the Board against those in comparable organisations and to make recommendations to the Committee as to the level of these fees.

Audit and Risk Committee report for the period ended 30 June 2021

This report describes the role and activities of the Audit and Risk Committee of Lloyd's Register Group Limited during the 6 month period ended 30 June 2021.

Summary of the role of the Audit and Risk Committee

The Audit and Risk Committee (ARC) is a sub-committee of the Board of Directors. The ARC reviews the application and effectiveness of the policies and processes of the Lloyd's Register Group Limited and its subsidiary and joint venture companies on matters of internal policy, control and risk. Its responsibility extends to all companies within the Group whose activities are covered by the external auditor's report.

The ARC assists the Board of Directors in assessing whether the Company's Annual Report and Consolidated Financial Statements comply with UK accounting standards and the requirements of the Companies Act 2006.

The ARC oversees the relationship with the external auditor, including approval of the audit plan and scope of the audit, annual assessment of the auditor's independence and review of the level of fees payable for non-audit services.

In addition, the ARC reviews all reports on the Group from the external auditor and management's responses to the findings and recommendations.

The ARC also oversees the work of the Group's Internal Audit and Group Quality, Health, Safety, and Environment Services functions and their reviews of the adequacy and effectiveness of the Group's internal control and risk management systems.

At each of its meetings, the ARC reviews a report from the Ethics and Compliance Committee including its ABC activities and all items raised through the Ethics whistleblowing hotline.

The Annual Report and Consolidated Financial Statements are reviewed by the ARC before recommending their approval by the Group Board of Directors, focusing particularly on any major areas of judgement and considering whether, in the Committee's view, the accounts reflect a fair and reasonable account of the Group's affairs.

Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are:

Ms I J S Macpherson (Chair)
Mr W E Armstrong
Mr M Kelsey (appointed 28 September 2021)

Meetings

The ARC meets three times a year. The ARC invites LR's Chief Executive Officer, Chief Financial Officer, Group Reporting Director, Head of Internal Audit & Risk, Group Quality, Health, Safety, and Environment Services Director and senior representatives of the external auditor to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the ARC to discharge its duties. At least once a year, the Chair of the ARC meets with the external auditor and the heads of Internal Audit & Risk and Quality, Health, Safety, and Environment Services (QHSES) without any management present. The Group General Counsel and Company Secretary acts as secretary to the Committee.

Internal Audit and Risk and Technical Assurance and Quality

The Group has two internal review functions, both of which report on the adequacy and effectiveness of the Group's internal control and risk management systems.

The Internal Audit and Risk function undertakes independent, risk-focused reviews of process and controls, including internal financial controls. These reviews are selected on the basis of the Group's principal risks and uncertainties. The Internal Audit and Risk function also oversees the Group's risk management system and assists the Board, the ARC and Executive Leadership Team in the oversight and management of the Group's key risks.

Quality, Health, Safety, and Environment Services perform reviews of compliance with the Group Management System, a global set of documented policies, procedures and guidance covering all aspects of the Group's operations. Quality, Health, Safety, and Environment Services also reports to the

Audit and Risk Committee report for the period ended 30 June 2021 (continued)

ARC on the results of external assurance work testing the Group's compliance with various regulatory and compliance standards, including standards set by International Standards Organisation (ISO), the United Kingdom Accreditation Service (UKAS) and other accreditation bodies, with which the Group chooses, or is obliged, to comply with in order to deliver its services.

Both functions submit an annual plan of activity to the ARC for approval which seeks to cover all key locations, processes and operations in the Group on rotation over a 3-4 year period, prioritised by risk.

Progress against the plans is monitored by the ARC. In addition, both functions issue reports to senior executives of the Group and subsidiary units. There is a follow-up process to confirm that agreed actions are implemented.

The effectiveness of the Internal Audit and Risk function is reviewed by the ARC. This is done by reviewing the Internal Audit Plan of work for the year ahead and monitoring progress against it during the year and the remedial actions taken.

External auditor

The current external auditor, Deloitte LLP, was appointed during 2013/14. The ARC assesses the independence of the external auditor and the effectiveness of the external audit process before making recommendations to the Board in respect of its appointment and reappointment.

In assessing independence and objectivity, the ARC considers the level and nature of the service provided by the external auditor, as well as confirmation from the external auditor itself that it has remained independent within the meaning of the APB Ethical Standards of Auditors.

Deloitte LLP confirmed its independence to the ARC at various stages throughout the period and at the end of the external audit process.

In accordance with Deloitte LLP's partner independence policies for public interest companies a new audit engagement partner has been appointed for the financial period ending 30 June 2021.

Overview of actions taken by the Audit and Risk Committee to discharge its duties

Over the financial period and subsequently, the ARC's work included the following actions:

- Reviewed and agreed the external audit plan including the scope of the audit work to be undertaken by the external auditor;
- Monitored the independence of the external auditor;
- Reviewed the external auditor's report on the results of its audit detailing control observations and recommendations for improvement and monitored progress to implement agreed actions;
- Reviewed the 31 December 2020 and 30 June 2021 Report and Consolidated Financial Statements and the Auditor's Reports thereon, specifically considering revenue recognition; goodwill impairment; key judgements in relation to the defined benefit pension schemes and taxation; recoverability of certain assets; and provisions;
- Reported to the Group Board of Directors that the December 2020 and June 2021 Reports and Consolidated Financial Statements were fair and reasonable;
- Approved the programmes of work for the Internal Audit and Risk and QHSES functions;
- Reviewed reports by the Internal Audit and Risk and QHSES functions detailing progress against their respective plans, including reviews completed and management responses to their recommendations;
- Monitored progress to implement control improvements recommended by the Internal Audit and Risk and QHSES functions. Considered proposals for investment in, and improvements to, the Group's internal control environment;
- Reviewed changes to the Group's risk management policy and procedures, and updates to, the Group Risk Register including ongoing actions to mitigate managed risks;
- Reviewed reports from the Ethics and Compliance Committee;
- Considered the change in the accounting reference date from December 21 to June 2021; and
- Reviewed the ARC Terms of Reference.

Nominations Committee report for the period ended 30 June 2021

Nominations Committee

The Nominations Committee is a committee of Lloyd's Register Foundation which addresses the needs of Lloyd's Register Foundation, Lloyd's Register Group Limited and other related senior appointments or succession issues. It comprises one Foundation Trustee, one Lloyd's Register Group Board Director and the Chairman. The current members of the Committee are the following:

Mrs R Martin – Committee Chair and a Trustee of Lloyd's Register Foundation
Mr T T Andersen
Mr M Lykiardopulo

The Committee meets at least annually to consider the matters noted below in respect of both Lloyd's Register Foundation and Lloyd's Register Group Limited, with additional meetings as required, for example, for the appointment of additional board members and succession planning.

- Board succession planning;
- Reviewing the composition of the Boards of the Group and the Foundation and making recommendations regarding the annual re-election of Board members and changes and new appointments of the Chairman, Trustees and Directors, to ensure an appropriate balance of skills, experience and diversity;
- Reviewing the membership and operation of Board committees and making recommendations where appropriate;
- Reviewing the succession of senior executive positions and making recommendations accordingly;
- Identifying, nominating and recommending for approval of the Boards, candidates to fill Board vacancies; and
- Making recommendations to the Boards regarding changes to the positions of Chief Executive and Chief Financial Officer of Lloyd's Register Group Limited, and to the position of the Chief Executive of Lloyd's Register Foundation.

During the period under review, the Committee made recommendations with regard to succession planning, the re-election of Board members on the expiry of terms of office which were due to expire in the coming year, and the review of the Board Committee memberships, including the consideration of the appointment of an additional member of the Audit and Risk Committee.

Directors' Report

The Directors present their report and audited financial statements for the 6 month period ended 30 June 2021.

Principal activities

The Group undertakes, through its network of UK and foreign branches and subsidiaries, inspections and surveys, systems assessments and provides risk management solutions.

Results

The consolidated operating profit for the period before exceptional costs was £29.9m (2020: £28.6m). After exceptional costs the consolidated operating profit was £23.5m (2020: loss of £0.6m).

Further commentary on the results for the period can be found in the Strategic Report.

Future developments

The future developments of the Group are discussed in the Strategic Report.

The Directors remain optimistic about the future of the organisation's activities.

Dividends

The Directors do not recommend a dividend (2020: £nil).

Charitable grants and donations

During the period, the Group made a £3.0m donation to Lloyd's Register Foundation, its parent (18 months to December 2020: £3.0m).

The Group made various other charitable grants and donations of £0.1m (18 months to December 2020: £0.1m).

Principal risks and uncertainties

The principal risks and uncertainties and financial risk management objectives and policies are discussed within the Strategic Report.

Branches

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, which are outside the UK.

Directors

The Board of Directors comprised the following members during the period, and subsequently:

Mr T Thune Andersen
Mr W E Armstrong
Mr N L Brown (appointed 1 January 2021)
Mr C G Finlayson
Mrs C B Firstbrook
Mr M V Kelsey
Mr M F Lykiardopulo
Ms I J S Macpherson
Mrs M E Waldner

Directors are appointed by Lloyd's Register Foundation, the sole shareholder.

Mr T Thune Andersen and Ms I J S Macpherson serve on the Board of Trustees of Lloyd's Register Foundation.

Directors' indemnity

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the period and remain in force at the date of this report.

Employees

The Group strives to be an equal opportunities employer.

Full consideration is given to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is Company policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Group aims to provide employees with information on relevant matters, including financial and economic factors affecting the performance of the Group both by email and by posting to the Group's intranet website and using internal social media.

Directors' Report (continued)

Capital structure

Details of the issued share capital, are set out in note 20.

Post balance sheet events

As described in note 27 to the financial statements after 30 June 2021 the Group:

- completed the acquisition of Greensteam, a marine data intelligence company specialising in improving vessel efficiency through machine learning; and
- completed the second stage of the acquisition of C-MAP commercial and acquired the trade and assets representing the C-MAP operations in Russia.
- On 2 December 2021, the Group completed the sale of 100% of its Business Assurance & Inspection Services business line, including cyber-security business Nettitude, to Goldman Sachs Asset Management.
- approved a £7.0m charitable donation to Lloyd's Register Foundation.

Disclosure of information to auditor

Having made enquiries, each of the Directors listed above who were in office at the time of approving the Directors' report, confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102: 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the Directors must not approve the financial statements unless they are

satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper 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 to 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 of fraud and other irregularities.

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

Carbon Reporting

The statements required concerning the Group's greenhouse gas emissions, energy consumption and action taken to increase energy efficiency are made within the Strategic Report.

Going concern

The Directors have reviewed the Group's forecast results and cash flows which, in conjunction with the cash balances which are immediately available for use held on the balance sheet at the date of approval of the financial statements, support a reasonable expectation that the Group has adequate resources to continue in operational existence across the going concern assessment period, which is twelve months from approval of these financial statements. For this

Directors' Report (continued)

reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

Deloitte LLP has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be reappointed.

By order of the Board

Michelle K Davies

Michelle Davies
Company Secretary
10 January 2022

Consolidated profit and loss account for the 6 month period ended 30 June 2021

		6 months to 30 June 2021	18 months to 31 December 2020	18 months to 31 December 2020	18 months to 31 December 2020
	Note	£000	£000	£000	£000
			Continuing	Discontinued	Total
Turnover	5	375,669	1,104,793	148,966	1,253,193
Cost of sales		(237,164)	(744,920)	(146,257)	(891,177)
Gross profit		138,505	359,873	2,709	362,016
Administrative expenses		(114,983)	(331,884)	(37,811)	(370,775)
Other operating income	5	—	8,127	—	8,127
Administrative expenses before exceptional costs		(108,642)	(309,883)	(31,645)	(341,528)
Operating profit before exceptional costs		29,863	57,551	(28,936)	28,615
Exceptional costs	8	(6,341)	(23,081)	(6,166)	(29,247)
Operating profit / (loss)	6	23,522	34,470	(35,102)	(632)
Loss on disposal		—	—	(42,722)	(42,722)
Share of net operating loss of joint ventures		(336)	(1,713)	(200)	(1,913)
Net investment (expense) / income	9	(92)	24,411	—	24,411
Other finance costs	9	(186)	(1,614)	—	(1,614)
Profit / (loss) before taxation		22,908	55,554	(78,024)	(22,470)
Tax on profit / (loss)	10	(8,791)	(28,687)	4,799	(23,888)
Profit / (loss) for the financial period		14,117	26,867	(73,225)	(46,358)

All amounts presented above for the 6 months to 30 June 2021 relate to continuing operations.

Consolidated statement of comprehensive income for the 6 month period ended 30 June 2021

	Note	6 months to 30 June 2020	18 months to 31 December 2020
		£000	£000
Profit / (loss) for the financial period		14,117	(46,358)
Currency translation difference on foreign currency net investments		(588)	(3,668)
Re-measurement of net defined benefit liabilities	19	14,904	(6,328)
Share of loss of joint venture transferred to goodwill following step acquisition		—	1,036
Tax relating to components of other comprehensive income		(9,974)	(6,215)
Gain on asset transferred from own use to investment property		—	8,306
Other comprehensive profit / (loss)		4,342	(6,869)
Total comprehensive profit / (loss)		18,459	(53,227)
Profit / (loss) for the period attributable to:			
Equity shareholders of the Company		14,117	(46,358)
		14,117	(46,358)
Total comprehensive profit / (loss) for the period attributable to:			
Equity shareholders of the Company		18,459	(53,227)
		18,459	(53,227)

Consolidated and Company balance sheets at 30 June 2021

	Note	Group		Company	
		30 June	31 December	30 June	31 December
		2021	2020	2021	2020
		£000	£000	£000	£000
Non-current assets					
Goodwill	11	58,655	58,239	—	—
Intangible assets	11	40,350	44,832	36,761	40,418
Tangible assets	12	172,309	173,824	153,925	152,672
Investments	13	68,780	74,321	243,328	242,214
Pension surplus	19	148,420	142,735	148,420	142,735
Deferred tax assets	10	20,377	19,092	4,309	3,810
Interests in joint ventures: Share of net assets	13	275	314	—	—
		509,166	513,357	586,743	581,849
Current assets					
Debtors	15	227,942	248,276	476,501	339,450
Cash at bank and in hand		296,793	259,154	156,045	149,698
		524,735	507,430	632,546	489,148
Creditors: amounts falling due within one year	16	(226,762)	(211,429)	(799,365)	(728,596)
Net current assets / (liabilities)		297,973	296,001	(166,819)	(239,448)
Total assets less current liabilities		807,139	809,358	419,924	342,401
Creditors: amounts falling after more than one year					
Provisions for liabilities	17	(84,496)	(73,415)	(39,646)	(28,117)
Net assets excluding pension liability		722,643	735,943	380,278	314,284
Pension liability	19	(237,276)	(263,510)	(228,447)	(249,992)
Net assets including pension liability		485,367	472,433	151,831	64,292
Capital and reserves					
Called-up share capital	20	90	90	90	90
Share premium	20	39,960	39,960	39,960	39,960
Profit and loss account		445,317	432,383	111,781	24,242
Total shareholder's funds		485,367	472,433	151,831	64,292

The profit for the financial period arising in the financial statements of the parent company is £82,198,000 (2020: loss of £78,511,000).

The financial statements were approved by the Board of Directors and authorised for issue on 10 January 2022 and signed on its behalf by:

Mary Waldner

M E Waldner
 Director
Lloyd's Register Group Limited
 Company registration number: 08126909

Consolidated statement of changes in equity for the 6 month period ended 30 June 2021

	Called-up share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 July 2019	90	39,960	488,610	528,660
Loss for the financial period	—	—	(46,358)	(46,358)
Currency translation difference on foreign currency net investments	—	—	(3,668)	(3,668)
Re-measurement of net defined benefit liabilities	—	—	(6,328)	(6,328)
Share of loss of joint venture transferred to goodwill following step acquisition	—	—	1,036	1,036
Tax relating to components of other comprehensive income	—	—	(6,215)	(6,215)
Gain on asset transferred from own use to investment property	—	—	8,306	8,306
Total comprehensive loss	—	—	(53,227)	(53,227)
Donation to Lloyd's Register Foundation	—	—	(3,000)	(3,000)
At 31 December 2020	90	39,960	432,383	472,433
Profit for the financial period	—	—	14,117	14,117
Currency translation difference on foreign currency net investments	—	—	(588)	(588)
Re-measurement of net defined benefit liabilities	—	—	14,904	14,904
Tax relating to components of other comprehensive income	—	—	(9,974)	(9,974)
Total comprehensive income	—	—	18,459	18,459
Donation to Lloyd's Register Foundation	—	—	(3,000)	(3,000)
Acquisition of non-controlling interest	—	—	(2,525)	(2,525)
At 30 June 2021	90	39,960	445,317	485,367

Company statement of changes in equity for the 6 month period ended 30 June 2021

	Called-up share capital	Share premium	Profit and loss account	Total
	£000	£000	£000	£000
At 1 July 2019	90	39,960	111,222	151,272
Loss for the financial period	—	—	(78,511)	(78,511)
Foreign currency translation differences	—	—	30	30
Re-measurement of net defined benefit liabilities	—	—	(7,310)	(7,310)
Tax relating to components of other comprehensive income	—	—	(6,495)	(6,495)
Gain on asset transferred from own use to investment property	—	—	8,306	8,306
Total comprehensive loss	—	—	(83,980)	(83,980)
Donation to Lloyd's Register Foundation	—	—	(3,000)	(3,000)
At 31 December 2020	90	39,960	24,242	64,292
Profit for the financial period	—	—	82,198	82,198
Foreign currency translation differences	—	—	3,540	3,540
Re-measurement of net defined benefit liabilities	—	—	11,032	11,032
Tax relating to components of other comprehensive income	—	—	(9,231)	(9,231)
Total comprehensive loss	—	—	87,539	87,539
At 30 June 2021	90	39,960	111,781	151,831

Consolidated cash flow statement for the 6 month period ended 30 June 2021

	Note	2021 £000	2020 £000
Net cash inflow from operating activities	22	49,256	132,770
Cash flows (used in) / generated by investing activities			
(Increase) / decrease in long term loans		(7)	285
Proceeds from sale of investments		6,646	111,093
Proceeds from sale of tangible fixed assets		485	3,547
Purchase of investments		(7,620)	(29,866)
Purchase of intangible fixed assets		(591)	(3,563)
Purchase of tangible fixed assets		(1,626)	(9,513)
Interest paid		(108)	(286)
Interest received		1,305	491
Other investment income		3,660	15,775
Additional investment in existing joint ventures		(217)	(903)
Acquisition of subsidiaries		—	(3,020)
Acquisition of non-controlling interest		(2,525)	—
Acquisition of trade and assets		(4,439)	—
Payment of deferred consideration on acquisitions		—	(6,872)
Donation to Lloyd's Register Foundation		(3,000)	(3,000)
Disposal of subsidiaries		—	(10,002)
Net cash flows (used in) / generated by investing activities		(8,037)	64,166
Cash flows from financing activities			
Decrease in borrowings		—	(15,841)
Net increase in cash and cash equivalents		41,219	181,095
Cash and cash equivalents at beginning of period		259,154	81,680
Effect of foreign exchange rate changes		(3,580)	(3,621)
Net increase in cash and cash equivalents		41,219	181,095
Cash and cash equivalents at end of period		296,793	259,154

Reconciliation of net cash flow to movements in net funds

	Cash and cash equivalents £000	2021 Net funds £000		Cash and cash equivalents £000	Bank overdraft £000	Deferred consideration payable £000	2020 Net funds £000
At 1 Jan 21	259,154	259,154	At 1 Jul 19	81,680	(15,841)	(6,338)	59,501
Foreign exchange	(3,580)	(3,580)	Foreign exchange	(3,621)	—	—	(3,621)
Cash flow	41,219	41,219	Cash flow	181,095	15,841	6,872	203,808
Other movements	—	—	Other movements	—	—	(534)	(534)
At 30 Jun 21	296,793	296,793	At 31 Dec 20	259,154	—	—	259,154

Notes to the financial statements

1. Legal information

Lloyd's Register Group Limited (the Company) is a private company limited by shares under the Companies Act 2006, registered in England and Wales. Its registered office is disclosed on page 32 and its principal activities are disclosed within the strategic report.

Lloyd's Register Group Limited is the only subsidiary of Lloyd's Register Foundation, a company limited by guarantee and a registered charity. Lloyd's Register Foundation has prepared consolidated group financial statements for the 6 month period ended 30 June 2021.

2. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention modified to include certain items at fair value, and under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/310) and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the strategic report.

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 June 2021. The comparative period is the eighteen months to 31 December 2020. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The functional currency of the Lloyd's Register Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated. Foreign operations are included in accordance with the policies set out below.

In presenting the profit and loss account, additional line items, heading and sub-totals are included when such presentation is relevant to an understanding of the Group's financial performance. A non-statutory profit measure of 'Operating profit before exceptional costs' has been added.

Lloyd's Register Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, intra-group transactions, presentation of a cash flow statement and remuneration of key management personnel.

3. Accounting policies

- a. Goodwill recognised on the consolidated Group balance sheet arises on the acquisition of subsidiary undertakings and businesses and represents the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired.

Goodwill is amortised on a straight line basis over its estimated useful economic life up to a maximum of 10 years. It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Notes to the financial statements (continued)

- b. Intangible assets relating to intellectual property rights acquired from third party developers are recognised at cost and amortised on a straight line basis over their estimated useful economic lives, which is estimated to be 10 years. Provision is made for any impairment.

Intangible assets relating to purchased software is recognised at cost including any directly attributable costs of preparing the software for its intended use and amortised using the straight line method over their useful economic lives which are estimated to be from 3 to 11 years. Provision is made for any impairment.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date and are amortised over a period of six years which is estimated to be their useful economic life.

- c. Tangible fixed assets (other than investment properties) are stated at cost, net of depreciation and impairment. Depreciation is provided using the straight line method, commencing with the year in which they are ready for use, at rates estimated to write off their cost over their respective useful lives as follows:

Motor vehicles	5 years
Office fitting and equipment	8 years
Computer equipment	5 years
Plant and machinery	5 to 20 years
Freehold buildings	5 to 40 years
Leasehold improvements	length of the lease

Depreciation is not provided in respect of freehold land as it is deemed to have an infinite useful life.

Investment properties include one property that is in mixed functional and investment use. Areas of the building occupied by third party tenants are deemed to be in investment use and are held at market value with any change in fair value recognised in the profit and loss account. Where own use property is transferred and becomes an investment property, the property is revalued at the date of transfer from its net book value to fair value, with the revaluation recorded in other comprehensive income, with subsequent changes in fair value recognised in the profit and loss account. A valuation of the building is pro-rated according to the value of floor space occupied by third party tenants. The valuation is carried out by a surveyor holding a relevant qualification (via an independent property company).

- d. Turnover from surveys and inspection, which are the main activities of the Group is recognised by reference to the stage of completion of the contract activity as at the balance sheet date. This is normally measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs once the final outcome can be assessed with reasonable certainty. All income is recorded net of VAT and similar sales taxes. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. Where revenue is recognised in advance of invoicing, the amounts are recorded as accrued income and included as part of debtors within prepayments and accrued income.

Where the commercial effect of a transaction cannot be understood without reference to a series of transactions as a whole revenue, recognition is based on the group of transactions.

- e. Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future, or a right to pay less or to receive more tax in the future.

Deferred tax assets are recognised only to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

With the exception of tax relief on donations to the Lloyd's Register Foundation, where items recognised in other comprehensive income or equity are chargeable or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Tax relief arising on the Group's donations paid or expected to be paid to the Lloyd's Register Foundation, within nine months of the reporting date, is recorded as a credit to the Group's current tax expense.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

- f. Foreign currencies are dealt with as follows:
 - i. Foreign currency denominated assets and liabilities of the Company and its overseas operations are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.
 - ii. Income and expenditure for the period are translated at the appropriate rates prevailing during the period, updated on a monthly basis.
 - iii. Other exchange differences are shown in the profit or loss account except for exchange differences on monetary items receivable or payable from / to a foreign operation for which settlement is neither planned nor likely to occur (forming part of the net investment in the foreign operations) which are shown in other comprehensive income and accumulated in equity.
- g. The costs of operating lease rentals are charged to the profit and loss account in the period to which they relate even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.
- h. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.
- i. Research expenditure is written off as incurred. Development expenditure, including all costs of developing internally generated intangible assets, is also written off.
- j. Interest receivable from bank and short-term deposits includes interest accrued. Income from listed investments is recorded on an accruals basis when the income becomes payable to the Group.
- k. Corporate donations made to the ultimate parent Lloyd's Register Foundation are shown within the statement of changes in equity. These donations do not constitute dividends payable to shareholders.
- l. Short-term employee benefits are recognised as an expense in the period in which they relate.

Notes to the financial statements (continued)

- m. For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

- n. Provision is made on a case-by-case basis in respect of defending claims received and where appropriate, the estimated cost of settling claims. Provisions for employee benefits arising on termination of employment, are recognised when a company is demonstrably committed to a formal plan for termination and is without realistic possibility of withdrawal from the plan.
- o. In the Group financial statements, investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture.
- p. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Income from quoted securities, which is recorded on an accruals basis, is recognised in investment income in the profit and loss account as are changes in the fair value of the listed investment portfolio. The Group does not apply hedge accounting for any of its financial instruments. Income from quoted securities is recorded on an accruals basis within investment income.

- q. In the Company balance sheet investments in subsidiaries are stated at cost less impairment.
- r. The Group's collection of pictures, furniture and fittings, ship models, books and archive material are considered to be heritage assets. No value is attributed to them in the balance sheet and no depreciation charged on the grounds that for many of the assets, reliable historical cost information is not available and that the depreciated historical cost of these assets is now immaterial.
- s. Exceptional items include items that are assessed by the Directors to merit separate presentation to enable the users of the financial statements to better understand the elements of financial performance in the period, to facilitate comparison with prior periods and to assess financial trends more easily.

They include restructuring related costs including redundancy, onerous lease provisions and significant one off impairments.

- t. During the prior period the Group received support from governments in countries in which the Group operates as a result of the Covid-19 pandemic. Such grants are recognised within other income in the profit and loss account at a point in time to match the timing of the recognition of the related expenses they are intended to compensate. Where cash is received in advance of the associated conditions being met, the grant is recorded within other payables in the consolidated balance sheet.

Notes to the financial statements (continued)

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The directors do not consider there to be any critical judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Group key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are disclosed below.

Revenue recognition

The Group has long-term customer contracts under which service delivery can extend over a number of years. In accounting for such long-term contracts, an estimate is required of the costs to complete the contract to determine the percentage of completion, which is used to determine the amount of revenue to be recognised. These estimates are used to forecast the ultimate profitability of each contract. If, at any time, these estimates indicate that a contract will be unprofitable, the entire estimated loss for the contract is recognised immediately. If the estimates change, the measurement of the percentage of completion will change, with a consequential remeasurement of cumulative revenue recognised to date on the contract. Consequently the determination of cost estimates on long-term customer contracts that span more than one accounting period are considered a critical judgement. However, there are no such long-term projects that are individually material to the Group's reported result.

Pension plans

The Group operates pension schemes worldwide, including defined benefit pension schemes, the most significant of which is in the United Kingdom. For a description of the related accounting policies, refer to Note 3 above. Changes in significant assumptions could materially affect the amounts, particularly the rate used to discount the projected benefit obligation. Note 19 to the financial statements describes the principal discount rate, salary increase, inflation, mortality and pension payment increase assumptions that have been used to determine the pension and post-retirement charges. The calculation of any charge relating to pensions is dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on advice of the Group's actuaries, on prior experience and market conditions.

Company critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the Company's assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the financial statements (continued)

Carrying value of investments

The Directors are required to exercise their judgement when assessing assets for indicators of impairment and determining what the appropriate valuation should be. At 30 June 2021, the Company's investments in subsidiary undertakings had a carrying amount of £174,451,000 (31 December 2020: £167,770,000).

The Directors use their judgement in estimating the recoverable amount of each investment by considering the current value of each investment's net asset position and expected future performance. Forecasts of future performance require judgement to estimate future cash flows, long-term growth rates and applicable discount rates. These judgements are made based upon historical experience as well as input from external resources where applicable.

Recoverability of intercompany receivables

At 30 June 2021, the Company's intercompany debtors had a carrying value of £468,089,000. The Directors use their judgement in estimating the recoverable amount of each debtor by considering each counterparty's net asset position and expected future performance. Forecasts of future performance require judgement based upon historical experience as well as input from external sources where applicable. To the extent that actual recovery experience differs significantly from the assumptions on recovery the profit and loss account of the Company in future years may be materially affected.

Pension plans

The judgements and uncertainties in respect of the accounting for the Company's pension schemes are consistent with those for the Group discussed above.

5. Turnover

	Group	
	6 months to 30 June 2021 £000	18 months to 31 December 2020 £000
Turnover by class of business		
Marine and Offshore	206,544	622,844
Energy*	—	148,966
Digital Products	13,750	27,511
Business Assurance and Inspection Services	155,375	453,872
	375,669	1,253,193

* Energy operations were discontinued following the disposal of the business to Vysus Group Holdings on 31 October 2020.

Notes to the financial statements (continued)

Revenue represents the gross inflow of economic benefits and is analysed by category below:

	Group	
	6 months	18 months
	to 30 June	to 31 December
	2021	2020
	£000	£000
Revenue by category		
Rendering of services	375,669	1,253,193
Income from quoted securities (note 9)	1,013	7,183
Interest receivable on loans and deposits (note 9)	1,305	491
Rental income from investment property (note 9)	2,647	8,592
Grants	—	8,127
	380,634	1,277,586

Grant income in the prior period includes Government grants of £7.7m received as part of Government initiatives to provide financial support as a result of Covid-19. There are no future related costs in respect of these grants. After the balance sheet date, the Board agreed its intention to repay Covid related government support where practical.

Further information showing turnover by geographical location is not included since, in the opinion of the Directors, such an analysis would be seriously prejudicial to the Group's interests.

6. Operating profit / (loss)

Operating profit / (loss) before exceptional items is stated after charging / (crediting)

	Group	
	6 months	18 months
	to 30 June	to 31 December
	2021	2020
	£000	£000
Staff costs (note 7)	215,160	717,323
Amortisation of goodwill (note 11)*	4,269	23,744
Impairment of goodwill*	—	1,723
Amortisation of intangible fixed assets (note 11)*	4,945	14,619
Depreciation of tangible fixed assets (note 12)	3,988	13,782
Charge for bad and doubtful debts*	7,496	1,676
Research and development costs	5,693	17,986
Operating lease rentals	15,144	54,290
Foreign exchange (gain) / loss	(3,320)	9,772
Loss on disposal of fixed assets	128	930

*Amortisation and impairment of intangible assets and impairment losses on trade debtors are included in administrative expenses.

Notes to the financial statements (continued)

Services provided by the Company's auditor and its associates

During the period the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	Group	
	6 months to 30 June 2021 £000	18 months to 31 December 2020 £000
	Fees payable to the Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	510
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	1,470	1,873
Tax services	9	89
Other services	35	37
	2,024	2,609

7. Staff costs

	Group		Company	
	6 months to 30 June 2021 £000	18 months to 31 December 2020 £000	6 months to 30 June 2021 £000	18 months to 31 December 2020 £000
Wages and salaries	174,018	588,231	5,828	30,834
Social security costs	21,544	68,224	851	2,464
Other pension costs (note 19):				
• Other pension costs excluding curtailments and settlement costs	19,441	61,028	1,982	5,092
• Curtailment losses / (gains)	157	(160)	157	(93)
	215,160	717,323	8,818	38,297

Other pension cost includes only those items included within operating costs. Items reported elsewhere in the profit and loss (see notes 9 and 10) have been excluded.

In addition, £6.3m (2020: £12.1m) of redundancy costs have been incurred (note 8).

Notes to the financial statements (continued)

Average number of employees for the period:	6 months to 30 June 2021	18 months to 31 December 2020
	Number	Number
Marine and Offshore	2,551	2,578
Energy*	—	574
Business Assurance and Inspections Services	2,453	2,359
Digital Products	152	164
Administrative and support	787	985
	5,943	6,660

* Energy operations were discontinued following the disposal of the business to Vysus Group Holdings on 31 October 2020.

	Group	
Directors' remuneration	6 months to 30 June 2021	18 months to 31 December 2020
	£000	£000
Emoluments	799	3,031
Amounts receivable under long-term incentive schemes	—	2,306
Group contribution to defined contribution pension scheme	12	—
	811	5,337
	Number	Number
	6 months to 30 June 2021	18 months to 31 December 2020
Directors members of:		
Defined benefit pension schemes	—	1
Defined contribution pension schemes	1	1
Long-term incentive plan	2	2

Highest paid director, current period

The highest paid director serving in the period received aggregate emoluments of £293,000 which includes no long term incentive plans for the 6 months ended 30 June 2021. He was a member of Company defined contribution scheme and £12,000 was paid by the Company during the period.

Highest paid director, prior period

The highest paid director in the prior period was the Group Chief Executive Officer who served in this role until 31 December 2020. In the prior period he received £2,847,000 which includes £1,558,000 in respect of a long-term incentive plan for the 18 months ended 31 December 2020. He was a member of a Company defined contribution pension scheme, however no amounts were paid by the Company during the period. He is also a member of the Company's Unfunded, Unregulated Retirements Benefits Scheme, which is a defined benefit scheme, under which he had accrued total entitlements during the 18 months ended 31 December 2020 of £812,000. The timing of this payment is determined by the scheme rules.

Details of the types of remuneration of the Executive Directors and Executive Leadership Team are included within the Remuneration Committee report.

Notes to the financial statements (continued)

8. Exceptional costs

Exceptional costs within administrative expenses

The Group has continued to incur material administrative expenses associated with its restructuring and development programmes. The costs related to:

- redundancy and severance incurred of £6.3m (2020: £12.1m) relating to the restructure of the Group's financial operating model and to address the downturn in some of the Groups markets;
- in the prior period, an increase in an onerous lease provision of £11.4m;
- in the prior period, a £1.7m impairment of Goodwill; and
- in the prior period, a £4.0m impairment of a loan to a third party.

9. Net investment income and other finance costs

Net investment (expense) / income

	Group	
	6 months to 30 June 2021	18 months to 31 December 2020
	£000	£000
Investment income	16	29,114
Less: interest payable and similar charges	(108)	(4,703)
Net investment (expense) / income	(92)	24,411

Investment income

	Group	
	6 months to 30 June 2021	18 months to 31 December 2020
	£000	£000
Income from quoted securities	1,013	7,183
Interest receivable on loans and deposits	1,305	491
Fair value (losses) / gains on financial assets measured at fair value through profit and loss	(15,141)	2,080
Net gain on disposal of investments	8,619	16,978
Fair value gains / (losses) on investment property measured at fair value through profit and loss	1,573	(6,210)
Income from investment property	2,647	8,592
	16	29,114

Interest payable and similar charges

	Group	
	6 months to 30 June 2021	18 months to 31 December 2020
	£000	£000
Interest payable on overdrafts and other interest	(108)	(286)
Impairment of unlisted investments	—	(4,417)
	(108)	(4,703)

Other finance costs

	Group	
	6 months to 30 June 2021	18 months to 31 December 2020
	£000	£000
Net interest on defined benefit liability (note 19)	(186)	(1,614)
	(186)	(1,614)

Notes to the financial statements (continued)

10. Taxation

	Group	
	6 months to 30 June 2021	18 months to 31 December 2020
	£000	£000
Current tax on profit / (loss)		
UK corporation tax	658	1,977
Double tax relief	(658)	(1,822)
	—	155
Foreign tax	12,078	25,545
	12,078	25,700
Adjustment in respect of prior periods		
• UK corporation tax	28	(313)
• Foreign tax	(539)	(2,996)
Total current tax	11,567	22,391
Deferred tax		
Origination and reversal of timing differences	(4,259)	(2,176)
Adjustments in respect of previous periods	1,483	3,673
Total deferred tax	(2,776)	1,497
Total tax on profit / (loss)	8,791	23,888

The standard rate of tax applied to the reported profit / (loss) is 19% (2020: 19%).

On 3 March 2021, new measures to increase the main corporation tax rates to 25% from 1 April 2023 were announced in the UK budget 2021. On 24 May 2021, these new measures were substantively enacted.

Deferred tax assets and liabilities have been remeasured for the increased tax rate.

During the period beginning 1 July 2021, the net reversal of deferred tax assets and liabilities is expected to increase the corporate tax charge for the period by £7.0m (2020: £5.7m). This is due to the reversal of timing differences expected within the next 12 months.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

Notes to the financial statements (continued)

	Group	
	2021	2020
	£000	£000
Group profit / (loss) before taxation	22,908	(22,470)
Profit / (loss) multiplied by the average standard rate of United Kingdom corporation tax of: 19% (2020: 19%)	4,353	(4,269)
Effects of:		
• Tax exempt profits	(969)	(3,326)
• Overseas rate differences	1,481	4,798
• Tax rate changes differences	(185)	(463)
• Goodwill amortisation not deductible for tax purposes	789	4,820
• (Income not taxable) / expenses not deductible for tax purposes	(175)	833
• Brought forward unprovided timing differences now recognised in period	(1,117)	653
• Impact of UK qualifying corporate donations	—	(1,149)
• Current period unprovided timing differences	2,281	8,236
• Fair value (gain) / loss on investment property not subject to tax	(299)	1,202
• Disposal of subsidiary undertakings	—	8,117
• Other taxes	1,660	4,072
• Adjustments in respect of previous periods	972	364
Group total tax charge for period	8,791	23,888

Deferred tax liabilities / (assets)	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
At 1 January liabilities / (assets)	2,936	(7,789)	17,921	10,850
Arising in the period	6,273	10,287	8,247	6,989
Foreign exchange differences	662	438	28	83
At 30 June liabilities	9,871	2,936	26,196	17,922
Deferred tax asset	(20,377)	(19,092)	(4,309)	(3,810)
Deferred tax liability (note 17)	30,248	22,028	30,505	21,732
	9,871	2,936	26,196	17,922
Deferred tax is recognised as follows:				
Accelerated capital allowances	2,768	1,813	3,985	2,289
Deferred tax arising in relation to retirement benefit obligations	26,068	16,872	30,290	21,492
Tax losses	(11,877)	(10,076)	(6,388)	(5,310)
Other timing differences	(7,088)	(5,673)	(1,691)	(549)
	9,871	2,936	26,196	17,922

Deferred tax liabilities on short-term timing differences are recognised whenever the treatment for tax purposes has enabled deductions to be taken in advance of the financial statements. Deferred tax assets on short-term timing differences and any overseas losses have not been recognised unless the asset is expected to be recovered in the foreseeable future. Deferred tax assets not recognised amount to £29.3 million (2020: £28.3 million). Unrecognised assets will potentially become recoverable against future profits generated in the relevant overseas operations.

Notes to the financial statements (continued)

11. Intangible fixed assets

	Group		Company	
	Goodwill	Software and other intangibles*	Goodwill	Software
	£000	£000	£000	£000
Cost:				
At 1 January 2021	106,715	85,050	7,145	63,803
Additions	4,686	591	—	507
Disposals	—	(225)	—	(225)
Exchange adjustment	(10)	—	—	—
At 30 June 2021	<u>111,391</u>	<u>85,416</u>	<u>7,145</u>	<u>64,085</u>
Amortisation:				
At 1 January 2021	48,476	40,218	7,145	23,385
Charged during the period	4,269	4,945	—	4,036
On disposals	—	(97)	—	(97)
Exchange adjustment	(9)	—	—	—
At 30 June 2021	<u>52,736</u>	<u>45,066</u>	<u>7,145</u>	<u>27,324</u>
Net book value:				
At 30 June 2021	<u>58,655</u>	<u>40,350</u>	<u>—</u>	<u>36,761</u>
At 31 December 2020	<u>58,239</u>	<u>44,832</u>	<u>—</u>	<u>40,418</u>

*Other intangibles relate to customer relationships acquired as part of business combinations.

The rights to software intellectual property relating to geological surveys were acquired in September 2013 for £10,193,000. The carrying amount as at 30 June 2021 was £2,306,000 (31 December 2020: £2,819,000) and the software has an estimated remaining useful life of two years.

The Group has developed a group-wide enterprise resource planning and financial reporting solution. The net book value as at 30 June 2021 was £19,422,000 (31 December 2020: £20,793,000). The intangible asset is being amortised over the estimated useful life of nine years.

The net book value of an operational system specific to our Marine business at 30 June 2021 was £13,301,000 (31 December 2020: £14,964,000). The remaining estimated useful life is five years.

Notes to the financial statements (continued)

Acquisitions

C-MAP commercial

On 3 March 2021, the Group completed the first stage of the acquisition of C-MAP commercial, a leading provider of marine cartography and digital publications, shore-side and shipside voyage optimisation and cloud-based fleet management & fleet analytics software. The Group acquired the trade and assets representing the C-MAP operations principally in USA, Norway, Greece, Singapore and India. The second stage of the C-MAP acquisition, representing the C-MAP operations in Russia was completed in July 2021, and is disclosed as a post balance sheet event in note 27.

The acquisition has been accounted for using the acquisition method of accounting. The fair value of net liabilities acquired was £0.2m.

	Book value £000	Fair value adjustments £000	Fair value £000
Current assets	3,640	—	3,640
Current liabilities	(3,887)	—	(3,887)
	<u>(247)</u>	<u>—</u>	<u>(247)</u>
Total consideration payable			4,281
Acquisition costs			158
Add net liabilities acquired			<u>247</u>
Goodwill arising on acquisition			<u>4,686</u>

The useful economic life of the goodwill arising on acquisition is estimated to be 10 years based on the expected life of the marine cartography database and software underpinning the business.

Intangibles assets have not been separately recognised and are subsumed within goodwill. They relate to customer relationships, internally developed software and internally generated databases. Lloyd's Register Group Limited has adopted the changes in the FRS102 triennial review, resulting in an accounting policy choice to recognise such intangible assets within goodwill.

The consolidated profit and loss account for the 6 month period ended 30 June 2021 includes the result of C-MAP commercial since the acquisition date and contributed £2.9 million of turnover and £0.5 million of loss after taxation.

Hanseaticsoft GmbH

On 10 June 2021, the Group purchased the remaining 21% share capital in its subsidiary Hanseaticsoft GmbH for consideration of €2.9m bringing its total shareholding in the company to 100%. The amount is shown within the consolidated statement of changes in equity as an acquisition of non-controlling interest.

Notes to the financial statements (continued)

12. Tangible fixed assets

Group:

	Investment property*	Land and buildings	Leasehold improvements	Office fittings and equipment	Plant and machinery	Computer equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1 January 2021	138,663	22,646	20,127	40,132	1,681	55,644	2,164	281,057
Additions	327	236	152	55	423	208	225	1,626
Revaluations	1,573	—	—	—	—	—	—	1,573
Disposals	—	—	(138)	(131)	(337)	(113)	(294)	(1,013)
Exchange differences	—	—	(300)	(517)	(1)	(424)	(73)	(1,315)
At 30 June 2021	140,563	22,882	19,841	39,539	1,766	55,315	2,022	281,928
Depreciation:								
At 1 January 2021	—	14,573	11,928	30,351	768	47,937	1,676	107,233
Charged in period	—	234	722	1,404	111	1,418	99	3,988
Disposals	—	—	(124)	(128)	—	(92)	(184)	(528)
Exchange differences	—	—	(215)	(517)	—	(291)	(51)	(1,074)
At 30 June 2021	—	14,807	12,311	31,110	879	48,972	1,540	109,619
Net book value:								
At 30 June 2021	140,563	8,075	7,530	8,429	887	6,343	482	172,309
At 31 December 2020	138,663	8,073	8,199	9,781	913	7,707	488	173,824

*79% (2020: 79%) of the mixed used property is classified as an investment property.

Company:

	Investment property*	Land and buildings	Leasehold improvements	Office fittings and equipment	Plant and machinery	Computer equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:							
At 1 January 2021	138,663	22,646	2,458	16,127	29	22,589	202,512
Additions	327	236	—	1	—	—	564
Revaluations	1,573	—	—	—	—	—	1,573
Disposals	—	—	(137)	—	—	(27)	(164)
Exchange differences	—	—	—	(50)	—	(23)	(73)
At 30 June 2021	140,563	22,882	2,321	16,078	29	22,539	204,412
Depreciation:							
At 1 January 2021	—	14,573	1,573	11,173	3	22,518	49,840
Charged in period	—	234	41	571	—	11	857
Disposals	—	—	(124)	—	—	(27)	(151)
Exchange differences	—	—	—	(42)	—	(17)	(59)
At 30 June 2021	—	14,807	1,490	11,702	3	22,485	50,487
Net book value:							
At 30 June 2021	140,563	8,075	831	4,376	26	54	153,925
At 31 December 2020	138,663	8,073	885	4,954	26	71	152,672

*79% (2020: 79%) of the mixed used property is classified as an investment property. Land and buildings includes freehold property in the United Kingdom with a net book value of £7,080,000 (2020: £7,314,000) and estimated market value of £41,942,000 (2020: £39,676,000).

Notes to the financial statements (continued)

Heritage Assets

Lloyd's Register Group Limited has accumulated a collection of heritage assets as described in the accounting policies. As a result of their age and, in many cases, unique nature reliable historical cost information is not available for these assets and could not be obtained except at disproportionate expense. The latest insurance valuation of these assets was £7.0m.

Investment property

Investment property includes one freehold property that is in mixed functional and investment use. Areas of the building occupied by or marketed to third party tenants are deemed to be in investment property use and are held at market value. A proportion of 79% (2020: 79%) is deemed an investment property, based on the value of space let or marketed to third party tenants. In the prior period, the transfer of part of the property from own use to investment property resulted in revaluation gain of £8,306,000 which is recognised in other comprehensive income. The property valuation, with an effective date of 30 June 2021, was carried out on a market value basis by a surveyor holding a qualification from the Royal Institution of Chartered Surveyors who has recent experience in the location and class of investment property valued. If the investment property had not been revalued it would have been included at £27,069,000 (2020: £27,965,000).

Significant assumptions included in the valuation of the investment property include current investment yields and estimated future rental values, having regard to the age and general condition of the property.

As set out in note 9, rental income from investment properties for the 6 months ended 30 June 2021 was £2,647,000 (18 months ended 31 December 2020: £8,592,000).

The Group leases the investment property to a portfolio of tenants. Lease agreements are up to 20 years and typically include rent review clauses. At the balance sheet date, the Group and Company had contracted with tenants for the following future minimum lease payments:

	Group and Company	
	2021	2020
	£000	£000
Within one year	6,116	5,724
In the second to fifth years inclusive	22,227	19,835
After five years	22,282	21,741
	50,625	47,300

13. Investments

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Investments in subsidiaries	—	—	174,451	167,770
Listed investments and cash held by investment managers (note 14)	68,653	74,201	68,653	74,201
Long-term loans	127	120	124	143
Investments in joint ventures: cost	—	—	100	100
	68,780	74,321	243,328	242,214
Investments in joint ventures: share of net assets	275	314	—	—
	69,055	74,635	243,328	242,214

Notes to the financial statements (continued)

Principal Group subsidiaries

Lloyd's Register Group Limited controls all the voting rights of the following principal subsidiary companies. A complete list of direct and indirect subsidiaries and joint ventures is included in note 26.

Company	Country of incorporation and registration	Principal activity
Lloyd's Register Americas Inc	United States of America	Marine inspection
Lloyd's Register Asia	United Kingdom	Marine inspection
Lloyd's Register Central and South America Ltd	United Kingdom	Marine inspection
Lloyd's Register EMEA	United Kingdom	Marine inspection
Lloyd's Register Inspection Ltd	United Kingdom	Marine and engineering inspection
Lloyd's Register Quality Assurance Ltd	United Kingdom	Quality assurance

The carrying value of the Company's investments in subsidiaries is stated net of impairments of £44,570,000 (31 December 2020: £51,211,000).

	Cost	Accumulated impairments	Carrying value
	£000	£000	£000
At 1 January 2021	218,981	(51,211)	167,770
Additions	40	—	40
Reversal of impairments	—	6,641	6,641
At 30 June 2021	219,021	(44,570)	174,451

Joint ventures

The following entities are treated as joint ventures of the Group:

Company	Share of company owned	Country of incorporation and registration	Principal activity
Lloyd's Register Apave Limited	51%	United Kingdom	Engineering inspection
Lloyd's Maritime Information Services Ltd	50%	United Kingdom	Dormant
Common Structural Rules Software LLC	50%	United States of America	Software development
Fullagar Technologies Limited	50%	United Kingdom	Development of inspection systems

The shareholders' agreements in place for the above entities means that Lloyd's Register Group Limited does not have overall control of the Company despite the nominal level of ownership.

The following shows the share of net assets recognised by the Group for these entities:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Lloyd's Register Apave Limited	160	199	—	—
Lloyd's Maritime Information Services Limited	115	115	100	100
Common Structural Rules Software LLC	—	—	—	—
Fullagar Technologies Limited	—	—	—	—
	275	314	100	100

At 30 June 2021 the Common Structural Rules Software LLC joint venture had net liabilities. The Group's share of the net liabilities amounted to £130,000 (2020: £51,000) and was recognised within other provisions.

Notes to the financial statements (continued)

14. Listed investments and cash held by investment managers

	Group and Company		
	United Kingdom	Cash	Total
	Bonds £000	£000	£000
Carrying value:			
At 1 January 2021	73,441	760	74,201
Additions	7,620	—	7,620
Disposals	2,016	(43)	1,973
Revaluation	(15,141)	—	(15,141)
At 30 June 2021	<u>67,936</u>	<u>717</u>	<u>68,653</u>

All investments in bonds were in listed investments. The fair value of listed investments was determined with reference to the quoted market price at the reporting date.

Investments with market value of £68.7m (2020: £74.2m) were held in a ring fenced portfolio relating to the funding of pension liabilities outside the UK.

15. Debtors

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	118,284	123,654	3,212	699
Amounts owed by Lloyd's Register Foundation	1,150	771	—	—
Amounts owed by Group undertakings	—	—	468,089	331,996
Other debtors	6,852	6,776	534	1,069
Prepayments and accrued income	86,684	90,006	4,654	5,443
Taxation recoverable	14,972	27,069	12	243
	<u>227,942</u>	<u>248,276</u>	<u>476,501</u>	<u>339,450</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade creditors	21,250	20,690	465	540
Amounts owed to Group undertakings	—	—	789,523	718,181
Other creditors	2,418	365	367	377
Corporation tax	15,188	14,731	132	—
Other taxation and social security	14,156	19,063	1,390	1,529
Accruals and deferred income	173,750	156,580	7,488	7,969
	<u>226,762</u>	<u>211,429</u>	<u>799,365</u>	<u>728,596</u>

Notes to the financial statements (continued)

17. Provisions for liabilities

Group	Legal claims	Employee related	Onerous lease	Deferred tax	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2021	3,959	16,991	19,319	22,028	11,118	73,415
Exchange revaluation	(76)	(360)	—	(3)	(45)	(484)
(Credited) / charged to profit and loss account	(109)	16,075	(601)	(1,008)	834	15,191
Charged to other comprehensive income	—	—	—	9,231	—	9,231
Utilisation of provision	(79)	(12,003)	(775)	—	—	(12,857)
At 30 June 2021	3,695	20,703	17,943	30,248	11,907	84,496

Company	Deferred tax	Legal claims	Employee related	Other	Total
	£000	£000	£000	£000	£000
At 1 January 2021	21,732	784	5,293	308	28,117
Exchange revaluation	28	—	3	(25)	6
(Credited) / charged to profit and loss account	(486)	—	2,835	(27)	2,322
Charged to other comprehensive income	9,231	—	—	—	9,231
Utilisation of provision	—	—	(30)	—	(30)
At 30 June 2021	30,505	784	8,101	256	39,646

Legal claims: In the normal course of business, Lloyd's Register Group entities may receive claims for compensation from clients. Substantial insurance cover is carried for this purpose. Where appropriate, provision is made for the uninsured costs arising from such claims. Adequate provision has been made for the claims notified. The timing on these liabilities is dependent upon the conclusion of the continuing legal proceedings which typically span several years.

Employee related: Provision is made for redundancy and relocation costs with respect to the restructuring programmes in addition to certain employee benefits, including £4.7m (2020: £6.8m) relating to the settlement of Netherlands pension obligations, and repatriation of expatriate workers and other employment related costs. Settlement of these provisions is expected within three years.

Deferred tax: Liabilities are recognised in relation to deferred tax in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax.

Onerous lease: Provision is made for the future anticipated rent expense and related costs of leasehold property (net of estimated sublease income) where the space is vacant or currently not planned to be used for ongoing operations. Settlement of these provisions is expected within 12 years.

Other: Included in this category are provisions maintained to meet contractual obligations to perform restoration on leasehold properties on exit. In addition, provision is made for losses on long-term contracts, expected liabilities on self-insurance programmes, a share of net liabilities of joint ventures and other project related costs. With the exception of a small number of leasehold properties, settlement of these provisions is expected within 10 years.

Notes to the financial statements (continued)

18. Financial instruments

The carrying values of the Group's financial assets and liabilities measured at fair value through profit and loss are summarised by below.

	Group	
	30 June 2021	31 December 2020
	£000	£000
Financial assets		
Investments in listed investments (note 14)	67,936	73,441

The Group's gains and losses in respect of financial instruments are summarised in note 6 (impairment losses) and note 9.

The fair value of investments in listed investments is measured using quoted market prices in an active market.

19. Retirement benefits

Defined benefit pension schemes

Worldwide

The Group operates pension schemes in many of the countries in which the Group operates including defined benefit final salary schemes. Assets of certain schemes are held separately from those of the Group ('funded' schemes) whilst others are unfunded.

UK

The main funded scheme, the Lloyd's Register Superannuation Fund Association was closed to future accrual from 1 October 2010. The scheme continues to fund benefits accrued to that date, and valuations of the scheme are carried out on a triennial basis. The most recent completed valuation was carried out as at 31 March 2019. This showed that the funding position of the scheme had declined from the previous valuation. The funding shortfall was £17m for the 2019 valuation, a decrease from £81m in the previous valuation's Recovery Plan as at 31 March 2016. In the 6 month period ended 30 June 2021, special contributions of £5.31m (18 months to 31 December 2020: £6.03m) were paid.

Other long-term employee benefits

The Group also contributes to other long-term schemes which provide other benefits. Significant employee benefits are as follows:

- USA: provision of medical insurance for retired employees subject to age qualification restrictions. This benefit is unfunded with an obligation at 30 June 2021 of £1.2m (31 December 2020: £1.4m).
- Korea: provision of a statutory lump sum payable to qualifying employees on leaving service. This is a funded benefit with an obligation at 30 June 2021 of £12.7m (31 December 2020: £13.6m), assets of £4.8m (31 December 2020: £5.1m) a net obligation of £7.5m (31 December 2020: £8.5m).
- UK: the UK has other benefits schemes including the Unfunded, Unregistered Retirements Benefits Scheme (see the Remuneration Committee report on page 36). These benefits are unfunded with an obligation at 30 June 2021 of £9.8m (31 December 2020: £10.2m).

Other long-term employee benefits included within provisions (note 17)

Long-term unfunded employee benefits included within provisions are:

- UK: £7.6m (31 December 2020: £4.9m) in respect of the Executive Directors and Executive Leadership team participate in a Long Term Incentive Plan described in more detail in the Remuneration Committee report on page 36.
- Australia: £1.6m (31 December 2020: £1.7m) provision for paid sabbatical leave.

Notes to the financial statements (continued)

Assumptions

The disclosures have been calculated by qualified independent actuaries, based on the assumptions of the Directors and the most recent full actuarial valuations for funded schemes (completed at various dates) and updated to 30 June 2021.

The value of the defined benefit liabilities has been measured using the projected unit method.

The financial assumptions used at 30 June 2021 and 31 December 2020 for the different areas are summarised below.

	UK ⁽¹⁾		Japan ⁽²⁾		Eurozone ⁽³⁾		Rest of the World ⁽⁴⁾	
	2021	2020	2021	2020	2021	2020	2021 ⁽⁵⁾	2020 ⁽⁵⁾
Liabilities:	%	%	%	%	%	%	%	%
Rate of price inflation	3.2	2.9	1.0	1.0	1.8	1.8	2.0 to 5.0	2.0 to 5.0
Rate of increase in salaries	n/a	n/a	1.8	1.8	1.8	1.8	1.8 to 4.5	1.8 to 4.5
Rate of increase in pensions	Various	Various	0.8	0.8	Nil to 1.8	Nil to 1.8	2.0 to 5.0	2.0 to 5.0
Discount rate	1.9	1.4	0.5	0.5	0.5 to 1.3	0.3 to 1.0	2.5 to 6.8	2.2 to 6.3

⁽¹⁾ Main United Kingdom funded scheme.

⁽²⁾ Japanese unfunded liability.

⁽³⁾ The Eurozone rates have been used to assess the overall deficit within the separate funded schemes in Europe.

⁽⁴⁾ This represents a grouped disclosure for the remaining liabilities.

⁽⁵⁾ Represents the range of assumptions used for the countries covered in the region.

For mortality tables, the Group has used various different tables appropriate to the territory under review.

The most significant contribution to the Group pension liability is from the United Kingdom. The base mortality table for the UK and the weightings applied to it are unchanged from the the last financial reporting period and inline with the preliminary best estimate assumption undertaken for the latest statutory funding valuation. The future mortality improvement model has been updated since the last financial reporting period to reflect the latest analysis from the Continuous Mortality Investigation (CMI). The UK mortality assumption adopted for the 30 June 2021 accounts is the self-administered pension schemes (SAPS) "S3NA" tables with a 100% (102%) weighting for males (females) and future long term improvements based on the CMI 2020 model with an underpin of 1.25% p.a., a smoothing parameter of 7.5, an initial addition parameter of nil and no weighting placed on experience in 2020.

The assumptions shown above are arrived at following discussion with, and in accordance with advice received from the scheme actuaries.

Notes to the financial statements (continued)

Amounts recognised in the consolidated balance sheet:

	United Kingdom		Japan		Eurozone		Rest of the World		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	56.3	103.3	—	—	0.3	0.2	0.4	4.2	57.0	107.7
Equity instruments	—	—	—	—	3.1	3.3	27.9	30.8	31.0	34.1
Debt instruments	1,055.5	1,057.2	—	—	3.6	20.4	34.7	25.6	1,093.8	1,103.2
Other	5.8	14.7	—	—	15.1	0.2	8.6	10.1	29.5	25.0
Market value of assets	1,117.6	1,175.2	—	—	22.1	24.1	71.6	70.7	1,211.3	1,270.0
Present value of scheme liabilities	(980.8)	(1,043.9)	—	—	(22.2)	(34.8)	(70.0)	(75.5)	(1,073.0)	(1,154.2)
	136.8	131.3	—	—	(0.1)	(10.7)	1.6	(4.8)	138.3	115.8
Present value of unfunded liabilities	(9.8)	(10.2)	(48.0)	(53.7)	(69.8)	(61.5)	(99.6)	(111.2)	(227.2)	(236.6)
Net pension asset / (liability)	127.0	121.1	(48.0)	(53.7)	(69.9)	(72.2)	(98.0)	(116.0)	(88.9)	(120.8)

The net pension liability is reported on the balance sheet as:

	30 June 2021	31 December 2020
	£m	£m
Pension surplus	148.4	142.7
Pension liability	(237.3)	(263.5)
Net pension liability	(88.9)	(120.8)

All of the above amounts are recognised on the Company balance sheet with the exception of certain post-retirement benefits payable to Group operations in Korea and the USA. The net liabilities for the Korean and USA schemes are shown below.

	Korea		USA		Total	
	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m
Net pension assets	4.8	5.1	37.0	35.6	41.8	40.7
Net pension liabilities	(12.7)	(13.6)	(38.0)	(40.6)	(50.7)	(54.2)
	(7.9)	(8.5)	(1.0)	(5.0)	(8.9)	(13.5)

Notes to the financial statements (continued)

Amounts recognised in the Consolidated Profit and Loss Account:

	6 months to 30 June 2021	18 months to 31 December 2020
	£m	£m
Current service cost	3.3	9.9
Curtailement losses / (gains)	0.2	(0.2)
Administrative expenses	0.6	2.2
	<u>4.1</u>	<u>11.9</u>
Interest cost on schemes' liabilities	9.3	40.9
Interest income on schemes' assets	(9.1)	(39.3)
Total amount included under Other finance costs (note 9)	<u>0.2</u>	<u>1.6</u>

In addition, there is a charge in respect of contributions to defined contribution plans for the 6 months to 30 June 2021 of £15.2m (18 months to 31 December 2020: £48.9m).

The actual return on scheme assets for the 6 months to 30 June 2021 was a loss of £39.3m (18 months to 31 December 2020: gain of £167.5m).

Amounts recognised in the Consolidated Statement of Comprehensive Income:

	6 months to 30 June 2021	18 months to 31 December 2020
	£m	£m
(Loss) / gain on pension scheme assets	(48.4)	128.2
Experience gains	2.3	24.4
Change in assumptions	61.0	(158.9)
Actuarial gain / (loss)	<u>14.9</u>	<u>(6.3)</u>

Changes in the present value of the defined benefit obligations are as follows:

	6 months to 30 June 2021	18 months to 31 December 2020
	£m	£m
Opening defined benefit obligation	(1,390.8)	(1,292.8)
Current service cost	(3.3)	(9.9)
Curtailements	(0.2)	0.2
Member contributions	—	(0.1)
Interest cost	(9.3)	(40.9)
Actuarial gain / (loss)	63.3	(134.5)
Exchange adjustments	10.4	6.6
Benefits paid	29.7	80.6
Closing defined benefit obligation	<u>(1,300.2)</u>	<u>(1,390.8)</u>

Notes to the financial statements (continued)

Changes in the market value of plan assets are as follows:

	6 months to 30 June 2021	18 months to 31 December 2020
	£m	£m
Opening market value of plan assets	1,270.0	1,162.7
Expected return on plan assets	9.1	39.3
Benefits and expenses paid	(30.3)	(82.8)
Employer contributions	12.7	28.1
Member contributions	—	0.1
Actuarial (loss) / gain on assets	(48.4)	128.2
Exchange adjustments	(1.8)	(5.6)
Closing market value of plan assets	<u>1,211.3</u>	<u>1,270.0</u>

20. Called-up share capital, share premium and reserves

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Issued, called up and fully paid:				
90,000 ordinary shares of £1 (2020: 90,000)	90	90	90	90
Share premium	39,960	39,960	39,960	39,960

The Company has one class of ordinary share which carry no right to fixed income.

The Group and Company's other reserves are as follows:

Profit and loss account

The profit and loss account represents cumulative profits or losses, including unrealised profit on the re-measurement of investment properties and listed investments. The profit and loss account includes £75,000 in relation to The John Barnard Stevens Trust. This trust was originally founded in 1923 following the death of John Barnard Stevens (a former Lloyd's Register surveyor). It was set up for the purpose of assisting previous Lloyd's Register employees and their families in cases where help was needed beyond that provided by the Lloyd's Register pension schemes, and remained an unregistered endowed charity, with certain Lloyd's Register employees acting as trustees.

In September 2012, Lloyd's Register Group Limited transferred by way of gift a portfolio of investments to its parent company, Lloyd's Register Foundation, with a cost value of £186.2m (market value: £206.4m) as an expendable endowment. In accepting the gift, the Lloyd's Register Foundation had agreed that, until June 2017, it would retain £100m of this sum. Had Lloyd's Register Group Limited become insolvent, as defined in a Deed of Gift, before that date, the Foundation agreed to pay a sum, to a maximum of £100m, to reduce the amount required to bring the assets of the Lloyd's Register Superannuation Fund up to 100% of the Buy Out Liabilities. The Lloyd's Register Foundation has previously extended the terms of the Deed of Gift until July 2020. During the previous period the Lloyd's Register Foundation increased the obligation to £125m and extended the terms to at least 2022.

Notes to the financial statements (continued)

21. Contingent liabilities, capital and financial commitments

	Group		Company	
	2021	2020	2021	2020
Contingent liabilities:	£000	£000	£000	£000
In respect of bank guarantees	7,212	8,752	103	99
Escrow account for pension schemes	68,653	74,201	68,653	74,201
	75,865	82,953	68,756	74,300

The Group has issued guarantees to its customers and other stakeholders in relation to its contractual operations in compliance with local legislation and industry practice. The Directors do not assess the likelihood of transferring economic benefits in respect of these guarantees to be probable. No associated liability has been recognised on the Group's Consolidated Balance Sheet.

Listed investments and cash held at investment managers includes £68.7 million (2020: £74.2 million) which is held in a ring fenced portfolio relating to the funding of pension liabilities outside of the UK.

Total future minimum lease payments under non-cancellable operating leases:

	Land and buildings		Other	
	2021	2020	2021	2020
	£000	£000	£000	£000
Group				
Within one year	15,973	17,921	7,322	7,590
Between two to five years	36,673	40,663	11,403	11,798
After five years	48,434	49,515	—	—
	101,080	108,099	18,725	19,388

	Land and buildings		Other	
	2021	2020	2021	2020
	£000	£000	£000	£000
Company				
Within one year	402	428	7	—
Between two to five years	31	224	7	—
	433	652	14	—

Notes to the financial statements (continued)

22. Reconciliation of operating profit to cash generated by operations

	6 months to 30 June 2021 £000	18 months to 31 December 2020 £000
Operating profit / (loss)	23,522	(632)
Loss on disposal of fixed assets	128	930
Exchange adjustment	(5,851)	(582)
Depreciation	3,988	13,782
Amortisation and impairment charges relating to intangibles	9,214	40,086
Impairment of long term loans	—	4,000
Decrease in debtors	11,877	108,442
Increase / (decrease) in creditors	10,989	(8,562)
Increase in provisions	3,266	11,313
Foreign tax paid	(10,127)	(23,464)
Tax received	10,851	3,410
Defined benefit pension contributions in excess of fund charges	(8,758)	(15,793)
Curtailment losses / (gains)	157	(160)
Cash generated by operations	<u>49,256</u>	<u>132,770</u>

Cash at bank and in hand includes cash held in local bank accounts in countries where exchange controls or other legal restrictions mean the balances are not available for general use by the Company or other Group subsidiaries. In total, £12.4m (2020: £18.9m) of cash was held by overseas entities which cannot be remitted to other Group entities. In addition to these balances, the immediate movement of cash assets held by other Group entities is subject to compliance with local regulation and legal restrictions; however the Group does not consider this cash unavailable for use by the Group. Countries where such restrictions exist and significant cash balances are held are China £13.5m (2020: £12.6m) due to exchange controls and Korea £17.4m (2020: £8.7m) where remittance is permitted following external audit.

23. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 102, whereby transactions with fellow subsidiary companies ultimately 100% owned by the same parent are not required to be disclosed.

The Group defines its key management personnel as the Board of Directors and the Executive Leadership Team. The remuneration for key management personnel for the 6 month period to 30 June 2021 totalled £4,430,000 (18 months to 31 December 2020: £15,519,000). Certain details of the remuneration of the Executive Directors and Executive Leadership Team are included within the Remuneration Committee report.

Notes to the financial statements (continued)

The following transactions took place between Lloyd's Register Group Limited undertakings in which the Group holds less than 100% for the 6 months to 30 June 2021:

	Turnover arising from trading with other LR Group companies	Operating costs charged by LR Group companies	Amounts owed (to) / from Group companies at 30 June 2021
	£000	£000	£000
Subsidiaries			
i4Insight, Inc	—	—	(1,712)
Lloyd's Register International (Thailand) Ltd	184	(209)	1,703
Lloyd's Register Middle East LLC Abu Dhabi	1,142	(1,894)	(3,169)
Lloyd's Register Oman LLC	137	(303)	1,688
Lloyd's Register Qatar LLC	300	(382)	588
Joint ventures			
Lloyd's Register Apave Limited	—	(1,116)	(622)

The following transactions took place between Lloyd's Register Group Limited undertakings in which the Group holds less than 100% for the 18 months to 31 December 2020:

	Turnover arising from trading with other LR Group companies	Operating costs charged by LR Group companies	Amounts owed (to) / from Group companies at 31 December 2020
	£000	£000	£000
Subsidiaries			
i4Insight, Inc	—	—	(128)
Lloyd's Register Industrial Services (India) Pvt Ltd	—	—	1
Lloyd's Register International (Thailand) Ltd	639	(436)	1,958
Lloyd's Register Middle East LLC Abu Dhabi	3,201	(5,106)	(5,602)
Lloyd's Register Oman LLC	521	(911)	1,764
Lloyd's Register Qatar LLC	663	(2,178)	(52)
LR Technical Services Sdn Bhd*	394	(2,608)	—
Senergy International Sdn Bhd*	—	(371)	—
Senergy Global Resources Sdb Bhd*	6,074	—	—
Hanseaticsoft GmbH	5	(575)	(907)
Joint ventures			
Lloyd's Register Apave Limited	—	(3,062)	(615)
Xinjiang LR Tunhe Social Economic Consulting Company Limited*	—	(78)	—

Notes to the financial statements (continued)

During the period the Group has increased its investments in Common Structural Rules Software LLC from \$20,775,000 to \$21,075,000. The Group's investment in i4Insight has remained at \$5,200,000.

The Company provides administrative services to the Group's pension schemes. The following transactions took place between Lloyd's Register Group Limited and Lloyd's Register Superannuation Fund Association:

	2021	2020
	£000	£000
Administrative services provided	120	360
Administrative services receivable	20	20

A £104,000 grant has been awarded to Lloyd's Register Group Limited from its parent, Lloyd's Register Foundation during the 6 months to 30 June 2021 to support the SafetyTech Accelerator programme. £nil remains outstanding as at 30 June 2021.

Two grants were awarded to Lloyd's Register Group Limited from its parent, Lloyd's Register Foundation during the 18 months to 31 December 2020:

- A £900,000 grant to support decarbonisation in the marine sector. £51,000 remains outstanding as at 30 June 2021 (31 December 2020: £495,000).
- A £800,000 grant to support the new SafetyTech Accelerator programme. £nil remains outstanding as at 30 June 2021 (31 December 2020: £800,000).

In addition to the grants provided, a further £4.3m may become receivable over the following 10 years, with the majority payable within the first three years. The additional payments are dependent upon periodic reviews of the project outcomes.

24. Ultimate parent entity and ultimate controlling party

The Directors consider that the immediate and ultimate parent undertaking and controlling party is Lloyd's Register Foundation. The smallest and the largest group of which the Company is a member for which consolidated financial statements are prepared is that headed by Lloyd's Register Foundation, a copy of which may be obtained from the Company Secretary at its registered office, at 71 Fenchurch Street, London, EC4M 4BS, United Kingdom.

25. Parent company result

Lloyd's Register Group Limited's principal activity is as an investment holding company. The profit for the 6 months ended 30 June 2021 arising in the financial statements of the parent company is £82,198,000 (18 months to 31 December 2020: loss of £78,511,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company. The profit of £82,198,000 includes central management costs, reversal of impairment of intercompany receivables, net intercompany interest charges and the Company taxation charge.

26. Group companies

The following are the subsidiaries and joint ventures of the Group at 30 June 2021. All subsidiaries are consolidated. Details are given of the principal country of operation. The equity share capital of these entities is wholly owned by the Group except where its percentage interest is shown otherwise. All companies are incorporated in their principal country of operation except where stated.

There are four entities included in the below list where the Group owns less than 50% of the subsidiary. All of these entities are incorporated in countries where local legislation requires local nationals to hold at least 50% of the issued share capital of each company. For each of these entities, arrangements exist which afford the Group control of the company's financial and operating policies so as to obtain benefit from its activities.

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership	
Acoura Holdings Ltd ¹	UK	71 Fenchurch Street, London EC3M 4BS, UK	100	
Acoura Compliance Ltd	UK		100	
Acoura Consulting Ltd	UK		100	
Classification and Quality Services Ltd	UK		100	
Classification Holdings Ltd	UK		100	
Lloyd's Maritime Information Services Ltd	UK		50	
Lloyd's Register Apave Limited	UK		51	
Lloyd's Register Asia ¹	UK		100	
Lloyd's Register Asia Trustees Limited ¹	UK		100	
Lloyd's Register Central and South America Ltd ¹	UK		100	
Lloyd's Register EMEA ¹	UK		100	
Lloyd's Register EMEA Trustees Ltd ¹	UK		100	
Lloyd's Register GMT Ltd	UK		100	
Lloyd's Register Group Services Limited ¹	UK		100	
Lloyd's Register Inspection Ltd ¹	UK		100	
Lloyd's Register International ¹	UK		100	
Lloyd's Register Limited	UK		100	
Lloyd's Register Nominee 1 Ltd	UK		100	
Lloyd's Register Nominee 2 Ltd	UK		100	
Lloyd's Register of Shipping Trust Corporation Limited	UK		100	
Lloyd's Register Quality Assurance Ltd ¹	UK		100	
Lloyd's Register Trust Corporation Limited	UK		100	
Lloyd's Register Superannuation Trustees Ltd	UK		100	
Lloyd's Register Verification Ltd ¹	UK		100	
Perry Scott Nash Training Ltd	UK		100	
Seasafe Marine Software & Computation (UK) Ltd	UK		100	
Nettitude Ltd	UK		100	
Threat2Alert Limited	UK		100	
Nettitude Forensics Limited	UK		100	
Lloyd's Register Marine Limited	UK		100	
Safetytech Accelerator Limited	UK		100	
Fullagar Technologies Limited	UK		Bevan Braithwaite Building Granta Park, Great Abington, Cambridge, CB21 6AL	50
Lloyd's Register Finance Limited	UK		Kingswells Causeway, Prime Four Business Park, Kingswells, Aberdeen, Scotland, AB15 8PU	100
Senergy Holdings Ltd	UK	100		
Interactive Petrophysics Limited	UK	100		
Senergy Resources Limited	UK	100		
Lloyd's Register Digital Products (formerly Senergy Software Limited)	UK	100		
Lloyd's Register Aligned Services Ltd (formerly Senergy Aligned Services Limited)	UK	100		
Acoura Certification Ltd	UK	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland, UK	100	
Acoura Marine Ltd	UK		100	
Acoura Ltd	UK		100	
SFQC Ltd	UK		100	
Food Certification Scotland Ltd	UK		100	

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Food Certification International Ltd	UK		100
71FS Insurance Company Limited ¹	GUERNSEY	Polygon Hall, Le Marchant Street, St Peter Port, GY1 4HY, Guernsey	100
WQ-IC Limited	IRELAND	Skybridge House, Dublin Airport, North Swords, Dublin, K67P6K2	100
Lloyd's Register Algeria SARL	ALGERIA	Business Center Tower - Algeria Business Center - 11e Etage, Pins maritimes, Mohammadia, Algiers, Algeria	49
Lloyd's Register Bangladesh Pvt Ltd	BANGLADESH	11 th Floor, 9 Mohakhali C/A, Dkaka - 1212, Dhaka, Bangladesh	100
Lloyd's Register Drilling Integrity Services Australia Pty Ltd	AUSTRALIA	Level 1, 503 Murray Street, Perth WA 6000, Australia	100
Lloyd's Register Belgie vzw ¹	BELGIUM	Lloyd's Register Belgie VZWD, Rijnkaai 37, 20000 Antwerp, Belgium	100
Lloyd's Register Maritiem België BV	BELGIUM	Jan van Gentstraat 7 bus 202, 2000 Antwerpen, Belgium	100
Lloyd's Register Do Brasil Ltda	BRAZIL	Rua da Gloria, 311-11, Andar, Rio de Janeiro, RJ, 20.241.180, Brazil	100
Lloyd's Register Quality Assurance Canada Limited	CANADA	5420 North Service Road, Suite 506 Burlington, Ontario L7L 6C7 Canada	100
Lloyd's Register Canada Limited	CANADA	1888 Brunswick Street, Suite 400, Halifax NS B3J 3j8, Canada	100
MARTEC Limited	CANADA	1888 Brunswick Street, Suite 400, Halifax NS B3J 3j8, Canada	100
Lloyd's Register Classification Society (China) Co Ltd	CHINA	19 th Floor, 550 Yan An dong Road, Huangpu District, Shanghai, China	100
Lloyd's Register Industrial Technical Services (Shanghai) Co. Ltd	CHINA	20 th Floor, Ocean Towers, No 550 Yan An Dong Road, Huang District, Shanghai, China	100
LRQA (Shanghai) Co Ltd	CHINA	20th Floor, Ocean Towers, No 550 Yan An Dong Road, Huang District, Shanghai, China	100
Lloyd's Register Advisory Services China(Shanghai) Ltd	CHINA	Room 1906, No.550 Yan'an East Road, Huangpu District, Shanghai, China	100
Lloyd's Register Central and South America (Curaçao) NV	CURAÇAO	Alablancaweg No. 30 Wilhelminalaan 13, Curaçao	100
Lloyd's Register Egypt LLC	EGYPT	Apartment no 303-3 rd Floor, 13 Ramo Gardens Street - EL Nasr Road, Nasr City, Cairo, Egypt	100
Lloyd's Register Quality Assurance France SAS	FRANCE	Tour Societe Suisse, 1, bld Vivier Merle, 69003, Lyon, France	100
Lloyd's Register Deutschland GmbH	GERMANY	Lloyd's Register EMEA, Adolf-Grimme-Allee 3, 50829 Köln, Germany	100
Hanseaticsoft GmbH	GERMANY	Frankenstraße 29, 20097 Hamburg, Germany	100
Lloyd's Register Marine Deutschland GmbH	GERMANY	Überseeallee 10, Hamburg, 20457, Germany	100
Hellenic Lloyd's SA	GREECE	87 Akti Miaouli, Piraeus, 18538, Greece	100

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Advisory (Hong Kong) Co., Ltd	HONG KONG	RMS 5304-5305, 53/F Hopewell CTR 183 Queen's road East Wan Chai, Hong Kong	100
Lloyd's Register Italia S.R.L ¹	ITALY	Via Sottoripa 1A/112 16124 Genova GE, Italy	100
Lloyd's Register Quality Assurance Italy Srl	ITALY	Piazza della Vittoria 6, 16121, Genova, Italy	100
Lloyd's Register Industrial Services (India) Pvt Ltd ¹	INDIA	63-64 Kalpataru Square, 6 th Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	51
Lloyd's Register Marine and Inspection Services (India) LLP.	INDIA	63-64 Kalpataru Square, 6 th Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	100
PT Lloyd's Register Indonesia	INDONESIA	Menara Dea Tower 1, 12 th Floor, JL Mega Kuningan Barat IX Kav, E4.3 No1, Kawasan Mega Kuningan, Jakarta, 12950, Indonesia	100
Lloyd's Register Japan Kabushiki Kaisha	JAPAN	Queen's Tower A, 2-3-1 Minatomirai, Nishi-Ku, Yokohama	100
Lloyd's Register Kazakhstan LLP	KAZAKHSTAN	29/6 Satpayev Street, Floor, Rakhat Palace Hotel, Almaty, Kazakhstan	100
Lloyd's Register Advisory Services Korea Ltd	KOREA	(CJ Logistics Bldg., Joongang-dong 6-ga) 10F, 119, Daegyo-ro, Jung-gu, Busan	100
Lloyd's Register Quality Assurance (Korea) Ltd	KOREA	17 th Floor, Sinsong Building, 25-4 Yeouido-dong, Yeongdeungpo-gu, Seoul, 150-711, Korea	100
LRQA Lietuva UAB	LITHUANIA	Lvovo Str 25, Vilnius, LT-09320, Lithuania	100
Lloyd's Register Malaysia Sdn Bhd	MALAYSIA	Level 28, Naza Tower, Platinum Park No. 10, Persiaran KLCC 50088 Kuala Lumpur TBC	100
Lloyd's Register of Shipping (Malaysia) Bhd	MALAYSIA	No 10, Persiaran KLCC, 50088, Kuala Lumpur, Malaysia	100
Lloyd's Register Services (Malaysia) Sdn. Bhd.	MALAYSIA	Level 28, Naza Tower, Platinum Park No. 10, Persiaran KLCC, 50088 Kuala Lumpur	49
Lloyd's Register BAIS (Malaysia) Sdn. Bhd	MALAYSIA	Level 28, Naza Tower, Platinum Park No. 10, Persiaran KLCC, 50088 Kuala Lumpur	49
LRQA Malaysia Sdn. Bhd	MALAYSIA	Level 28, Naza Tower, Platinum Park No. 10, Persiaran KLCC, 50088 Kuala Lumpur	100
Lloyd's Register Mozambique Lda	MOZAMBIQUE	Mozambique, Maputo Cidade DISTRITO URBANO 1 Bairro da Polana, Av. Marginal Tenente Ovaldo Tazama Torres Rani Torre 1, 2 Piso, Fracao 5	100
LR Advisory Services BV (Netherlands) (formerly Lloyd's Register Drilling Integrity Services Holding B.V)	NETHERLANDS	Gapingseweg 1A, Serooskerke, 4343JA, Walcheren, Netherlands	100
Lloyd's Register Nederland BV	NETHERLANDS	Wnna-Zuid 168, 3012NC, Rotterdam, Netherlands	100
LR Verification BV ¹	NETHERLANDS	KP van der Mandelelaan 41 A, 3062 MB Rotterdam, Netherlands	100

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register EMEA (Nigeria) Ltd Gte	NIGERIA	6th Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register West Africa Ltd	NIGERIA	6th Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register Voyage AS	NORWAY	Elganeveien 1, 4370 Egersund, Norway	100
Lloyd's Register Oman LLC	OMAN	Bait Al Bahja, Building No 603, Room 21, Way No 2710, Ruwi CBD, Muscat, Sultanate of Oman, PO BOX 2715, RUWI PC 112, Oman	70
Lloyd's Register Pakistan (Private) Limited	PAKISTAN	Lloyd's Register, BRR Towers, 14 th and 15 th Floor, 11 Chundrigar Road, Karachi, 74400 Sindh	100
Lloyd's Register (Polska) Sp Zoo	POLAND	Al. Zwyciestwa 13a, 80-219, Gdansk, Poland	100
Lloyd's Register Qatar LLC	QATAR	Regus Building D-Ring Road, Doha, PO Box 10285, Qatar	49
Lloyd's Register (Romania) SRL	ROMANIA	Sos. Ianului 31, Etaj 3, 021716 Bucuresti, Romania	100
Lloyd's Register Voyage RUS LLC	RUSSIA	Office 1-H, room № 57, liter H, house 8, Line 21 Vasilievsky Island, St. Petersburg, Russia, 199106	100
Lloyd's Register Saudi Arabia Ltd	SAUDI ARABIA	Office Number 7 Second Floor, West Tower Building, AL Khobar, Abdul Azeez Street, Saudi Arabia	100
LRQA South Africa Pty. Ltd	SOUTH AFRICA	Unit C4 Centurion Business Park, Democracy Way, Milnerton, Western Cape, 7441, South Africa	100
Lloyd's Register D.O.O. (Beograd)	SERBIA	Vojvode Stepe 78, Beograd, Serbia	100
Lloyd's Register Quality Assurance España SL	SPAIN	Calle Princesa 29, 28008, Madrid, Spain	100
Lloyd's Register España SA	SPAIN	Princesa, 29-1, 28008, Madrid, Spain	100
Lloyd's Register Drilling Integrity Services Asia Pacific Pte. Ltd	SINGAPORE	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
Lloyd's Register Signapore Pte Limited	SINGAPORE	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
Lloyd's Register Pte. Ltd	SINGAPORE	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
LRQA Sverige AB	SWEDEN	Goateborgsvagen 74, Box 2107, 43302, Savedalen, Sweden	100
Lloyd's Register RiskSpectrum AB	SWEDEN	Box 1288, 172 25 Sundbyberg, Sweden	100
Lloyd's Register International (Thailand) Ltd	THAILAND	3388/78 Floor 22, Sirinrat Building, Rama IV Road Klong-Ton Sub-district, Klong-Toey District, Bangkok, 10110, Thailand	49
Lloyd's Register Gozetim Ltd Sti	TURKEY	Ataturk Caddesi, Sitkibey Plaza, No 82 Kat 3 Daire 12, Kozyatagi, Istandul, Turkey	100
Lloyd's Register (Ukraine)	UKRAINE	63 Bolshaya Morskaya Street, Office 203, Mykolaiv, 54001, Ukraine	100
Lloyd's Register Middle East LLC	UAE	The Blue Tower Building, Khalifa Street, Abu Dhabi, UAE	49
Lloyd's Register Americas, Inc. ¹	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Common Structural Rules Software LLC	USA	16855 Northchase Drive, Houston, TX 77060, USA	50
Lloyd's Register North America, Inc.	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100
Lloyd's Register Americas Advisory Services, Inc.	USA		100
Lloyd's Register Quality Assurance, Inc.	USA		100
Lloyd's Register Technical Services, Inc.	USA		100
LR Insurance, Inc.	USA		100
Nettitude, Inc.	USA	50 Broad Street, New York, NY 10004	100
i4Insight, Inc	USA	1209 Orange Street, Wilmington, Delaware 19801, USA	80
Lloyd's Register Asia (Vietnam) Company	VIETNAM	Suite 450 Petrovietnam Tower, 8 Hoang Dieu Street, Ward 1, Vung Tau City, Ba Ria, Vung-Tau Province, Vietnam	100

¹ Wholly owned directly by Lloyd's Register Group Limited

Shareholdings in one entity is held on Trust on behalf of Vysus Group Holdings Limited following the disposal of the majority of the Group's Energy operations in the prior period. This company is excluded from the Group financial statements from the date of disposal.

Company	Country of Origin	Registered Address	Shareholding %
Lloyd's Register Technical Services Sdn Bhd	MALAYSIA	No 10, Persiaran KLCC, 50088, Kuala Lumpur, Malaysia	49

The following subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Company	Place of registration	Registered number
Classification and Quality Services Limited	England and Wales	03973758
Classification Holdings Limited	England and Wales	03704447
Lloyd's Register Finance Limited	Scotland	SC320138
Lloyd's Register GMT Limited	England and Wales	06428883
Lloyd's Register Group Services Limited	England and Wales	06193893
Senergy Aligned Services Limited	Scotland	SC318186
Senergy Resources Limited	Scotland	SC346964
Senergy Holdings Limited	Scotland	SC252441
Safetytech Accelerator Limited	England and Wales	13099135

Notes to the financial statements (continued)

27. Post balance sheet events

On 16 July 2021, the Group completed the second stage of the acquisition of C-MAP commercial and acquired the trade and assets representing the C-MAP operations in Russia for consideration of \$3.9m.

In September 2021, the Group completed the acquisition of Greensteam for consideration of \$2.5m, a marine data intelligence company specialising in improving vessel efficiency through machine learning.

On 23 November 2021, the Group approved a £7.0m charitable donation to Lloyd's Register Foundation.

On 29 June 2021 the Group announced the sale of 100% of its Business Assurance & Inspection Services business line, including the cyber security business Nettitude, to Goldman Sachs Asset Management. The deal completed after the reporting period on 2 December 2021. The assets and liabilities are being disposed of at an amount above their carrying value. The profit on disposal will depend on the final sale price which is dependent on the results of the business through to the date of disposal. The consideration received will be finalised over the coming months, and given the recent completion it is not possible to provide the estimated profit generated on disposal which will be disclosed in the next set of financial statements.

Independent auditor's report to the member of Lloyd's Register Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyd's Register Group Limited (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 30 June 2021 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- 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 cash flow statement;
- the accounting policies; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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, and we have

fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- linkage to business model and medium-term risks
- assumptions used in the forecasts
- sensitivity analysis
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

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

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

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

Independent auditor's report to the member of Lloyd's Register Group Limited

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.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- 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. These included regulatory compliance certifications that the group holds such as ISO 9001, ISO 14001 and OHSAS 181001.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, pensions, IT, and Real Estate specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas related to revenue, and our specific procedures performed to address them are described below:

- manual adjustments are posted to the general ledger to true-up revenue recognised under multi-year marine in-service contracts. We have performed substantive tests of detail on a sample of contracts to assess the accuracy of the adjustments that were made; and
- the proportion of revenue recognised in the period in relation to fixed price projects that are still in-progress at the end of the period is subject to error due to an inaccurate estimation of costs to complete. We have assessed the design and

Independent auditor's report to the member of Lloyd's Register Group Limited

implementation of key controls relating to this process and performed substantive tests of detail on a sample of contracts by corroborating project progress with project managers and evidencing the inputs to the revenue calculation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the group and of the parent company and their

environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Black

Jeremy Black (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 January 2022