

# **Lloyd's Register International Report and financial statements 30 June 2021**

Company registration number: 06676406 (England & Wales)  
Charity registration number: 1151987 (England & Wales)

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# Strategic report

The accounting reference date has been shortened from 31 December 2021 to 30 June 2021 in line with the parent company. Accordingly, the trustees present their report and financial statements for Lloyd's Register International ("the Company" and "the Charity") for the 6 month period ended 30 June 2021, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The trustees' report and the financial statements have been prepared in accordance with the Companies Act 2006, the Charities Act 2011, Charity SORP (FRS102) (Statement of Recommended Practice) and UK Generally Accepted Accounting Practice (GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Lloyd's Register International is a company limited by guarantee, which has been in existence since its incorporation in August 2008. The Company registered as a charity in early 2013 and began its charitable activities from 1 July 2013.

## Charitable objectives and Strategy

Lloyd's Register International works in collaboration with its ultimate parent charity, Lloyd's Register Foundation ("LRF") and their objectives are closely aligned. The objectives of LRF are described in detail in the separate LRF accounts which are publicly available at the address stated in note 13 to the financial statements.

Lloyd's Register International delivers professional services to clients primarily in Australia and New Zealand. Whilst these clients are fee-paying, in carrying out the services a far wider public benefit is delivered. The work carried out by Lloyd's Register International in fulfilling its charitable objectives ensures public safety in a range of areas, and delivery of that public benefit is a key reason that Lloyd's Register International carries out this work.

## History

Lloyd's Register International is part of the Lloyd's Register Group. Lloyd's Register Group's reputation as an independent body – with safety, integrity and high standards as its guiding principles – has been built up over more than 260 years. Set up in 1760 to survey merchant ships and 'classify' them according to their condition, in the 1900s it began to apply its expertise to other sectors.

On 1 July 2013, the Charity signed an agreement with another member of the Lloyd's Register Group for the immediate takeover of existing charitable activities of Lloyd's Register Asia's branches in Australia and New Zealand. These activities take the form of primary purpose trading. The Charity agreed to pay an amount equivalent to book value of the net assets transferred from each of those branches.

## Activities, public benefit and future plans

Lloyd's Register International is a UK charity which has been set up primarily to provide services in Australia and New Zealand. In line with those of LRF, its objectives are to secure for the benefit of the public, the protection of life, property and the environment, to promote public education, and to promote industry and commerce by promoting best practice and high standards in management systems and practices for the purposes of pursuing the foregoing.

The charity has branches in Australia and New Zealand and employs engineers and other professional staff who assess whether ships and other high value assets have been constructed, maintained and operated in accordance with proper standards of safety.

The specific activities include:

- classification and surveying services for ships;
- interpretation and application of the Lloyd's Register Rules; and
- asset integrity and asset management services such as managing the integrity, risk performance and reliability of equipment and assets.

Accurately assessing the success of improvements in safety and the impact of these activities is challenging. The most relevant metrics are considered to be the number of employees and the hours contributed to the above activities.

In addition to the activities described above which provide short-term improvements, employees also help to improve the Lloyd's Register Rules for the construction, maintenance and disposal of assets which provide longer term safety improvements.

# Strategic report (continued)

During the 6 month period the Charity's employees contributed 20,000 hours (18 months ended 31 December 2020: 59,000 hours) towards the advancement of the Charity's objectives.

The financial performance of the Charity is described in the financial review below. The positive result for the period has generated increased reserves for the consolidated LRF group, helping to achieve the objectives of both Lloyd's Register International and LRF.

Unfortunately, there continue to be reports from around the world where vessels which were not safe were involved in casualties leading either to loss of life or pollution. Having a vessel inspected by an organisation such as Lloyd's Register International should help reduce the risk of an incident occurring and should therefore help to safeguard the lives of those who travel on the ships either as crew or passengers, or prevent pollution and subsequent environmental damage.

We plan to continue to grow the business in Australia and New Zealand since the more vessels which we can inspect in this way, the more we can help to maintain the safety of life and protect the environment.

The risks to the fulfilment of our plans include our ability to continue to recruit sufficient numbers of professional staff, economic decline in our key markets, the increasingly litigious nature of the industries in which we operate and threats to cyber security. However, as part of the Lloyd's Register Group we are able to call on support from experts in other parts of the group to help us to understand and mitigate our risks.

## Financial review and policies

### Results for the period

The charity had a net income of £0.6m in the 6 months to 30 June 2021 (18 months to 31 December 2020: £0.3m), an increase of £0.3m.

The increase in net income is principally due to an increase in pro-rated revenue following a recovery in activity levels following covid-19 related impacts.

### Reserves policy

The trustees expect to generate a small surplus on an ongoing basis. It is intended that surpluses will be retained until a reserve equal to 6 months of recurring operational costs is built up. Having achieved the targeted level of surplus, the Charity expects to obtain a return on its excess cash through financing arrangements with the consolidated Lloyd's Register group, whose ultimate parent company, LRF, has similar charitable objectives, and may utilise an element of these funds within the next 12 months to further the Company's charitable objectives.

It is expected that this level of reserves will allow trustees to retain sufficient funds to avoid threats to the Charity's overall financial health and be able to respond appropriately should they encounter difficult operational conditions that result in the primary purpose trading activities being unable to generate an annual surplus.

### Financial position

At 30 June 2021, the charity had reserves of £8.6m (31 December 2020: £8.2m) an increase of £0.4m as a result of the net income for the period, partially offset by foreign exchange differences on translation of net assets of overseas operations.

### Principal risks and uncertainties

In the opinion of the directors, the principal risks and uncertainties facing the Charity relate to its ability to continue to generate sufficient income to cover its fixed costs, its ability to maintain control of its working capital levels, and its exposure to political risk due to its overseas operations, with particular reference to possible changes in overseas legislation regarding the remittance of funds to the United Kingdom.

## Strategic report (continued)

The strategic risks of the Charity are:

- Global economic slow-down affects the key markets in which the Charity operates;
- Emerging and disruptive technologies, or other changes in the competitive landscape adversely impact our business model;
- Loss of customer trust or decline in customer experience leads to loss of market share;
- Inability to attract and retain the best people and talent with the necessary skills, including technical and commercial, to support the delivery of the Charity's strategy; and
- Geopolitical changes, such as changing sanction regimes that impact our markets.

The operational and compliance risks of the Charity are:

- Health, safety and security of our workforce;
- Failure of a client asset or process as a result of a breakdown in the Charity's quality assurance processes;
- Cyber and data related security incidents;
- Major project delay, overspend or failure;
- Loss of a major global accreditation preventing operations in a key market or geography; and
- Legal and regulatory compliance, including adherence to legal and regulatory standards and litigation risk in various jurisdictions. Key laws and regulations that impact the Charity include those relating to anti-bribery and corruption, data protection and competition.

### Management of risk

The trustees have considered the key risks that the Charity faces and have put in place procedures to manage and mitigate the potential impact of those risks.

These principal risks include, among others:

- inadequate controls over beneficiaries leading to loss of monies or reputational damage;
- poor financial performance by the Australian and New Zealand branches; and
- management of the balance between the incidental private benefit delivered to clients and the public benefit that is the main reason for carrying out services for clients.

The Trustees consider the financial performance to be its most significant key risk to meeting its objectives. The associated mitigating controls and procedures include regular review of the strategy and of the financial performance by the Trustees including performance compared to forecasts.

All risks identified have been embedded in a risk register. For each of these risks the Board has assessed existing mitigation and established additional systems or procedures where necessary to manage the risks. Risks are identified and assessed and controls are reviewed throughout the year.

### Financial risk management

Lloyd's Register International 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 and credit risk.

#### *Foreign exchange risk (price risk)*

Lloyd's Register International operates branches in Australia and New Zealand (as detailed above). The branches invoice clients and pay costs in either the local currency or an agreed contracted currency and thus the Charity overall is exposed to market fluctuations in the exchange rates between Sterling and those local currencies in terms of the overall profits it generates in foreign branches.

The impact of changes in exchange rates on cash flows in foreign currencies cannot be forecast with any reasonable degree of certainty, and thus the Charity only hedges against exchange rate fluctuations to the extent that costs are paid in the same currency as the income that they are used to generate.

## Strategic report (continued)

### *Credit risk*

Lloyd's Register International has chosen to follow the Lloyd's Register Group policy of performing assessments on the creditworthiness of new clients, and where appropriate assigning a credit limit to clients' accounts.

### **Branches**

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



K Proffitt

By order of the Board

27 January 2022

# Governance, structure and management

Lloyd's Register International is a company limited by guarantee and a registered charity. It is governed by a memorandum and articles dated 12 April 2013 (following original incorporation in 2008).

The trustees of the charity are also directors of the Company for the purposes of the Companies Act 2006. Trustees are employed by the Lloyd's Register group however are not remunerated for their services as trustees of the Charity.

Lloyd's Register Group Limited is the sole member of the charitable Company. The ultimate parent is Lloyd's Register Foundation (a charitable Company registered in England and Wales, number 1145988) by virtue of its control of Lloyd's Register Group Limited.

The Charity is governed by a board of trustees. The Board is ultimately responsible for the Charity's strategy.

Trustees who served during the period and as of the date of approval of the trustees' report are listed below.

	Appointed	Resigned
A J Williams		2 December 2021
F R Erwig		
K Proffitt		
D D Wagstaff	15 December 2021	

The day-to-day running of the Charity's activities is delegated to the managers of operations, Bruce Maroc, Owen Ritson and Paul Jackson, who are considered the key management personnel. Trustee and key management personnel remuneration disclosures have been made in note 6 and note 13 of the financial statements, respectively.

The remuneration of the charity's key management personnel is set to:

- provide a base salary designed to attract and retain key management which also reflects their level of responsibility and experience;
- see that they are fairly and responsibly rewarded for their individual contributions; and
- take account of competitive rates of total remuneration, based upon surveys of comparative organisations which are undertaken from time to time.

## Trustee induction and training

A programme of trustee training is in place for both new and existing trustees. It is anticipated that trustees will in general be drawn from a pool of staff working within the Lloyd's Register Foundation group who in general have particular expertise in matters of corporate and charitable governance.

The Board sets the Charity's strategy and is responsible for ensuring it fulfils its objectives whilst delivering public benefit and for ensuring good governance.

It considers charity policies, approves annual budgets, and will review the activities, public benefit and financial results of the primary purpose trading.

## Employees

Lloyd's Register International 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, career development and promotion to disabled employees wherever appropriate.

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

# Governance, structure and management (continued)

## Public benefit

The trustees have a duty to report on how the charity provides public benefit by explaining:

- the significant activities undertaken in order to carry out its aims for the public benefit; and
- its achievements measured against those aims.

The trustees confirm that they have had regard to the Charity Commission's guidance on public benefit in reporting on the charity's objectives and achievements on pages 1 and 2.

## Going concern

In the opinion of the trustees, the Charity has adequate financial resources and is able to manage its business risks. The Charity's planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the sources of income and planned expenditure. The trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future.

The trustees believe that there are no material uncertainties that call into doubt the Charity's ability to continue in operation. Accordingly, the Charity's financial statements have been prepared on the basis that the Charity is a going concern.

## Disclosure of information to auditor

Each of the trustees, listed above, in office at the time of approving the trustees' report confirms that:

- So far as each trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- Each trustee has taken all steps a trustee 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.

## Auditor

Deloitte LLP are the Company's auditor for the period ended 30 June 2021.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be reappointed as auditor.



# Legal and administrative details

## Financial statements and trustees' report

The financial statements have been prepared in accordance with the accounting policies set out on pages 12 to 14 and comply with applicable laws and the Charity SORP (FRS102) (Statement of Recommended Practice).

This trustees' report has been prepared in accordance with Part 8 of the Charities Act 2011 and the Companies Act 2006.

## Governing document

Lloyd's Register International is a company limited by guarantee, governed by its Memorandum and Articles of Association.

## Company number

06676406 (England and Wales)

## Charity number

1151987 (England and Wales)

## Bankers

HSBC UK Bank Plc  
Level 6  
71 Queen Victoria Street  
London  
EC4V 4AY

## Registered office

71 Fenchurch Street  
London  
EC3M 4BS

## Principal offices

### *Australia:*

Level 16  
461 Bourke Street  
Melbourne  
Victoria 3000

### *New Zealand:*

Level 4  
AMI House  
63 Albert Street  
Auckland 1130

By order of the Board



K Proffitt  
Trustee  
27 January 2022

## Statement of Trustees' responsibilities

The trustees (who are also directors of the charity for the purposes of company law) are responsible for preparing the report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the trustees to prepare the financial statements for each financial period which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charity SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of financial activities (incorporating an income and expenditure account) for the 6 month period ended 30 June 2021

	Note	Unrestricted and total funds 6 months ended 30 June 2021	Unrestricted and total funds 18 months ended 31 December 2020
		£'000	£'000
<b>Income</b>			
Donations		—	639
Investment income		23	47
Income from charitable activities		<u>6,399</u>	<u>17,420</u>
<b>Total income</b>		<u>6,422</u>	<u>18,106</u>
<b>Expenditure</b>			
Charitable activities		<u>(5,862)</u>	<u>(17,837)</u>
<b>Total expenditure</b>		<u>(5,862)</u>	<u>(17,837)</u>
<b>Net income</b>	4	560	269
Foreign exchange differences on translation of net assets of overseas operations		(194)	(52)
<b>Net income before and after tax / net movement in funds</b>		<u>366</u>	<u>217</u>
Funds brought forward		<u>8,217</u>	<u>8,000</u>
Funds carried forward		<u><b>8,583</b></u>	<u><b>8,217</b></u>

All of the charity's results derived from continuing operations. There are no recognised gains or losses for the current or preceding period other than those presented above.

# Balance sheet at 30 June 2021

	Note	30 June 2021 £'000	31 December 2020 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	56	76
<b>Current assets</b>			
Debtors	9	17,189	16,350
Cash and cash equivalents		480	209
		<u>17,669</u>	<u>16,559</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(9,007)</u>	<u>(8,319)</u>
<b>Net current assets</b>		<u>8,662</u>	<u>8,240</u>
Total assets less current liabilities		8,718	8,316
Provisions for liabilities	11	(135)	(99)
<b>Net assets</b>		<u>8,583</u>	<u>8,217</u>
<b>The funds of the charity</b>			
General fund - unrestricted	14	<u>8,583</u>	<u>8,217</u>
<b>Total charity funds</b>		<u>8,583</u>	<u>8,217</u>

The financial statements of Lloyd's Register International, company number 06676406, were approved and authorised for issue by the trustees on 27 January 2022 and signed on their behalf by:

*Frans Erwig*

F R Erwig  
Trustee

*K Proffitt*

K Proffitt  
Trustee

Company number: 06676406

# Cash flow statement for the 6 month period ended 30 June 2021

		6 months to 30 June 2021	18 months to 31 December 2020
	Note	£'000	£'000
Net cash inflow / (outflow) from operating activities	i	268	(91)
Cash flows from investing activities:			
Proceeds from sale of tangible fixed assets		13	—
Purchase of tangible fixed assets		(10)	(8)
<b>Net cash flows generated by / (used in) investing activities</b>		<b>3</b>	<b>(8)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>271</b>	<b>(99)</b>
Cash and cash equivalents at beginning of period		209	308
Net increase / (decrease) in cash and cash equivalents		271	(99)
<b>Cash and cash equivalents at end of the period</b>		<b>480</b>	<b>209</b>

i. Reconciliation of operating surplus to net cash inflow / (outflow) from operating activities

	6 months to 30 June 2021	18 months to 31 December 2020
	£'000	£'000
Net income for the reporting period (as per the statement of financial activities)	560	269
Exchange adjustment	(195)	(49)
Depreciation	14	138
Increase in debtors	(839)	(2,632)
Increase in creditors	688	2,146
Increase in provisions	40	37
<b>Net cash inflow / (outflow) from operating activities</b>	<b>268</b>	<b>(91)</b>

# Notes to the financial statements for the 6 month period ended 30 June 2021

## 1. Legal information and basis of accounting

Lloyd's Register International is a private company limited by guarantee, incorporated in Great Britain, registered in England and Wales and a registered charity. It is governed by its memorandum and articles.

These financial statements have been prepared under the historical cost convention. They have been prepared in accordance with the Statement of Recommended Practice FRS 102 "Accounting and Reporting by Charities" ("the Charities SORP"), the reporting requirements of the Companies Act 2006, the Charities Act 2011 and applicable accounting standards in the United Kingdom.

The charitable company has adapted the Companies Act formats to reflect the Charities SORP. The financial statements have been prepared on a going concern basis as discussed in the trustees' report.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments and intra-group transactions.

## 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

The functional currency of the reporting entity is considered to be pounds Sterling because that is the currency of the primary economic environment in which the Company operates. The branches of the Company each have their own functional currency reflective of the economic environment in which they operate. See accounting policy g for further information on the translation of overseas branches to pounds sterling. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

### a. Incoming resources

Incoming resources are accounted for on an accruals basis and included in the statement of financial activities when the Company is entitled to the income and it can be quantified with reasonable certainty.

Turnover from surveys and inspections, which are the main activities of the Company, 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.

### b. Resources expended

Expenditure is accounted for on an accruals basis.

Costs of generating funds are costs associated with generating incoming resources.

Resources expended on charitable activities comprise all the resources applied by the charity in undertaking its work to meet its charitable objectives as opposed to the cost of raising the funds to finance these activities and governance costs. Charitable activities are all the resources expended by the charity in the delivery of goods and services, including its programme and project work that is directed at the achievement of its charitable aims and objectives.

Support costs are included within management fees as described in note 3. This includes legal costs and other professional fees.

### c. Tangible fixed assets

Tangible fixed assets are capitalised at cost, net of depreciation and any provision for impairment.

Depreciation of tangible fixed assets is provided by the straight-line method, commencing with the year in which they are first ready for use, at rates estimated to write off their cost during their respective estimated useful lives as follows:

# Notes to the financial statements for the 6 month period ended 30 June 2021 (continued)

Motor vehicles	5 years
Office fittings and equipment	8 years
Computer equipment	5 years
Leasehold improvements	Length of the lease

## d. Taxation and Value Added Tax

The Company is a UK registered charity and is exempt from Corporation Tax under Chapter 3 of Part 11 to the Corporation Tax Act 2010 or section 236 of the Taxation for Chargeable Gains Act 1992 to the extent that surpluses are applied to its charitable purposes. The branch operations have charitable status in Australia and New Zealand and enjoy various exemptions from taxation in those territories.

## e. Deferred tax

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, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the trustees consider that it is more likely than not, that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

## f. Fund accounting

The charity's general fund comprises accumulated unrestricted surpluses and deficits.

## g. Foreign currencies

Foreign currencies are dealt with as follows:

- i. Foreign currency denominated assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.
- ii. Incoming resources and resources expended are translated at the appropriate rates prevailing during the period, updated on a monthly basis.
- iii. Exchange differences are shown as part of income and expenditure in the statement of financial activities. Those arising from the translation of overseas assets and liabilities are shown separately below net incoming resources before other recognised gains and losses.

## h. Leases

The costs of operating lease rentals are charged to the statement of financial activities 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.

## i. Pensions

Contributions payable to defined contribution schemes are recognised in income and expenditure in the period to which they relate.

## j. Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs).

## k. Provisions

Provision is made for certain dilapidation costs. Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the directors best estimate of the expenditure required to settle the obligation at the reporting date are discounted to present value where material.

# Notes to the financial statements for the 6 month period ended 30 June 2021 (continued)

## I. Donations

Donations include all income received by the Charity that is made on a voluntary basis and is not conditional on delivering certain levels or volumes of service or supply of charitable goods.

### 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 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 Company'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), that the directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

### Key sources of estimation uncertainty

#### Revenue recognition

The Company 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 these estimates indicate that any contract will be less profitable than previously forecast, accrued income may have to be written down to the extent that it is no longer considered to be fully recoverable.

## 3. Charitable activities

Charitable activities relate to the trading activities of the Company's branches which are the source of all income. The Company does not separately identify income by each charitable activity listed on page 1 as it is not practical to do so. The Company does not undertake any fundraising activities from the general public.

Expenditure includes support and governance costs recharged from Lloyd's Register Group Limited within the management charge of £0.9m (18 month to 31 December 2020: £1.0m), which are incurred in fulfilling the Company's delivery of professional services to its clients in furtherance of its charitable objectives. It is not possible to allocate governance costs between the Company's activities, or to separately identify within the management charge from Lloyd's Register Group Limited the amount charged for governance.

Auditors remuneration, which forms part of governance costs is disclosed in note 4.

## 4. Net income

This is stated after (crediting) / charging:

	6 months ended 30 June 2021	18 months ended 31 December 2020
	£'000	£'000
Credit for bad and doubtful debts	(2)	(85)
Depreciation	14	138
Auditors remuneration: Statutory audit of the Financial statements	45	50
Audit of branches	48	—
Foreign exchange (gain) / loss	(127)	157
Operating lease rentals		
Leasehold properties	94	427
Other equipment	6	11



# Notes to the financial statements for the 6 month period ended 30 June 2021 (continued)

## 5. Employees

	6 months ended 30 June 2021	18 months ended 31 December 2020
	£'000	£'000
Wages and salaries	2,830	8,222
Social security costs	15	48
Pension costs	235	715
	<u>3,080</u>	<u>8,985</u>

The average number of employees, analysed by function, was:

	6 months ended 30 June 2021	18 months ended 31 December 2020
	£'000	£'000
Marine and Offshore	50	49
Management Systems and Inspection Services	2	2
Administrative and support	7	8
	<u>59</u>	<u>59</u>

The following number of employees earned emoluments within the bands shown below. Emoluments include benefits in kind, but exclude employer defined contribution pension costs.

	6 months to 30 June 2021 Number	18 months to 31 December 2020 Number
£60,001 - £70,000	6	4
£70,001 - £80,000	3	2
£80,001 - £90,000	—	1
£90,001 - £100,000	—	3
£100,001 - £110,000	—	2
£110,001 - £120,000	—	5
£120,001 - £130,000	—	3
£130,001 - £140,000	—	2
£140,001 - £150,000	—	2
£150,001 - £160,000	—	8
£160,001 - £170,000	—	10
£170,001 - £180,000	—	6
£180,001 - £190,000	—	3
£190,001 - £200,000	—	2
£230,001 - £240,000	—	1
£250,001 - £260,000	—	1

The remuneration of Key Management Personnel is disclosed in note 13.

# Notes to the financial statements for the 6 month period ended 30 June 2021 (continued)

## 6. Trustees

The Trustees are the directors of the Charity. All Trustees are paid employees of related companies. The Trustees do not currently receive remuneration in respect of their duties as Trustees. No Trustees received reimbursement for out of pocket expenses (18 months to 31 December 2020: £nil).

The Charity maintained throughout the period Trustees' and Officers' liability insurance in respect of itself and its Trustees.

## 7. Taxation

The Foundation is a UK registered charity and is not subject to UK corporation tax on its charitable activities.

There is no current tax or deferred tax charge for both periods.

### Factors affecting the charge for the period

	6 months ended 30 June 2021	18 months ended 31 December 2020
	£'000	£'000
Net incoming resources before transfers and other recognised gains	560	269
Taxation	—	—
Net incoming resources before taxation	560	269
Taxation implied by standard rate of United Kingdom corporation tax of 19% (2020: 19%)	106	51
Effects of:		
Non-deductible expenses	(45)	(147)
Tax exempt surpluses	(61)	96
Overseas rate differences	—	—
	—	—

There are no recognised or unrecognised deferred tax assets as at 30 June 2021 (31 December 2020: £nil).

## 8. Tangible fixed assets

	Motor vehicles £'000	Computer equipment £'000	Office fittings and equipment £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>					
At 31 December 2020	38	235	165	343	781
Additions	—	8	2	—	10
Disposals	(37)	—	—	—	(37)
Exchange differences	(1)	(9)	(6)	(13)	(29)
At 30 June 2021	—	234	161	330	725
<b>Accumulated depreciation</b>					
At 31 December 2020	22	187	155	341	705
Charged in period	3	8	2	1	14
Disposals	(24)	—	—	—	(24)
Exchange differences	(1)	(7)	(6)	(12)	(26)
At 30 June 2021	—	188	151	330	669
<b>Net book value at 30 June 2021</b>	—	46	10	—	56
Net book value at 31 December 2020	16	48	10	2	76

# Notes to the financial statements for the 6 month period ended 30 June 2021 (continued)

## 9. Debtors

	2021 £'000	2020 £'000
Trade debtors	2,122	1,756
Amounts owed from group undertakings	12,993	12,736
Other debtors	56	36
Prepayments and accrued income	2,018	1,822
	<b>17,189</b>	<b>16,350</b>

All financial assets (including cash) and liabilities are measured at amortised cost.

## 10. Creditors: amounts falling due within one year

	30 June 2021 £'000	31 December 2020 £'000
Trade creditors	149	20
Amounts owed to group undertakings	4,270	3,856
Other creditors	504	672
Other taxation and social security	171	127
Accruals and deferred income	3,913	3,644
	<b>9,007</b>	<b>8,319</b>

## 11. Provisions for liabilities

	Property dilapidations £'000
At 31 December 2020	99
Exchange revaluation	(4)
Provided in period	40
At 30 June 2021	<b>135</b>

**Property dilapidations:** The provisions are maintained to meet contractual obligations to perform restoration on leasehold properties on exit. Settlement of these provisions is expected within 7 years.

## 12. Contingent liabilities, capital and financial commitments

	30 June 2021 £'000	31 December 2020 £'000
<b>Contingent liabilities:</b>		
In respect of bank guarantees	130	128
	<b>130</b>	<b>128</b>

It is not anticipated that claims will arise in respect of bank guarantees given. There are no capital commitments as at 30 June 2021 (31 December 2020: none). Commitments under non-cancellable operating leases were as follows:

# Notes to the financial statements for the 6 month period ended 30 June 2021 (continued)

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

	Land and buildings	
	30 June 2021	31 December 2020
	£'000	£'000
Within one year	73	268
Within two to five years	—	96
	<u>73</u>	<u>364</u>

## 13. Related party transactions and parent entities

The ultimate parent is Lloyd's Register Foundation, a company registered in England & Wales and a registered charity which has similar objectives to Lloyd's Register International. The immediate parent is Lloyd's Register Group Limited, a company registered in England & Wales.

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 Charity defines its key management personnel as the managers of country operations as described in the Trustees' Report. The remuneration for key management personnel including national insurance and pension benefits for the period totalled £110,000 (18 month to 31 December 2020: £348,000).

These financial statements will be included in the consolidated financial statements of Lloyd's Register Foundation, whose report and financial statements for the 6 month period to 30 June 2021 are available from its registered office at 71 Fenchurch Street, London, EC3M 4BS.

The parent of the smallest group for which consolidated financial statements are prepared of which this Company is a part is Lloyd's Register Group Limited, a company registered in England and Wales. The financial statements of Lloyd's Register Group Limited are available from the above address.

## 14. Funds

The Charity has a single unrestricted fund therefore movements in the fund and summary of assets and liabilities are disclosed in the primary financial statements. It is intended that surpluses will be retained until funds equal to 6 months of recurring operational costs is built up. The Charity expects to obtain a return on its excess cash through financing arrangements with the consolidated Lloyd's Register Foundation group, which has similar charitable objectives, and may utilise an element of these funds within the next financial period to further the company's charitable objectives.

# Independent auditor's report to the member of Lloyd's Register International

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Lloyd's Register International (the 'charitable company'):

- give a true and fair view of the state of the charitable company's affairs as at 30 June 2021 and of incoming resources and application of resources, including its income and expenditure, 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 statement of financial activities (incorporating an income and expenditure account);
- the balance sheet.
- the cash flow statement.
- the related notes 1 to 14.

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 charitable 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 charitable 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 trustees with respect to going concern are described in the relevant sections of this report.

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report (incorporating the Strategic Report.), other than the financial statements and our auditor's report thereon. The trustees 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) 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 trustees 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable 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

# Independent auditor's report to the member of Lloyd's Register International (continued)

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## 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 charitable company's industry and its control environment, and reviewed the charitable company'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 charitable company 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 charitable company's ability to operate or to avoid a material penalty. These included regulatory compliance certifications that the charitable company 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 and IT 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 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 trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law 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 included within the trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the charitable company and its environment obtained during the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the trustees' report.

# Independent auditor's report to the member of Lloyd's Register International (continued)

## 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' 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 charitable 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 charitable 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 charitable company and the charitable 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

27 January 2022