

**Lloyd's Register Group Limited**  
**Annual report and consolidated**  
**financial statements**  
**30 June 2019**

Company registration number: 08126909



# Lloyd's Register Group Limited

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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 the subsidiaries, joint ventures and branches 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.

# Highlights

## Turnover £ millions

2018/19	████████████████████	893
2017/18	████████████████████	864
2016/17	████████████████████	887
2015/16	████████████████████	881
2014/15	████████████████████	1,038
2013/14	████████████████████	1,028

## Average headcount

2018/19	████████████████████	7,117
2017/18	████████████████████	6,809
2016/17	████████████████████	7,472
2015/16	████████████████████	8,172
2014/15	████████████████████	8,892
2013/14	████████████████████	8,926

## Operating cashflow £ millions

2018/19	(23)	████████
2017/18	(32)	████████
2016/17		██████████ 55
2015/16		██████████ 44
2014/15		██████████ 33
2013/14		██████████ 57

## Operating profit before exceptional items £ millions

2018/19	██████████	30
2017/18	██████	16
2016/17	██████████	49
2015/16	██████████	53
2014/15	██████████	64
2013/14	██████████	74

## Turnover per employee £ thousands

2018/19	████████████████████	125
2017/18	████████████████████	127
2016/17	████████████████████	119
2015/16	██████████	108
2014/15	██████████	117
2013/14	██████████	115

## Statutory operating profit £ millions

2018/19	██████	10
2017/18	████	7
2016/17	████████	17
2015/16	██████████	34
2014/15	██████████	31
2013/14	██████████	37

## Chairman's Statement

Geopolitical and economic uncertainty continue to affect our traditional markets; maritime, shipping, offshore and oil and gas. Whilst the global Marine & Offshore order book has been higher than expected this year, the longer-term outlook is less optimistic. Oil and gas markets continue to be volatile, balancing supply and demand.

The operating model and systems transformation associated with our strategy is reaching a natural conclusion as deployment gives way to optimisation. Investments in digital, across all sectors, are progressing to support our clients and create new opportunities for business growth. The focus on cost and operational efficiency will continue to improve competitive advantage and the return to the Foundation.

### Safety and Culture

Our purpose remains resolute in our changing world – working together for a safer world. LR's expertise across safety, security and sustainability, combined with the work of the Lloyd's Register Foundation, are leveraged to make a positive impact to society within a business model for the 21st century.

Safety underpins all that we do and remains a priority for the Board, executive team and colleagues. We are pleased to report another year of improvement in our health and safety record including a further reduction in the number of lost time incidents. Every incident is however a reminder of the challenges we face to achieve our aspiration of Zero-Harm. This year the introduction of data insights into our analysis is bringing new learnings to the team improving our safety training and I am delighted that we are sharing best practice with our clients around the world.

Strong collaboration between the Group's consultancy and data innovation teams and the Lloyd's Register Foundation has helped us to become an even more pivotal, founding, partner for the HiLo venture, which is using data, complex models and deep risk management consultancy expertise to improve safety in global shipping.

The Board is increasing its focus upon diversity and inclusion and I am pleased to report progress towards the closing of the gender pay gap and the deployment of the Diversity and Inclusion programme across all leadership teams this year.

### Sustainability

In the 2 years since LR became a signatory to the United Nations Global Compact; the guardian of the UN Sustainable Development Goals and the world's largest corporate responsibility initiative, I am delighted to witness the progress in the launch of the Ocean Opportunities, Global Goals at the Norshipping event this summer and our signatory to the Sustainable Ocean Business principles. Our emphasis on ocean sustainability is reinforced in our work supporting clients to prepare to meet the obligations of the IMO's 2050 greenhouse gas (GHG) reduction target with further work on zero-emission vessels in partnership with the Global Maritime Forum.

### Board changes

I would like to thank my fellow board members for their support, enthusiasm and commitment to strong governance throughout the year.

I would like to extend my deep thanks to Ron Henderson who retired from the board in December 2018 after 10 years of service to Lloyd's Register. His contribution has been tremendous including his Chairmanship of the Audit and Risk Committee and serving on the Pension Trust Investment Board.

I take great pleasure in welcoming Ishbel Macpherson as a non-executive Director of the Lloyd's Register Group Limited board and Chair of the Audit and Risk Committee. Ishbel has spent over 20 years in corporate finance in the City of London and since leaving the City has become an experienced non-executive Director.

Finally, on behalf of the board, I would like to thank our Group Chief Executive Alastair Marsh, his executive team, and all our dedicated LR colleagues around the world, for navigating LR through such a challenging yet exciting year. We have great confidence in the ability of LR's exceptional people to continue the transformation of our unique organisation to meet the needs of tomorrow.

**Thomas Thune Andersen**

**Chairman, Lloyd's Register Group Limited**

# Strategic Report

## Chief Executive's Report

Four years ago, we launched a new strategy for LR, with a vision to build a more integrated business model enabled by agile technology and systems, investing in our talent, both technical and commercial, building stronger connections with external stakeholders and increasing our customer focus. This will enable our digital transformation.

Geopolitical and economic uncertainty has impacted our core markets during this period, and throughout we have balanced operational efficiency, cost effectiveness and investing for our future.

This year we have delivered modest growth in challenging markets though our margin remains low reflecting the level of investment for the future and a difficult Energy market. The scale of our change programme has been significant, and we now enter a period of consolidation and optimisation. To meet the needs of our clients we have prioritised investment in our products and services, specifically digitisation.

I am confident that the changes that we have made in restructuring and investment set us up for success in the future though I recognise that markets remain somewhat fragile.

### Investing in our talent

Safety remains our number one priority and we employ best practice to improve our record and look after our colleagues, clients' employees and others. At year end we finalised our first 3-year Health and Safety improvement programme and have achieved a 36% reduction in Lost Time Incidents. Over 35,000 hours of safety training have been undertaken with a major global focus on Working Over Water.

Investing in our people is a key pillar of our strategy, not only to maintain our highest standards of technical expertise and service delivery, but also to achieve our commercial goals in an evolving marketplace. We continue to develop the LR Academy, which provides colleagues across the world with 24/7 access to a curriculum of selected programmes across leadership and professional specialisms. Our core leadership and management programmes have been relaunched with new content reflecting our changing strategy and culture, making use of virtual channels for learning and peer coaching.

The deployment of the culture change programme, "Be the Change" was completed this year, with over 6,000 colleagues participating through workshops delivered by a team of internal facilitators. This is generating an enduring and positive impact on language and behaviours across LR and planning is underway for the next phase of the programme.

The launch of our new global platform for measuring and understanding colleague engagement and views has equipped the leadership team to understand better the impact of change across LR.

Our Diversity and Inclusion ('D&I') Plan is on track, with all leadership teams participating in workshops intended to help us understand unconscious bias and thereby increase our focus on D&I within the business.

### Customer First

We continually strive towards the vision of "making it easier for clients to work with us, everywhere, every time" and all colleagues are completing customer experience training through the LR Academy.

Maintaining our leadership in the global marine new construction order book and increasing our overall fleet size is testament to our strong client relationships and their regard for our technical expertise and service delivery quality.

This year we delivered a pilot project using the customer journey mapping methodology in our BA&IS business which provided evidence of our delighting clients at an individual level and through Net Promoter Scores.

We continue to partner with our clients to accelerate innovation and provide support with major issues, with examples being:

- The first autonomous navigation system on an ocean-going vessel, moving the industry towards the safe, efficient deployment of autonomous navigation systems.
- A ground-breaking co-operation project with HHI to explore the value of blockchain when applied to ship building.
- The first ever approval of a digital twin health management system for marine applications (working with GE), the first step towards a truly digitalised classification service to help our clients leverage data to understand asset health over time.

## Strategic Report (continued)

- Providing significant support to ship owners preparing for compliance with the 0.5% global sulphur cap on fuel content to meet International Maritime Organisation (IMO) requirements from 1 January 2020.
- Two blockchain pilot projects focused on asset and material traceability within the supply chain.
- Development of a brand new quality standard for additive manufacturing and first certification for an Oil & Gas major.

### Influencing our World

Our external affairs network continues to expand to support global trade, particularly as we prepare for a post-Brexit world and promoting our purpose: 'working together for a safer world'. Relationships with the Department for International Trade are deepening both in the UK and with British Embassy support in our core and developing markets.

In partnership with the UK's University Maritime Advisory Services (UMAS), a series of studies on low carbon transitions pathways have been published for engine development, vessel design and operational implications relating to IMO ambitions. We are also contributing to the work of the Global Maritime Forum (GMF) on Zero-Emission Vessels and the formulation of the Poseidon Principles (a pioneering set of principles that will integrate climate considerations into lending decisions in line with IMO's Greenhouse Gas (GHG) strategy).

LR is a founding member of the United Nations Global Compact, Action Platform for Sustainable Ocean Business, and has contributed to the recent "Ocean Opportunities, Global Goals" report. We are early signatories to the Sustainable Ocean Business principles, which was formally launched at the United Nations General Assembly in September 2019.

### Integrated operating model – Simplified and aligned enterprise

Over the past 3 years we have made significant investments in our enterprise architecture, simplifying and standardising the back office whilst also providing new tools and systems for our colleagues to improve their operational efficiency whilst also delivering an improved experience for our clients.

A new Enterprise Resource Planning (ERP) solution embracing people and finance systems has been at its heart aligning processes across all our businesses with automation simplifying workflow from order to cash. We have now completed the global rollout, implementing in over 75 countries in 2 years, and deploying across the four final areas this year: Americas, North Europe, North Asia and South Asia.

### Digital innovation

We are working in close collaboration with our clients, subject matter experts and an increasing number of technology partners to develop our innovation portfolio. This approach continues to gain market traction and momentum with exciting new initiatives such as:

- Our Asset Performance and Risk Management product strategy which continues to deliver, with a £15m future sales pipeline for our flagship All Assets product. The roadmap includes new differentiated propositions such as LR Safety Scanner and Maintenance Analytics.
- Establishing digital products capabilities relevant to the maritime and shipping sectors including Cloud Fleet Manager, where sales have grown significantly.
- Innovative data-driven service delivery achieved through bringing together our core business services and our digital product portfolio and co-creation with clients.
- Building a network of over 400 start-ups and technology companies keen to solve critical safety and risk issues with the Lloyd's Register Safety Accelerator.
- Working closely with BP on the development of the Second Sight application pilot, bringing digital innovation to the verification and assurance services overseeing the critical blow out preventer systems on deep water drilling units.

### Challenging markets - maintaining momentum

Our core markets of marine and oil and gas have been impacted by geopolitical and economic uncertainty, including trade sanctions and evolving global supply chains. In common with other regulatory bodies, we

## Strategic Report (continued)

have had to review our status such that we can continue to support clients with their certifications against an uncertain Brexit outcome.

In maritime, whilst the downturn was not as severe as some were forecasting, the short-term outlook remains very volatile, influenced significantly by geopolitical sanctions and a growing proportion of vessels leaving the supply market for modifications in shipyards, as preparations for the 1st of January 2020 Global Sulphur limit on fuel oil accelerate. The Clarkson's index for Global Contracting Forecasts has an expectation that there will be a rise in outer years driven primarily by tankers and gas ships. Cruise ship demand is forecast to keep growing. Offshore vessel activity is expected to remain slow however some rig re-activation is expected, and the production niche is expected to see some upturn.

Turbulence continues in the energy market as demand moves ahead of supply. Demand is rising year-on-year in India, though there is only modest demand recovery in the Middle East and there is increased risk in European economies should there be a disorderly Brexit.

The markets for our certification business continue to see low single digit growth reflecting demand for the main international standards, ISO9001 and ISO14001, with the final impact of the New Standards Transition being seen this year. The market for our customised Assurance business, particularly in food, continues to grow as does the cyber market.

### Financial Results

Turnover of £892.8 million is up £29.1 million or 3.4% on the prior year (2018 restated: £863.7 million) at actual exchange rates. Turnover at prior year exchange rates was £895.0 million.

Operating profit before exceptional costs was £29.7 million, (2018 restated: £15.8 million), £13.9 million higher than the previous year, due to the impact of increased revenue in Marine & Offshore, partially offset by the continuing challenges in the Energy and Inspection market and the impact of the end of New Standards Transition on BA&IS margins.

Exceptional costs of £20.2 million included £11.0 million relating to system implementations, primarily the ERP programme and £6.2 million relating to business restructuring, including the Energy reshaping.

Statutory operating profit, after exceptional costs, was £9.5 million (2018: £6.7 million).

Net assets for the Group at 30 June 2019 were £528.7 million (30 June 2018 restated: £538.9 million), a decrease of £10.2 million, primarily reflecting movements in the valuation of our pension schemes. Net current assets have increased £10.8 million due to increased levels of accrued income.

The cash outflow of £15.2 million is a £39.1 million improvement on the prior year mainly due to the £39.3 million of cash outflows for acquisitions in the prior year.

## Business Divisions' review

### Marine & Offshore

The Marine & Offshore business generated turnover of £427.7 million (2018 restated: £408.4 million), with the increase on the prior year reflecting strong performance in new construction.

The performance of the business should be seen in the context of a continued weak maritime new construction market and soft offshore market.

Our strong market performance means we have secured a leading position in new orders with 27.1% Gross Tonnage market share in Q4 - well ahead of the competition. This means we are still top of the global order book for new construction in terms of gross tonnage with a market share of 21.5%. In addition to leading the new construction gross tonnage, our total share of the world fleet in service has also increased to 16.3%, equating to 7,088 ships and 221.6 mGT under LR Class, which is our biggest increase in three years. Our consulting business and offshore operations are performing well and continuing to grow year on year.

We are expecting to see some challenges in the industry in the year ahead, as market uncertainty continues, and global new construction volumes remain modest. However, we will continue to focus on our Gas, Naval, Renewables and Offshore segments, which are showing promising signs of growth. In the Naval segment, our long-standing relationships continue to bear fruit in the international arena, with the Type 26 Global Combat Ship export model having been selected by the Royal Canadian and the Royal Australian Navies, amounting to 23 ships.

Our continued investment in technology and people remains a priority for LR, including, but not limited to

## Strategic Report (continued)

Decarbonisation Strategies, Rule Development for Gas Ships and Offshore Assets, Cyber Security, Asset Performance Management (AllAssets) and Structural Health Monitoring for Offshore Assets.

### Energy

The Energy business generated turnover of £143.5 million (2018 restated: £140.3 million). Although revenues were slightly up on the previous year, the market activity and pricing levels failed to recover from what has proved to be the longest global downturn in the oil and gas sector in many decades. Following a challenging first quarter, it became apparent that pricing and market levels would not return as originally assumed. An extensive portfolio review was then launched to assess the global business performance and market potential across all the existing offering, also taking into account the structural change in client buying patterns and supply chain requirements across the energy value chain seen since the start of the downturn in 2014.

During the third quarter, a new leadership team was formed in the energy business and a new organisational structure was established, reducing our overhead cost base and retrenching from markets and geographies where services have become commoditised. The portfolio review also identified new growth opportunities, building on the LR existing capability to extend into high value, adjacent markets and service offerings. The new organisational focus and cost base has allowed the business to stabilise and end the year delivering on the portfolio review plans.

Encouragingly, despite continued oil price uncertainty and macroeconomic concerns, activity and pricing levels began to improve during the fourth quarter across a number of services lines, as oil companies move back to asset redevelopment and new project approvals to maintain output levels following a number of years of under investment and increasing levels of reservoir depletion. As we look to next year, this increase in upstream activity and our order book support a continuing improvement in performance. Longer term, the continuing demand for energy, initially hydrocarbons but increasingly renewables also support our growth plans.

Finally, as part of the Energy reshaping, we are collaborating with our Digital Products team to bring to market a holistic digital solution, deployment and ongoing services offering across our client base.

### Business Assurance and Inspection Services

The BA&IS business generated turnover of £321.6 million (2018: restated £315.0m), a year-on-year revenue increase of 2.1%. Growth in customised assurance programmes across the food and industrial sectors, and certification to cyber security and health and safety standards helped to offset a significant decline in ISO 9001 certification revenue as the transition to the new standard was completed in September 2018.

Our world continues to evolve and it is vital for our customers that we evolve with it to continue to meet their changing needs. Innovation is core to our offer of new, commercially-viable solutions that deliver real impact. More than 20,000 customers across the world are now using our client portal to manage their certification online, while our dedicated online food, beverage and hospitality portal provides companies in those sectors with tools to drive real-time assurance across their supply chains. In Inspection Services, we are using drone technology and remote inspection capabilities, which have disrupted the market significantly, to provide customers with ways to reduce the time, travel and expense of traditional inspection services. We continue to develop partnerships to address the need for companies to comply with increasing regulation and consumer demands. One example of this is a joint industry project we spearheaded in collaboration with TWI Ltd to determine a pathway to certify Additive Manufactured industrial parts.

Training and improvement services remain an integral part of our business. In the last year we delivered thousands of face to face training courses worldwide to companies and individuals and we successfully launched our new e-learning platform in the UK. This will be rolled out globally and the portfolio of on-line courses expanded during 19/20.

Nettitude, our cyber security business, which opened an office in Singapore in July to serve the Asian markets, made a significant contribution in its first full year of ownership. Revenues were up 26% year on year and we see opportunity to accelerate this growth through the provision of a full suite of threat-led cyber security services to other sectors where LR has an established market position.

We expect continued growth in customised assurance services as organisations seek to manage risk in



## Strategic Report (continued)

complex global supply chains particularly in the food and industrial sectors. Since the introduction of the international standard ISO 45001 in March 2018, we have seen many businesses move to this new standard as they look to demonstrate to their stakeholders that occupational health and safety sits at the heart of their organisation and we remain focused on becoming the leading provider of certification services for health and safety standards.

### Our Business

LR is a professional services company specialising in engineering and technology solutions that improve the safety and performance of complex, critical infrastructure. Our technical expertise is supported by over 259 years of heritage from our beginnings as a marine classification society. We now operate across multiple industry sectors in over 75 countries employing over 7,000 permanent employees.

**Our Purpose:** Working together for a safer world.

**Shareholder:** Our shareholder, Lloyd's Register Foundation, has at its heart a mission to enhance the safety of life and property through its strategic themes of: supporting excellent scientific research; accelerating the application of research; promoting safety and public understanding of risk; and promoting advancement of skills and education. Successfully and effectively meeting our clients' needs generates the capital to reinforce this mission.

**Organisation:** Our structure has 3 operating divisions (business divisions) each providing a portfolio of professional services progressing from compliance to providing assurance to optimising performance.

**Sectors:** We support over 50,000 clients who operate with complex and critical infrastructure across the global supply chain, predominantly in the maritime, shipping, offshore, oil and gas, nuclear, renewables, food and beverages, manufacturing, financial services and medical sectors.

**Clients:** We have loyal and long-standing relationships with the majority of our clients and continue to develop our partnerships.

### Our Strategy

Our strategy is to help our clients operate their businesses and assets safely and profitably and optimising our return to the Lloyd's Register Foundation in order to make the world a safer place.

Our strategic priorities are to:

- Strengthen our traditional markets.
- Grow in adjacent markets and sectors.
- Extend our value proposition from compliance to assurance and performance optimisation.
- Build digital innovation for asset performance and risk management.
- Transform the LR operating model to optimise commercial effectiveness and operational efficiency.
- Increase customer centricity.
- Invest in our people and culture.

### 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.

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, which maintains the Group Risk Register. The work of the ARC is supplemented by the Ethics and Compliance Committee, the Internal Audit and Risk and Technical Assurance and Quality functions all of which establish policy and monitor performance against those 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 risks of the Group are:

- Reliance on key industries and services or geographies
- Global oil prices prevent expected future increased profitability in the Group's upstream and downstream Energy markets

## Strategic Report (continued)

- Emerging and disruptive technologies, or other changes in the competitive landscape, adversely impact our business model
- Strategic acquisitions or key internal projects fail to deliver the expected benefits
- Loss of customer trust or decline in customer experience leads to impact on the brand / loss of market share
- Inability to attract, retain or replace the best people and talent with the necessary skills, including technical and commercial, to support the delivery of Group Strategy
- Geopolitical changes, such as the UK's exit from the EU or changing sanction regimes impacts our ability to trade in key markets.

The principal operational and compliance risks of the Group are:

- Health, safety and security of our workforce
- Technical quality or control failure
- Cyber and data related security incidents
- Major project delay overspend or failure
- Business resilience event / crisis
- Loss of a major global accreditation preventing operations in a key market or geography
- Legal and regulatory compliance, including adherence to legal and regulatory requirements and litigation risk in various jurisdictions. Key laws and regulations that impact LR include those relating to anti-bribery and corruption, tax, data protection and competition.

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, and interest rate risk.

### Foreign exchange risk (price risk)

Foreign exchange exposure is an expected risk of operating across a number of geographies. The Group monitors the impact of foreign exchange on a regular basis. Where possible, the Group uses natural hedges (offsetting costs incurred in a particular currency against revenues earned in that currency) that arise from its normal operating activities to manage its foreign exchange exposures. Where cash-pooling is not permitted by local regulations, non-GBP entities

submit cash to head office companies by paying dividends. The amount of cash delivered can be more precisely forecast if the foreign exchange is hedged using 'vanilla' foreign exchange forwards, which involve entering into a contract to sell forward cash flows at a specific maturity date. During the year, the Group continued its hedging programme on this basis. Derivative financial instruments are used by the Group's third-party investment manager to manage the exposure to foreign exchange risk associated with the Company's investment portfolio. Residual foreign exchange exposure is monitored and is considered tolerable.

### Liquidity risk and going concern

The Group has £15.8 million of short term overdrafts (2018: £nil) and cash of £81.7 million (2018: £96.9 million) at the year-end.

The Directors consider that the cash held by the Group is sufficient to address the Group's liquidity requirements, both in the near and longer term.

The Directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They continue to adopt the going concern basis in preparing the financial statements.

### Credit risk

It is Group policy to perform an assessment of the creditworthiness of significant new clients and, where appropriate, assign a credit limit to clients' accounts.

### Interest rate risk

Derivative financial instruments are used by the Group's third-party investment manager to manage the exposure to foreign exchange risk associated with the Company's investment portfolio. Aside from this potential risk, the Group has only limited exposure to interest rate risk as it has no long term external borrowings.

### Future outlook

With our ability to combine deep technical and domain expertise, industry knowledge and an empathy rooted in over 250 years' experience, we exist to assure a better future for our clients, their customers and the world. Challenging the way in which we do things and embracing change, focusing on our markets and customers and celebrating innovation is fundamental to our ongoing success.

## Strategic Report (continued)

Some of the difficult decisions we've taken over the past couple of years have allowed us to strengthen our current business whilst increasing further our resilience. We believe the steps we have taken leave us well placed to maximise the benefits of the investments we have made.

Our aim is to continue to establish LR in a position where governments, regulators and influential bodies more actively seek our opinion, further enhancing our reputation and raising LR's profile, making the world a safer place.

For and on behalf of the Board



Alastair Marsh  
Chief Executive Officer  
Lloyd's Register Group Limited

23 October 2019

## **Directors and advisors**

### **Directors**

Mr T Thune Andersen (Chairman)  
Mr W E Armstrong  
Mr C G Finlayson  
Mrs C B Firstbrook  
Mr M V Kelsey  
Mr M F Lykiardopulo  
Ms I J S Macpherson  
Mr A S Marsh  
Mrs M E Waldner

### **Company Secretary**

Ms M K Davies

### **Statutory Auditor**

Deloitte LLP  
London  
United Kingdom

### **Bankers**

National Westminster Bank  
Corporate and Commercial Banking  
250 Bishopsgate  
London  
EC2M 4AA

### **Registered office**

71 Fenchurch Street  
London  
EC3M 4BS  
United Kingdom

### **Registered number**

08126909

# Directors

## 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 of the former Lloyd's Register in June 2010. Thomas is Chairman of Ørsted A/S, Vice Chairman of VKR Holding, the parent group of Velux and a Non-Executive Director of IMI plc and BW Group Limited. He is member of the World Economic Forum Chairmen's Council.

### 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, a Director of Høegh LNG 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.

### Caroline Firstbrook

Caroline, a Canadian with a degree in electrical engineering and an MBA from Harvard, has worked for a number of professional services firms, and is currently COO at Clifford Chance LLP, a major law firm. She has a background in consultancy, particularly the development of corporate strategy, including managing 1,000 strategy professionals while at Accenture.

### Mark Kelsey

Mark is the Chief Executive Officer for RELX Group PLC's Risk and Business Analytics division, responsible for Lexis Nexis Risk Solutions and Reed Business Information (RBI).

Having begun his career with RBI 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 RBI from a traditional magazine publisher to a leading provider of online and data services, turning-around RBI's business and profitability. Mark holds a BA in Geography from Liverpool University and a MBA from Bradford University.

### Michael F Lykiardopulo

Michael was appointed Senior Independent Director on 26 May 2016. Michael is Managing 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.

### 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. In her last role she led the mid-market corporate finance, corporate broking, corporate broking support and investment trust teams at Dresdner Kleinwort Benson. 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 Pharmaceuticals plc and a Non-Executive Director of Workspace Group plc. Ishbel is a Trustee of Lloyd's Register Foundation and a member of its Audit, Risk and Investment Committee.

### Alastair Marsh

Alastair joined the Board in 2007 and was appointed Group Chief Executive in October 2015. He joined the Board as CFO and following a period of significant growth has now instigated Lloyd's Register's digital transformation strategy. Prior to joining Lloyd's Register he held senior finance positions at Superscope Group plc, Easynet Group plc, Laporte plc and NCR Corporation. Alastair is a chartered accountant with a degree from Edinburgh University. Alastair is also a

## Directors (continued)

Trustee of the Board and Chair of the Audit Committee of the Royal Museums Greenwich.

### **Mary Waldner**

Mary joined LR 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.



# Remuneration Committee report for the year ended 30 June 2019

## Report scope

This report describes the constitution and activities of the Remuneration Committee during the year ended 30 June 2019.

## 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 ensure that the Group's reward structure reflects best practice;
- Provide advice to the board 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;
- Recommend the level of fees for the Non-Executive Directors;
- Review and note the reward levels for the 25 most highly remunerated individuals below the Executive Leadership Team;
- 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 his own remuneration. The Chairman will also not attend where agenda items are specifically concerned with his 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 in 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 Directors 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 from time to time.

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

# Remuneration Committee report for the year ended 30 June 2019 (continued)

current external advisor is PricewaterhouseCoopers LLP, 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 that there are four components to the structure of total remuneration:

- Base salary and benefits
- Annual Performance Bonus
- Long-term incentives, 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 increase compared to 2018 is principally as a result of the annual performance bonuses and long-term incentives which are linked to the Group's performance and achievement of objectives.

## Directors' Remuneration

	2019	2018
	£000	£000
Emoluments	2,644	1,944
Amounts receivable under long-term incentive schemes	306	147
	<b>2,950</b>	<b>2,091</b>

	Number	Number
	2019	2018
Directors members of:		
Defined benefit pension schemes	1	1
Defined contribution pension schemes	1	1
Long-term incentive plan	2	2

The highest paid director serving in the year received aggregate emoluments of £1,486,000 (2018: £1,013,000) which includes £260,000 (2018: £147,000) in respect of a long-term incentive plan. He is a member of a Company defined contribution pension scheme, however no amounts were paid by the Company during the year (2018: £nil). 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 of £632,000 (2018:

£491,000). 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 at median levels relative to similar job responsibilities in organisations of equivalent size and complexity or where we would compete for talent. There was no across the board increase in base salaries for 2018/19.

## Annual Performance Bonus

Bonus is earned when pre-determined key objectives have been achieved and according to the level of overall business performance. The bonus is dependent upon the achievement of annual financial targets and individual performance against agreed goals and leadership behaviours. The bonus payment, which is not pensionable, is calculated as a percentage of base salary.

## Long-Term Incentive Plan (LTIP)

There is a three-year Long-Term Incentive Plan in place for the Executive Leadership Team. The Plan is driven by performance against shared objectives which are set each year to align the strategic priorities of the Group with reward outcomes for the Executive Directors and Executive Leadership Team.

At the end of the first year, the Committee assesses achievement against strategic goals and sets a contribution to the Plan. This contribution is increased or decreased by reference to the change in the Group profit before tax between the first and final years of the Performance Period.

## 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.



## **Remuneration Committee report for the year ended 30 June 2019 (continued)**

### **Unfunded, Unregistered Retirement Benefits Scheme**

For members of the Executive who have exceeded their Lifetime Allowance or Annual Allowance an Unfunded, Unregistered Retirement Benefits Scheme ('UURBS') has been introduced. This allows a member by invitation to nominate the equivalent pension cash allowance and or their annual bonus into a notional account in the UURBS, which pays out after retirement over a defined period. Benefit payments are subject to the normal tax deductions and any national insurance contributions.

### **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.

### **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.

Periodically, the Committee commissions PricewaterhouseCoopers LLP and other advisors to review the fees paid to non-executive directors in comparable organisations and to make recommendations to the Committee as to the level of these fees.

# Audit and Risk Committee report for the year ended 30 June 2019

This report describes the role and activities of the Audit and Risk Committee of Lloyd's Register Group Limited during the year ended 30 June 2019.

## 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 Risk and Technical Assurance and Quality 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.

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 and 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:

	Appointed	Resigned
Ms I J S Macpherson (Chair) <sup>1</sup>	6 August 2018	
Mr W E Armstrong		
Mr R A Henderson (Chair)		31 December 2018

<sup>1</sup> Ishbel Macpherson was appointed as a member of the ARC on 6 August 2018 and became Chair on 1 January 2019.

## Meetings

The ARC meets three times a year. The ARC invites LR's Chief Executive Officer, Chief Financial Officer, Group Director of Finance, Group Financial Controller, Group Internal Audit & Risk Director, Group Technical Assurance & Quality 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 Technical Assurance & Quality 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 to the ARC on the adequacy and effectiveness of the Group's internal control and risk management systems.

The Internal Audit and Risk function undertakes 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.

Technical Assurance and Quality (TA&Q) 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. TA&Q also reports to the ARC on the results of external assurance work testing the

## **Audit and Risk Committee report for the year ended 30 June 2019 (continued)**

Group's compliance with various regulatory and compliance standards, including International Standards Organisation (ISO) standards, 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 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 see 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 year and at the end of the external audit process for the financial year.

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

Over the financial year, the ARC's work included the following actions:

- Reviewed and agreed the annual 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 June 2019 Annual Report and Consolidated Financial Statements and the Auditor's Report thereon, specifically considering revenue recognition, capitalisation of intangible assets, key judgements in relation to the defined benefit pension schemes, recoverability of certain assets and provisions.
- Reported to the Group Board of Directors that the June 2019 Annual Report and Consolidated Financial Statements were fair and reasonable.
- Approved the programmes of work for the Internal Audit and Risk and TA&Q functions.
- Reviewed reports by the Internal Audit and Risk and TA&Q 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 TA&Q 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.
- Reviewed the ARC Terms of Reference.

## Directors' Report

The Directors present their annual report and audited financial statements for the year ended 30 June 2019.

### 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 year before exceptional costs was £29.7million (2018 restated: £15.8 million). After exceptional costs the consolidated operating profit was £9.5 million (2018 restated: £6.7 million).

Further commentary on the results for the year 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 (2018: £nil).

### Research and development

Research and development into new and better ways to improve safety, performance and quality in the industries it serves is an integral part of the Group's activities and considerable investment was made during the year. An amount of £17.1 million (2018: £14.7 million) has been charged to the profit and loss account.

### Charitable grants and donations

During the year, Lloyd's Register Group Limited made no donations to Lloyd's Register Foundation, its parent (2018: £60,000).

The Group made various other charitable grants and donations of £0.1 million (2018: £0.1 million).

### 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 year, and subsequently:

Mr T Thune Andersen	
Mr W E Armstrong	
Mr C G Finlayson	
Mrs C B Firstbrook	
Mr R A Henderson	Resigned 31 December 2018
Mr M V Kelsey	
Mr M F Lykiardopulo	
Ms I J S Macpherson	Appointed 6 August 2018
Mr A S Marsh	
Mrs M E Waldner	

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

Mr T Thune Andersen, Mr R A Henderson and Mrs 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 year 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

## Directors' Report (continued)

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.

### Capital structure

Details of the issued share capital, together with details of shares issued during the year, are set out in note 20.

### Post balance sheet events

There were no post balance sheet events that occurred between the balance sheet date and the signing of the financial statements.

### 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.

### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this 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 Davies  
Company Secretary  
23 October 2019

## Consolidated profit and loss account for the year ended 30 June 2019

	Note	2019 £000	2018 £000 Restated (note 2)
<b>Turnover</b>	5	<b>892,847</b>	863,664
Cost of sales		(656,273)	(642,490)
<b>Gross profit</b>		<b>236,574</b>	221,174
Administrative expenses		(227,102)	(214,484)
Administrative expenses before exceptional costs		(206,881)	(205,429)
Operating profit before exceptional costs		29,693	15,745
Exceptional costs	8	(20,221)	(9,055)
<b>Operating profit</b>	6	<b>9,472</b>	6,690
Share of net operating loss of joint ventures		(593)	(652)
Net investment income	9	22,410	12,233
Other finance costs	9	(1,214)	(4,867)
<b>Profit before taxation</b>		<b>30,075</b>	13,404
Tax on profit	10	(16,562)	(3,923)
<b>Profit for the financial year</b>		<b>13,513</b>	9,481

All amounts presented above relate to continuing operations.

## Consolidated statement of comprehensive income for the year ended 30 June 2019

	Note	2019 £000	2018 £000 Restated (note 2)
Profit for the financial year		<b>13,513</b>	9,481
Currency translation difference on foreign currency net investments		1,812	(4,933)
Re-measurement of net defined benefit liabilities	19	(27,318)	114,897
Tax relating to components of other comprehensive income		1,772	(20,037)
<b>Other comprehensive (loss) / income</b>		<b>(23,734)</b>	89,927
<b>Total comprehensive (loss) / income</b>		<b>(10,221)</b>	99,408
Profit for the year attributable to:			
Equity shareholders of the Company		<b>13,513</b>	9,481
		<b>13,513</b>	9,481
Total comprehensive (loss) / income for the year attributable to:			
Equity shareholders of the Company		<b>(10,221)</b>	99,408
		<b>(10,221)</b>	99,408

## Consolidated and Company balance sheets at 30 June 2019

		Group		Company	
		2019	2018	2019	2018
Note		£000	£000	£000	£000
			Restated (note 2)		Restated (note 2)
<b>Non-current assets</b>					
Goodwill	11	91,188	109,868	—	—
Intangible assets	11	55,909	57,921	49,129	48,590
Tangible assets	12	183,575	179,497	152,442	149,082
Investments	13	141,192	136,980	338,647	336,103
Pension surplus	19	119,981	119,159	119,981	119,159
Deferred tax assets	10	24,799	23,654	5,437	5,791
Interests in joint ventures: Share of net assets	13	7,713	3,336	—	—
		624,357	630,415	665,636	658,725
<b>Current assets</b>					
Debtors	15	386,961	358,768	251,453	559,826
Cash at bank and in hand		81,680	96,906	2,786	1,652
		468,641	455,674	254,239	561,478
<b>Creditors: amounts falling due within one year</b>	16	(248,768)	(246,581)	(514,680)	(697,396)
<b>Net current assets / (liabilities)</b>		219,873	209,093	(260,441)	(135,918)
<b>Total assets less current liabilities</b>		844,230	839,508	405,195	522,807
<b>Creditors: amounts falling after more than one year</b>					
Provisions for liabilities	17	(65,549)	(72,761)	(20,293)	(22,343)
<b>Net assets excluding pension liability</b>		778,681	766,747	384,902	500,464
Pension liability	19	(250,021)	(227,866)	(233,630)	(216,786)
<b>Net assets including pension liability</b>		528,660	538,881	151,272	283,678
<b>Capital and reserves</b>					
Called-up share capital	20	90	90	90	90
Share premium	20	39,960	39,960	39,960	39,960
Profit and loss account		488,610	498,831	111,222	243,628
<b>Total shareholder's funds</b>		528,660	538,881	151,272	283,678

The loss for the financial year arising in the financial statements of the parent company is £ 111,226,000 (2018 as restated: £11,078,000).

The financial statements were approved by the Board of Directors and authorised for issue on 23 October 2019 and signed on its behalf by:



M E Waldner  
Director

**Lloyd's Register Group Limited**

Company registration number: 08126909

## Consolidated statement of changes in equity for the year ended 30 June 2019

	Called-up share capital	Share premium	Profit and loss account	Total	Non- controlling interest	Total
	£000	£000	£000	£000	£000	£000
<b>At 30 June 2017 as previously stated</b>	90	39,960	394,714	<b>434,764</b>	(3,627)	<b>431,137</b>
Impact of restatement (note 2)	—	—	8,396	<b>8,396</b>	—	<b>8,396</b>
<b>At 1 July 2017 as restated</b>	90	39,960	403,110	<b>443,160</b>	(3,627)	<b>439,533</b>
Profit for the financial year (restated – note 2)	—	—	9,481	<b>9,481</b>	—	<b>9,481</b>
Currency translation difference on foreign currency net investments	—	—	(4,933)	<b>(4,933)</b>	—	<b>(4,933)</b>
Re-measurement of net defined benefit liabilities	—	—	114,897	<b>114,897</b>	—	<b>114,897</b>
Tax relating to components of other comprehensive income	—	—	(20,037)	<b>(20,037)</b>	—	<b>(20,037)</b>
<b>Total comprehensive income</b>	—	—	99,408	<b>99,408</b>	—	<b>99,408</b>
Donation to Lloyd's Register Foundation	—	—	(60)	<b>(60)</b>	—	<b>(60)</b>
Transfer of non-controlling interest	—	—	(3,627)	<b>(3,627)</b>	3,627	—
<b>At 30 June 2018</b>	90	39,960	498,831	<b>538,881</b>	—	<b>538,881</b>
Profit for the financial year	—	—	13,513	<b>13,513</b>	—	<b>13,513</b>
Currency translation difference on foreign currency net investments	—	—	1,812	<b>1,812</b>	—	<b>1,812</b>
Re-measurement of net defined benefit liabilities	—	—	(27,318)	<b>(27,318)</b>	—	<b>(27,318)</b>
Tax relating to components of other comprehensive income	—	—	1,772	<b>1,772</b>	—	<b>1,772</b>
<b>Total comprehensive loss</b>	—	—	(10,221)	<b>(10,221)</b>	—	<b>(10,221)</b>
<b>At 30 June 2019</b>	90	39,960	488,610	<b>528,660</b>	—	<b>528,660</b>



## Company statement of changes in equity for the year ended 30 June 2019

	Called-up share capital £000	Share premium £000	Profit and loss account £000	Total £000
<b>At 30 June 2017 as previously stated</b>	90	39,960	156,915	<b>196,965</b>
Impact of restatement (note 2)	—	—	391	391
<b>At 1 July 2017 as restated</b>	90	39,960	157,306	<b>197,356</b>
Loss for the financial year (restated – note 2)	—	—	(11,078)	<b>(11,078)</b>
Foreign currency translation differences	—	—	6,059	<b>6,059</b>
Re-measurement of net defined benefit liabilities	—	—	112,116	<b>112,116</b>
Tax relating to components of other comprehensive income	—	—	(20,775)	<b>(20,775)</b>
<b>Total comprehensive income</b>	—	—	86,322	<b>86,322</b>
<b>At 30 June 2018</b>	90	39,960	243,628	<b>283,678</b>
Loss for the financial year	—	—	(111,226)	<b>(111,226)</b>
Foreign currency translation differences	—	—	480	<b>480</b>
Re-measurement of net defined benefit liabilities	—	—	(23,971)	<b>(23,971)</b>
Tax relating to components of other comprehensive income	—	—	2,311	<b>2,311</b>
<b>Total comprehensive (loss) / income</b>	—	—	(132,406)	<b>(132,406)</b>
<b>At 30 June 2019</b>	90	39,960	111,222	<b>151,272</b>

## Consolidated cash flow statement for the year ended 30 June 2019

	Note	2019 £000	2018 £000
<b>Net cash outflow from operating activities</b>	22	<b>(23,316)</b>	<b>(31,518)</b>
<b>Cash flows used in investing activities</b>			
(Increase) / decrease in long term loans		(152)	48
Proceeds from sale of investments		30,447	51,418
Proceeds from sale of tangible fixed assets		2,382	1,458
Purchase of investments		(27,246)	(25,072)
Purchase of intangible fixed assets		(7,387)	(9,425)
Purchase of tangible fixed assets		(11,900)	(8,920)
Interest paid		(474)	(2,324)
Interest received		1,398	732
Other investment income		11,655	10,226
Additional investment in existing joint ventures		(4,821)	(458)
Acquisition of other unlisted investments		(300)	(2,499)
Acquisition of subsidiaries		—	(39,294)
Payment of deferred consideration on acquisitions		(1,353)	(622)
Donation to Lloyd's Register Foundation		—	(60)
Net cash acquired on acquisition of subsidiaries		—	1,993
<b>Net cash flows used in investing activities</b>		<b>(7,751)</b>	<b>(22,799)</b>
<b>Cash flows from financing activities</b>			
Increase in borrowings		15,841	—
<b>Net decrease in cash and cash equivalents</b>		<b>(15,226)</b>	<b>(54,317)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>96,906</b>	<b>151,223</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(15,226)</b>	<b>(54,317)</b>
<b>Cash and cash equivalents at end of year</b>		<b>81,680</b>	<b>96,906</b>

### Reconciliation of net cash flow to movements in net funds

	Cash and cash equivalents £000	Bank overdraft £000	Fair value of derivatives £000	Deferred consideration payable £000	2019 Net funds £000	Cash and cash equivalents £000	Fair value of derivatives £000	Deferred consideration payable £000	2018 Net funds £000
At 1 July	96,906	—	(450)	(5,797)	90,659	151,223	—	(1,297)	149,926
Cash flow	(15,226)	—	—	422	(14,804)	(54,317)	—	422	(53,895)
Fair value losses	—	—	—	—	—	—	(450)	—	(450)
Other movements	—	(15,841)	450	(963)	(16,354)	—	—	(4,922)	(4,922)
<b>At 30 June</b>	<b>81,680</b>	<b>(15,841)</b>	<b>—</b>	<b>(6,338)</b>	<b>59,501</b>	<b>96,906</b>	<b>(450)</b>	<b>(5,797)</b>	<b>90,659</b>

# 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 10 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 year ended 30 June 2019.

## 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 Group has applied the amendments to FRS102 issued by the FRC in December 2017 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019.

The Directors continue to adopt the going concern basis of accounting in preparing the annual 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 each year. 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.

### Adjustment in respect of prior periods

Prior period comparatives have been restated for a change in the application of the Group's turnover accounting policy, which if recorded in the current year, would result in an error in the current year's results and which has therefore been recorded by way of restatement. The Group has historically recognised turnover for services rendered at the point at which invoices are rendered for certain short-term services where percentage of completion was not applied as a practical expedient as the difference between recognition on a percentage of completion basis and at the point of invoicing was assessed as immaterial to any one accounting period. This

## Notes to the financial statements (continued)

resulted in the recognition of work in progress at cost for work performed not yet invoiced rather than recognition of accrued income.

During the year, the Group completed the implementation of a new ERP system which is designed to systematically recognise all turnover on a percentage of completion basis, and consequently work in progress is not recognised.

Had the Group applied its current revenue recognition approach in preceding periods, turnover for the year ended 30 June 2018 would have been £4,165,000 lower than the £867,829,000 previously reported and cost of sales would have been £1,949,000 lower than the £644,439,000 previously reported. The net impact on profit before tax would have been a decrease of £2,216,000 from the £15,620,000 previously reported. Opening net assets at 1 July 2017 would have been £8,396,000 higher than the £431,137,000 previously reported.

The turnover recognition changes above have meant that work in progress previously included on the balance sheet in relation to cost of work performed not yet invoiced has been de-recognised and accrued income recognised. Prepayments and accrued income have increased by £106,255,000, accruals and deferred income has increased by £81,320,000 and work in progress has reduced by £17,212,000 as at 30 June 2018. The change in profit before tax has resulted in restatement of taxation account balances for both profit and loss and balance sheet as detailed below.

The comparative year ended 30 June 2018 for the consolidated accounts has been restated to reflect the following:

- £4,165,000 decrease in turnover from £867,829,000 to £863,664,000;
- £1,949,000 decrease in cost of sales from £644,439,000 to £642,490,000;
- £330,000 decrease in taxation charge from £4,253,000 to £3,923,000;
- £17,212,000 decrease in work in progress to £nil;
- £106,255,000 increase in prepayments and accrued income from £24,033,000 to £130,288,000;
- £81,320,000 increase in accruals and deferred income from £112,019,000 to £193,339,000;
- £964,000 increase in taxation liabilities from £10,665,000 to £11,629,000;
- £137,000 decrease in taxation recoverable from £25,405,000 to £25,268,000;
- £112,000 decrease in deferred tax assets from £23,766,000 to £23,654,000; and
- £8,396,000 increase in opening profit and loss account reserve at 1 July 2017 from £394,714,000 to £403,110,000.

### Adjustments in respect of prior periods – Company only

Whilst Lloyd's Register Group Limited's principal activity is an investment holding company, it has an overseas trading branch that is impacted by the change in the application of the turnover accounting policy described above. The Company result for the year ended 30 June 2018 and the balance sheet as at 30 June 2018 and opening reserves as at 1 July 2017 have been restated to reflect the following:

- £104,000 decrease in net loss after tax from £11,182,000 to £11,078,000;
- £397,000 decrease in invoices on account net of work in progress from £397,000 to £nil;
- £1,712,000 increase in prepayments and accrued income from £2,252,000 to £3,964,000;
- £1,277,000 increase in accruals and deferred income from £10,469,000 to £11,746,000;
- £337,000 increase in taxation liabilities from £664,000 to £1,001,000; and
- £391,000 increase in opening profit and loss account reserve at 1 July 2017 from £156,915,000 to £157,306,000.

## Notes to the financial statements (continued)

### 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.

- 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 economics lives, which is estimated to be 10 years. Provision is made for any impairment.

Intangible assets relating to software acquired in a separate transaction are 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 includes 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. 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.
- 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.

## Notes to the financial statements (continued)

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.

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 year are translated at the appropriate rates prevailing during the year, 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, except for costs of bringing purchased software into use, where the Directors are satisfied as to the technical, commercial and

## Notes to the financial statements (continued)

financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as part of the cost of the purchased software as an intangible asset and amortised over the period during which the Group is expected to benefit. This period is between 1 and 11 years. Provision is made for any impairment.

- 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.
- 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 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 year. Differences between contributions payable in the year 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).

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

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.

## Notes to the financial statements (continued)

- 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. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is recognised in profit or loss immediately.
- t. 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, costs expensed for large IT development projects that do not qualify for capitalisation, onerous lease provisions, major net curtailment gains on pension scheme modification and shared service centre set up costs.

### 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 following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *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 these estimates indicate that any contract will be less profitable than previously forecast, work in progress may have to be written down to the extent that it is no longer considered to be fully recoverable.

#### *Goodwill impairment*

The Group assesses at each reporting date whether there is any indication that the goodwill recognised in respect of acquisitions is impaired. Where an indicator is identified an impairment review is performed which requires the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £91,188,000.



## Notes to the financial statements (continued)

### *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.

### **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.

### *Income tax*

The Group's current tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material changes in profits, losses and / or cash flows.

The Group has operations in a large number of different tax jurisdictions which differ in their application of tax law including the availability of certain tax reliefs for the Group's operations. The scale and complexity of the Group's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the interpretation of tax laws and efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates.

### **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.

### *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 2019, the Company's investments in subsidiary undertakings had a carrying amount of £201,968,000. 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.

### *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.

## Notes to the financial statements (continued)

### 5. Turnover

Turnover by class of business	Group	
	2019 £000	2018. £000 Restated (note 2)
Marine and Offshore	427,701	408,354
Energy	143,501	140,329
Business Assurance and Inspection Services*	321,645	314,981
	<b>892,847</b>	<b>863,664</b>

\*Previously branded as Management Systems and Inspection Services

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

Revenue by category	Group	
	2019 £000	2018 £000 Restated (note 2)
Rendering of services	892,847	863,664
Income from quoted securities (note 9)	5,065	5,408
Interest receivable on loans and deposits (note 9)	1,398	732
Rental income from investment property (note 9)	6,583	6,253
	<b>905,893</b>	<b>876,057</b>

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.

## Notes to the financial statements (continued)

### 6. Operating profit

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

	Group	
	2019	2018
	£000	£000
Staff costs (note 7)	501,648	493,313
Amortisation of goodwill (note 11)*	19,236	18,346
Amortisation of intangible fixed assets (note 11)*	9,074	6,200
Depreciation of tangible fixed assets (note 12)	8,581	8,023
Charge for bad and doubtful debts*	1,403	4,726
Research and development costs	17,143	14,702
Unrealised fair value (gains) / losses on forward currency contracts	(450)	450
Realised fair value losses on forward currency contracts	612	931
Operating lease rentals	38,173	42,951
Foreign exchange loss	1,196	3,844
Loss on disposal of fixed assets	151	45

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

### Services provided by the Company's auditor and its associates

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

	Group	
	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	347	325
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	1,547	1,486
Tax services	114	112
Other services	57	77
	<b>2,065</b>	<b>2,000</b>

## Notes to the financial statements (continued)

### 7. Staff costs

	Group	
	2019	2018
	£000	£000
Wages and salaries	414,962	405,192
Social security costs	46,900	45,090
Other pension costs (note 19):		
• Other pension costs excluding curtailments and settlement costs	39,786	43,031
• Curtailment losses / (gains)	2,100	(30,700)
• Settlement costs incurred converting a Defined Benefit pension plan to a Collective Defined Contribution plan	—	19,600
	<b>503,748</b>	<b>482,213</b>

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, £6.2m (2018: £4.1m) of redundancy costs have been incurred.

Average number of employees for the year:	2019	2018
	Number	Number
Marine and Offshore	2,593	2,462
Energy	924	998
Business Assurance and Inspections Services	2,564	2,339
Administrative and support	1,036	1,010
	<b>7,117</b>	<b>6,809</b>

#### Directors' remuneration

	Group	
	2019	2018
	£000	£000
Emoluments	2,644	1,944
Amounts receivable under long-term incentive schemes	306	147
	<b>2,950</b>	<b>2,091</b>
	<b>Number</b>	<b>Number</b>
	<b>2019</b>	<b>2018</b>
Directors members of:		
Defined benefit pension schemes	1	1
Defined contribution pension schemes	1	1
Long-term incentive plan	2	2

The highest paid director serving in the year received aggregate emoluments of £1,486,000 (2018: £1,013,000) which includes £260,000 (2018: 147,000) in respect of a long-term incentive plan. He is a member of a Company defined contribution pension scheme, however no amounts were paid by the Company during the year (2018: £nil). 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 of £632,000 (2018: £491,000). The timing of this payment is determined by the scheme rules.

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)

### 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:

- the research and implementation phases of major IT development projects of £11.0m (2018: £11.4m);
- redundancy and severance incurred following the implementation of the Group's new ERP system and continued downturn in some of the Group's key markets of £6.2m (2018: £4.1m) as discussed in the Strategic Report;
- increase in an onerous lease provision of £1.2m (2018: £3.6m); and
- a cost of £1.8m (2018: £nil) has been recognised in relation to Guaranteed Minimum Pension (GMP) equalisation as a result of a High Court ruling in October 2018. Previously UK pensions legislation set by the government caused gender inequalities for GMPs earned in period from 17 May 1990 to 5 May 1997, the court ruling removes the inequality; and
- in the prior year, the restructure of overseas pension arrangements resulted in a curtailment gain of £29.6m and settlement costs of £19.6m resulting in a net gain of £10.0m (note 19).

### 9. Net investment income and other finance costs

#### Net investment income

	Group	
	2019	2018
	£000	£000
Investment income	22,884	14,557
Less: interest payable and similar charges	(474)	(2,324)
Net investment income	22,410	12,233

#### Investment income

	Group	
	2019	2018
	£000	£000
Income from quoted securities	5,065	5,408
Interest receivable on loans, deposits and other	1,398	732
Fair value gains / (losses) on financial assets measured at fair value through profit and loss	11,240	(8,475)
Net (loss) / gain on disposal of investments	(4,279)	4,147
Fair value gains on investment property measured at fair value through profit and loss	2,877	6,492
Rental income from investment property	6,583	6,253
	22,884	14,557

#### Interest payable and similar charges

	Group	
	2019	2018
	£000	£000
Interest payable on overdrafts and other interest	(474)	(2,324)
	(474)	(2,324)

#### Other finance costs

	Group	
	2019	2018
	£000	£000
Net interest on defined benefit liability (note 19)	(1,214)	(4,867)
	(1,214)	(4,867)

## Notes to the financial statements (continued)

### 10. Taxation

	Group	
	2019	2018
	£000	£000
<b>Current tax on profit</b>		Restated (note 2)
UK corporation tax	729	587
Double tax relief	(169)	(468)
	<u>560</u>	<u>119</u>
Foreign tax	17,649	18,574
	<u>18,209</u>	<u>18,693</u>
Adjustment in respect of prior periods		
• UK corporation tax	333	76
• Foreign tax	(1,413)	(6,722)
<b>Total current tax</b>	<u>17,129</u>	<u>12,047</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,072)	(9,305)
Adjustments in respect of previous periods	505	1,181
<b>Total deferred tax</b>	<u>(567)</u>	<u>(8,124)</u>
<b>Total tax on profit</b>	<u>16,562</u>	<u>3,923</u>

The standard rate of tax applied to the reported profit is 19% (2018: 19%). The applicable rate of tax in the UK reduced from 20% to 19% on 1 April 2017, and following enactment of the Finance Act 2016 will reduce further to 17% from 1 April 2020. During the year beginning 1 July 2019, the net reversal of deferred tax assets and liabilities is expected to increase the corporate tax charge for the year by £6.8m (2018: £5.2m). 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	
	2019	2018
	£000	£000
		Restated (note 2)
Group profit before taxation	30,075	13,404
Profit multiplied by the average standard rate of United Kingdom corporation tax of: 19% (2018: 19%)	5,714	2,547
Effects of:		
• Tax exempt profits	(2,914)	(2,904)
• Overseas rate differences	3,915	3,391
• Goodwill amortisation not deductible for tax purposes	3,628	3,222
• Expenses not deductible for tax purposes / (non-taxable income)	1,570	(2,825)
• Brought forward unprovided timing differences now recognised in year	(1,926)	(3,994)
• Impact of UK qualifying corporate donations	—	(7)
• Current year unprovided timing differences	3,464	8,394
• Fair value gain on investment property not subject to tax	—	(1,395)
• Other taxes	3,686	2,959
• Adjustments in respect of previous periods	(575)	(5,465)
Group total tax charge for year	16,562	3,923
Deferred tax (assets) / liabilities		
	Group	
	2019	2018
	£000	£000
		Restated (note 2)
At 1 July (assets) / liabilities	(4,819)	(16,421)
Arising in the year	(2,991)	12,651
Acquisitions	—	(1,215)
Foreign exchange differences	21	166
At 30 June (assets) / liabilities	(7,789)	(4,819)
	Company	
	2019	2018
	£000	£000
		Restated (note 2)
At 1 July (assets) / liabilities	12,622	(5,714)
Arising in the year	(1,745)	18,315
Acquisitions	—	—
Foreign exchange differences	(27)	21
At 30 June (assets) / liabilities	10,850	12,622
Deferred tax asset	(5,437)	(5,791)
Deferred tax liability (note 17)	16,287	18,413
	10,850	12,622
Deferred tax is recognised as follows:		
Accelerated capital allowances	1,442	(314)
Deferred tax arising in relation to retirement benefit obligations	13,618	16,153
Tax losses	(5,994)	(4,123)
Other timing differences	1,784	906
	10,850	12,622

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 £50.7 million (2018: £58.7 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
<b>Cost:</b>				
At 1 July 2018	304,755	75,724	6,770	53,603
Additions	282	7,387	—	7,364
Disposals	—	(1,611)	—	—
Exchange adjustment	2,407	8	375	—
At 30 June 2019	307,444	81,508	7,145	60,967
<b>Amortisation:</b>				
At 1 July 2018	194,887	17,803	6,770	5,013
Charged during the year	19,236	9,074	—	6,825
On disposals	—	(1,286)	—	—
Exchange adjustment	2,133	8	375	—
At 30 June 2019	216,256	25,599	7,145	11,838
<b>Net book value:</b>				
<b>At 30 June 2019</b>	<b>91,188</b>	<b>55,909</b>	<b>—</b>	<b>49,129</b>
At 30 June 2018	109,868	57,921	—	48,590

\*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 2019 was £4,030,000 (30 June 2018: £5,259,000) and the software has an estimated remaining useful life of four years.

The Group has developed a group-wide enterprise resource planning and financial reporting solution. The net book value as at 30 June 2019 was £24,824,000 (2017: £24,334,000). The intangible asset is being amortised over the estimated useful life of 11 years.

The net book value of an operational system specific to our Marine business at 30 June 2019 was £19,035,000 (2018: £21,110,000). The estimated useful life is 10 years.



## Notes to the financial statements (continued)

### 12. Tangible fixed assets

<b>Group:</b>	Investment property*	Land and buildings	Leasehold improvements	Office fittings and equipment	Plant and machinery	Computer equipment	Motor vehicles	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>								
At 1 July 2018	131,402	31,257	21,960	44,772	3,514	57,326	4,559	<b>294,790</b>
Additions	—	—	1,333	943	451	8,988	185	<b>11,900</b>
Revaluations	2,877	—	—	—	—	—	—	<b>2,877</b>
Disposals	—	(731)	(3,709)	(3,269)	(32)	(6,008)	(1,168)	<b>(14,917)</b>
Exchange differences	—	—	439	(194)	65	(699)	(627)	<b>(1,016)</b>
At 30 June 2019	<u>134,279</u>	<u>30,526</u>	<u>20,023</u>	<u>42,252</u>	<u>3,998</u>	<u>59,607</u>	<u>2,949</u>	<b>293,634</b>
<b>Depreciation:</b>								
At 1 July 2018	—	17,797	10,640	28,573	2,278	52,415	3,590	<b>115,293</b>
Charged in year	—	647	1,965	2,873	387	2,390	319	<b>8,581</b>
Disposals	—	(178)	(2,576)	(3,118)	(2)	(5,809)	(1,026)	<b>(12,709)</b>
Exchange differences	—	—	300	(150)	53	(687)	(622)	<b>(1,106)</b>
At 30 June 2019	<u>—</u>	<u>18,266</u>	<u>10,329</u>	<u>28,178</u>	<u>2,716</u>	<u>48,309</u>	<u>2,261</u>	<b>110,059</b>
Net book value:								
<b>At 30 June 2019</b>	<u>134,279</u>	<u>12,260</u>	<u>9,694</u>	<u>14,074</u>	<u>1,282</u>	<u>11,298</u>	<u>688</u>	<b>183,575</b>
At 30 June 2018	<u>131,402</u>	<u>13,460</u>	<u>11,320</u>	<u>16,199</u>	<u>1,236</u>	<u>4,911</u>	<u>969</u>	<b>179,497</b>

\*73% (2018: 73%) of the mixed used property is classified as an investment property.

<b>Company:</b>	Investment property*	Land and buildings	Leasehold improvements	Office fittings and equipment	Plant and machinery	Computer equipment	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>							
At 1 July 2018	131,402	28,802	2,434	13,845	—	22,537	<b>199,020</b>
Additions	—	—	24	2,086	29	111	<b>2,250</b>
Revaluations	2,877	—	—	—	—	—	<b>2,877</b>
Disposals	—	—	—	(29)	—	(66)	<b>(95)</b>
Exchange differences	—	—	—	34	—	18	<b>52</b>
At 30 June 2019	<u>134,279</u>	<u>28,802</u>	<u>2,458</u>	<u>15,936</u>	<u>29</u>	<u>22,600</u>	<b>204,104</b>
<b>Depreciation:</b>							
At 1 July 2018	—	17,613	1,227	8,562	—	22,536	<b>49,938</b>
Charged in year	—	616	155	977	1	10	<b>1,759</b>
Disposals	—	—	—	(17)	—	(63)	<b>(80)</b>
Exchange differences	—	—	—	32	—	13	<b>45</b>
At 30 June 2019	<u>—</u>	<u>18,229</u>	<u>1,382</u>	<u>9,554</u>	<u>1</u>	<u>22,496</u>	<b>51,662</b>
Net book value:							
<b>At 30 June 2019</b>	<u>134,279</u>	<u>10,573</u>	<u>1,076</u>	<u>6,382</u>	<u>28</u>	<u>104</u>	<b>152,442</b>
At 30 June 2018	<u>131,402</u>	<u>11,189</u>	<u>1,207</u>	<u>5,283</u>	<u>—</u>	<u>1</u>	<b>149,082</b>

\*73% (2018: 73%) 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 £10,314,000 (2018: £10,930,000) and estimated market value of £46,394,000 (2018: £49,264,000).

## 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 use and are held at market value. A proportion of 73% (2018: 73%) is deemed an investment, based on the value of space let or marketed to third party tenants. The property valuation, with an effective date of 30 June 2019, 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 £30,094,000 (2018: £31,786,000).

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 was £6,583,000 (2018: £6,253,000).

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	
	2019	2018
	£000	£000
Within one year	5,795	5,513
In the second to fifth years inclusive	15,861	22,615
After five years	20,692	27,894
	<u>42,348</u>	<u>56,022</u>

## Notes to the financial statements (continued)

### 13. Investments

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Investments in subsidiaries	—	—	201,968	203,172
Listed investments and cash held by investment managers (note 14)	136,370	132,610	136,370	132,610
Other unlisted investments	4,417	4,117	—	—
Long-term loans	405	253	209	221
Investments in joint ventures: cost	—	—	100	100
	<b>141,192</b>	<b>136,980</b>	<b>338,647</b>	<b>336,103</b>
Investments in joint ventures: share of net assets	7,713	3,336	—	—
	<b>148,905</b>	<b>140,316</b>	<b>338,647</b>	<b>336,103</b>

#### 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 and energy technical services
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
Senenergy Holdings Ltd	United Kingdom	Holding company

The carrying value of the Company's investments in subsidiaries is stated net of impairments of £7,310,000 (2018: £16,028,000).

	Cost	Accumulated impairments	Carrying value
	£000	£000	£000
At 1 July 2018	219,200	(16,028)	203,172
Return of capital / disposal	(9,922)	9,319	(603)
Impairment	—	(601)	(601)
At 30 June 2019	<b>209,278</b>	<b>(7,310)</b>	<b>201,968</b>

#### 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
Hanseaticsoft GmbH	55%	Germany	Marine software
Fullagar Technologies Limited	50%	United Kingdom	Development of inspection systems
Xinjiang LR Tunhe Social Economic Consulting Company Limited	60%	China	Engineering inspection

## Notes to the financial statements (continued)

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.

During the year the Group exercised an option to increase its investment in Hanseaticsoft GmbH from 24% to 55% for cash consideration of £3.9m. Hanseaticsoft GmbH remains subject to joint control after the Group's increase in its percentage ownership.

The following shows the share of net assets, including goodwill recognised on acquisition, recognised by the Group for these entities:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Lloyd's Register Apave Limited	104	97	—	—
Lloyd's Maritime Information Services Ltd	115	115	100	100
Common Structural Rules Software LLC	19	—	—	—
Hanseaticsoft GmbH	6,789	3,064	—	—
Fullagar Technologies Limited	—	—	—	—
Xinjiang LR Tunhe Social Economic Consulting Company Limited	686	60	—	—
	<b>7,713</b>	<b>3,336</b>	<b>100</b>	<b>100</b>

At 30 June 2018 the Common Structural Rules Software LLC joint venture had net liabilities. The Group's share of the net liabilities amounted to £275,000 and was recognised within other provisions.

### 14. Listed investments and cash held by investment managers

	Group and Company		
	United Kingdom bonds £000	Cash £000	Total £000
<b>Carrying value:</b>			
At 1 July 2018	130,729	1,881	<b>132,610</b>
Additions	27,244	2	<b>27,246</b>
Disposals	(34,574)	(152)	<b>(34,726)</b>
Revaluation	11,240	—	<b>11,240</b>
At 30 June 2019	<b>134,639</b>	<b>1,731</b>	<b>136,370</b>

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 of £74m (2018: £77m) were held in an escrow account relating to the funding of the UK pension liability. Of the remaining £62m market value (2018: £56m) of investment assets, £62m (2018: £56m) were held in a ring fenced portfolio relating to the funding of other pension liabilities outside the UK.

## Notes to the financial statements (continued)

### 15. Debtors

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
		Restated (note 2)		Restated (note 2)
Trade debtors	201,040	195,107	2,687	1,196
Amounts owed by Lloyd's Register Foundation	943	1,069	—	—
Amounts owed by Group undertakings	—	—	241,567	550,590
Other debtors	9,916	7,036	785	776
Prepayments and accrued income	145,928	130,288	6,414	3,964
Taxation recoverable	29,134	25,268	—	—
	<b>386,961</b>	<b>358,768</b>	<b>251,453</b>	<b>559,826</b>

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
		Restated (note 2)		Restated (note 2)
Bank overdraft	15,841	—	15,841	—
Payments received on account	—	3,125	—	—
Trade creditors	31,511	18,520	1,724	430
Amounts owed to Group undertakings	—	—	487,899	683,762
Other creditors	1,634	1,160	—	—
Corporation tax	14,814	11,629	1,491	1,001
Other taxation and social security	18,356	18,358	514	457
Accruals and deferred income	166,612	193,339	7,211	11,746
Fair value of foreign exchange derivatives	—	450	—	—
	<b>248,768</b>	<b>246,581</b>	<b>514,680</b>	<b>697,396</b>

## Notes to the financial statements (continued)

### 17. Provisions for liabilities

Group	Legal claims £000	Acquisition-related £000	Employee related £000	Onerous lease £000	Deferred tax £000	Other £000	Total £000
At 1 July	5,022	5,797	25,747	9,195	18,835	8,165	72,761
Exchange revaluation	53	—	236	—	69	5	363
(Credited) / charged to profit and loss account	(450)	963	14,115	1,253	417	725	17,023
Charged to other comprehensive income	—	—	—	—	(2,311)	—	(2,311)
Utilisation of provision	—	(422)	(18,601)	(1,756)	—	(1,508)	(22,287)
At 30 June	4,625	6,338	21,497	8,692	17,010	7,387	65,549

Company	Deferred tax £000	Legal claims £000	Employee related £000	Other £000	Total £000
At 1 July	18,413	1,002	2,602	326	22,343
Exchange revaluation	(30)	—	—	16	(14)
Charged / (credited) to profit and loss account	215	(237)	1,464	—	1,442
Charged to other comprehensive income	(2,311)	—	—	—	(2,311)
Utilisation of provision	—	—	(988)	(179)	(1,167)
At 30 June	16,287	765	3,078	163	20,293

**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.

**Acquisition-related:** Provisions relating to amounts payable in future periods for acquisitions completed by the balance sheet date. Settlement of these provisions is expected within two years.

**Employee related:** Provision is made for redundancy and relocation costs with respect to the restructuring programmes in addition to certain employee benefits, including £9.6m (2018: £12.3m) relating to the settlement of Netherlands pension obligations disclosed in note 19, and repatriation of expatriate workers and other employment related costs. Settlement of these provisions is expected within five 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 14 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 JVs 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	
	2019	2018
	£000	£000
<b>Financial assets</b>		
Investments in listed investments (note 14)	134,639	130,729
<b>Financial liabilities</b>		
Forward currency contracts (note 16)	—	450
Bank overdraft (note 16)	15,841	—

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.

The Group has entered into call options to increase its interest in an unlisted investment. At 30 June 2019, the fair value of the call options was £nil (2018: £nil).

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receipts. No outstanding commitments exist at 30 June 2019. At 30 June 2018, the Group was committed to sell EUR 6,600,000, USD 5,300,000, KRW 687,700,000, JPY 127,400,000 and receive a fixed sterling amount. The forward contracts were measured at fair value, which was determined using the valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives were the forward exchange rates for GBP: EUR, GBP: USD, GBP: KRW, GBP: JPY.

## Notes to the financial statements (continued)

### 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 2016. This showed that the funding position of the scheme had declined from the previous valuation. The funding shortfall was £81m for the 2016 valuation, an increase from £59m in the previous valuation's Recovery Plan as at 31 March 2013. Lloyd's Register Group Limited has placed investments with a market value of £74m in an escrow account as surety. In the year ended 30 June 2019, special contributions of £6.03m (2018: £8.83m) were paid. A further triennial valuation is currently underway.

##### *Netherlands*

Effective 1 January 2018 a Defined Benefit pension plan in the Netherlands was converted to a Collective Defined Contribution plan. In the year ended 30 June 2018 the change led to a curtailment gain of £29.6m and settlement costs of £19.6m, a net gain of £10m. Of the £19.6m employee provision created in the prior year, £9.6m remains outstanding at 30 June 2019. Remaining Netherlands Defined Benefit pension plans have assets of £nil (2018: £nil), defined benefit obligations of £1.3m (2018: £1.4m), a net deficit of £1.3m (2018: £1.4m).

#### Other long-term employee benefits

The Group also contributes to other long-term schemes which provide other benefits. Significant 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 2019 of £1.5m (2018: £1.5m).
- 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 2019 of £17.9m (2018: £15.4m), assets of £5.9m (2018: £6.1m) a net obligation of £12.0m (2018: £9.3m).
- UK: the UK has other benefits schemes including the Unfunded, Unregistered Retirements Benefits Scheme (see the Remuneration Committee report on page 12). These benefits are unfunded with an obligation at 30 June 2019 of £10.0m (2018: £9.2m).

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

Long-term unfunded employee benefits included within provisions are:

- UK: £2.4m (2018: £2.0m) 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 12.
- Australia: £1.6m (2018: £1.5m) 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 2019.

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

The financial assumptions used at 30 June 2019 and 2018 for the different areas are summarised below.

	UK <sup>(1)</sup>		Japan <sup>(2)</sup>		Eurozone <sup>(3)</sup>		Rest of the World <sup>(4)</sup>	
	2019	2018	2019	2018	2019	2018	2019 <sup>(5)</sup>	2018 <sup>(5)</sup>
<b>Liabilities:</b>	%	%	%	%	%	%	%	%
Rate of price inflation	<b>3.2</b>	3.0	<b>1.0</b>	1.0	<b>1.8</b>	1.8	<b>2.0 to 5.0</b>	2.0 to 5.0
Rate of increase in salaries	<b>n/a</b>	n/a	<b>1.8</b>	1.8	<b>1.8</b>	1.8	<b>1.8 to 5.0</b>	3.5 to 7.0
Rate of increase in pensions	<b>Various</b>	Various	<b>0.8</b>	0.8	<b>Nil to 1.8</b>	Nil to 1.8	<b>2.2 to 5.0</b>	2.0 to 5.0
Discount rate	<b>2.25</b>	2.80	<b>0.5</b>	0.6	<b>0.8 to 1.4</b>	1.4 to 2.1	<b>2.3 to 7.1</b>	3.1 to 8.2

(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 UK mortality table has been updated to reflect recent analysis undertaken as part of the triennial funding valuation. The updated table is based on the self-administered pension schemes (SAPS) "S3" mortality tables with an allowance for future improvements based on the Continuous Mortality Investigation (CMI) 2018 long-term projections adjusted by 110% for males and 102% for females, with a period smoothing parameter of 7.5 and a long-term trend of 1.25% per annum.

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	18.5	21.1	—	—	0.3	0.5	2.9	2.3	21.7	23.9
Equity instruments	58.3	188.3	—	—	3.4	3.2	29.3	30.4	91.0	221.9
Debt instruments	971.7	754.0	—	—	19.6	17.5	29.3	25.4	1,020.6	796.9
Real estate	—	—	—	—	—	—	—	—	—	—
Other	17.9	25.8	—	—	—	—	11.5	12.2	29.4	38.0
Market value of assets	1,066.4	989.2	—	—	23.3	21.2	73.0	70.3	1,162.7	1,080.7
Present value of scheme liabilities	(957.4)	(879.9)	—	—	(34.1)	(32.6)	(80.7)	(71.8)	(1,072.2)	(984.3)
	109.0	109.3	—	—	(10.8)	(11.4)	(7.7)	(1.5)	90.5	96.4
Present value of unfunded liabilities	(10.1)	(9.2)	(59.0)	(56.7)	(59.6)	(52.4)	(91.8)	(86.8)	(220.5)	(205.1)
Net pension asset / (liability)	98.9	100.1	(59.0)	(56.7)	(70.4)	(63.8)	(99.5)	(88.3)	(130.0)	(108.7)

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

	2019	2018
	£m	£m
Pension surplus	120.0	119.2
Pension liability	(250.0)	(227.9)
Net pension liability	(130.0)	(108.7)

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, USA, Norway and UAE. The net liabilities for the Korean, USA, Norwegian and UAE schemes are shown below.

	Korea		USA		Norway		UAE		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net pension assets	5.9	6.1	35.9	34.9	1.6	1.6	—	—	43.4	42.6
Net pension liabilities	(18.0)	(15.4)	(40.2)	(36.3)	(1.6)	(1.7)	—	(0.3)	(59.8)	(53.7)
	(12.1)	(9.3)	(4.3)	(1.4)	—	(0.1)	—	(0.3)	(16.4)	(11.1)

## Notes to the financial statements (continued)

### Amounts recognised in the Consolidated Profit and Loss Account:

	2019 £m	2018 £m
Current service cost	6.3	11.2
Curtailment losses / (gains)*	2.1	(30.7)
Administrative expenses	1.2	1.8
	<b>9.6</b>	<b>(17.7)</b>

Interest cost on schemes' liabilities	31.5	34.1
Interest income on schemes' assets	(30.3)	(29.2)
Total amount included under Other finance costs (note 9)	<b>1.2</b>	<b>4.9</b>

\*2019 curtailment losses include £1.8m (2018: £nil) in relation to Guaranteed Minimum Pension equalisation (see note 8).

In addition, there is a charge in respect of contributions to defined contribution plans of £32.3m (2018: £30.0m).

The actual return on scheme assets was £114.5m (2018: £78.0m).

### Amounts recognised in the Consolidated Statement of Comprehensive Income:

	2019 £m	2018 £m
Gain on pension scheme assets	84.2	48.8
Experience gains /(losses)	2.6	(12.5)
Change in assumptions	(114.1)	78.6
Actuarial (loss) / gain	<b>(27.3)</b>	<b>114.9</b>

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

	2019 £m	2018 £m
Opening defined benefit obligation	(1,189.4)	(1,504.1)
Current service cost	(6.3)	(11.2)
Curtailments	(2.1)	30.7
Member contributions	—	(0.5)
Interest cost	(31.5)	(34.1)
Actuarial (loss) / gain	(111.5)	66.1
Exchange adjustments	(6.3)	(2.3)
Settlement payments from plan assets	—	200.3
Benefits paid	54.3	65.7
Closing defined benefit obligation	<b>(1,292.8)</b>	<b>(1,189.4)</b>

## Notes to the financial statements (continued)

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

	2019 £m	2018 £m
Opening market value of plan assets	1,080.7	1,243.4
Expected return on plan assets	30.3	29.2
Settlement payments from plan assets	—	(200.3)
Benefits and expenses paid	(55.5)	(67.6)
Employer contributions	20.5	26.0
Member contributions	—	0.5
Actuarial gain on assets	84.2	48.8
Exchange adjustments	2.5	0.7
Closing market value of plan assets	1,162.7	1,080.7

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Issued, called up and fully paid:				
90,000 ordinary shares of £1 (2018: 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 has agreed that, until June 2017, it would retain £100m of this sum. Should Lloyd's Register Group Limited become insolvent, as defined in a Deed of Gift, before that date, the Foundation will 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. On 30 June 2017, the Lloyd's Register Foundation extended the terms of the Deed of Gift until July 2020.

## Notes to the financial statements (continued)

### 21. Contingent liabilities, capital and financial commitments

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Contingent liabilities:</b>				
In respect of bank guarantees	9,283	8,422	55	53
Escrow account for pension schemes	136,370	132,610	136,370	132,610
Other	—	3,000	—	—
	<b>145,653</b>	<b>144,032</b>	<b>136,425</b>	<b>132,663</b>

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.

Due to the funding shortfall on the main defined benefit scheme in the UK, part of Lloyd's Register Limited's portfolio of listed investments was transferred to an escrow account during the year ended 30 June 2011, the beneficiary of which is the Lloyd's Register UK Pension Scheme. Subject to the results of future pension scheme valuations, amounts may be paid out of this escrow account to make good the deficit in future periods. The escrow arrangement will terminate no later than 30 June 2023, when any remaining balance will revert to Lloyd's Register Group Limited unencumbered.

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

	Land and buildings		Other	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Group</b>				
Within one year	20,019	20,859	7,935	9,038
Between two to five years	56,357	54,642	8,711	10,326
After five years	68,190	77,717	65	60
	<b>144,566</b>	<b>153,218</b>	<b>16,711</b>	<b>19,424</b>

	Land and buildings		Other	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Company</b>				
Within one year	447	430	1	4
Between two to five years	790	31	—	—
	<b>1,237</b>	<b>461</b>	<b>1</b>	<b>4</b>

## Notes to the financial statements (continued)

### 22. Reconciliation of operating profit to cash generated by operations

	2019	2018
	£000	£000
		Restated (note 2)
Operating profit	9,472	6,690
Loss on disposal of fixed assets	151	45
Exchange adjustment	5,082	(3,849)
Depreciation	8,581	8,023
Amortisation charges	28,310	24,546
Increase in debtors	(24,334)	(36,767)
(Decrease) / increase in creditors	(16,190)	18,004
(Decrease) / increase in provisions	(5,328)	7,892
Foreign tax paid	(21,066)	(17,625)
Tax received	3,005	5,109
Defined benefit pension contributions in excess of fund charges	(13,099)	(12,886)
Curtailment losses / (gains)	2,100	(30,700)
Cash used in operations	<u>(23,316)</u>	<u>(31,518)</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, £22.4m (2018: £23.5m) of cash was held by overseas entities which cannot be remitted to other Group entities and £1.2m (2018: £1.1m) which is held in bank accounts controlled by the Group however access to the funds is currently restricted. 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 (£7.3m) due to exchange controls and Korea (£9.3m) where remittance is permitted following external audit.

The Group holds £19.3m of cash which is immediately available for general use by the Company or other Group subsidiaries. In addition, it can draw on a further £24.2m of Group overdraft facilities.

### 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 total remuneration for key management personnel for the period totalled £8,009,000 (2018: £6,687,000). 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%:

	Turnover arising from trading with other LR Group companies	Operating costs charged by LR Group companies	Amounts owed (to) / from Group companies
	£000	£000	£000
<b>Subsidiaries</b>			
i4Insight, Inc	—	—	—
Lloyd's Register Industrial Services (India) Pvt Ltd	—	—	3
Lloyd's Register International (Thailand) Ltd	113	(440)	(869)
Lloyd's Register Middle East LLC Abu Dhabi	976	(2,232)	(3,131)
Lloyd's Register Oman LLC	338	(915)	1,297
Lloyd's Register Qatar LLC	630	(402)	354
LR Technical Services Sdn Bhd	112	(1,648)	1,205
Senergy International Sdn Bhd	189	(360)	(3,154)
Senergy Global Resources Sdb Bhd	4,330	—	155
<b>Joint ventures</b>			
Lloyd's Register Apave Limited	—	(1,255)	(626)
Xinjang LR Tunhe Social Economic Consulting Company Limited	40	(40)	—
Hanseaticsoft GmbH	—	(133)	(179)

During the year the Group has increased its investments in Common Structural Rules Software LLC from \$18,475,000 to \$19,625,000 and in i4Insight, Inc from \$600,000 to \$3,200,000.

Long-term loans (note 13) includes a €200,000 (2018: €nil) receivable from Hanseaticsoft GmbH. The loan is for a minimum of two years and interest accrues at 6%. The loan total loan facility amounts to €800,000.

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:

	2019 £000	2018 £000
Administrative services provided	240	240
Administrative services receivable	20	20

### 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 loss for the financial year arising in the financial statements of the parent company is £ 111,226,000 (2018: £11,078,000). 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 loss of £111,226,000 includes the write off of intercompany receivables as part of a group reorganisation, central management costs, impairment of intercompany receivables, net intercompany interest charges and the Company taxation charge.

## Notes to the financial statements (continued)

### 26. Group companies

The following are the subsidiaries and joint ventures of the Group at 30 June 2019. 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 six 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.

Company	Country of Origin	Registered Address	% of Ownership
Acoura Holdings Ltd <sup>1</sup>	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 <sup>1</sup>	UK		100
Lloyd's Register Asia Trustees Limited <sup>1</sup>	UK		100
Lloyd's Register Consulting - Energy Limited	UK		100
Lloyd's Register Central and South America Ltd <sup>1</sup>	UK		100
Lloyd's Register EMEA <sup>1</sup>	UK		100
Lloyd's Register EMEA Trustees Ltd <sup>1</sup>	UK		100
Lloyd's Register GMT Ltd	UK		100
Lloyd's Register Group Services Limited <sup>1</sup>	UK	71 Fenchurch Street, London EC3M 4BS, UK	100
Lloyd's Register Inspection Ltd <sup>1</sup>	UK		100
Lloyd's Register International <sup>1</sup>	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 Quality Assurance Ltd <sup>1</sup>	UK		100
Lloyd's Register Supramanation Trustees Ltd	UK		100
Lloyd's Register Verification Ltd <sup>1</sup>	UK		100
LR Senergy Limited (dissolved 28 August 2018)	UK		100
Perry Scott Nash Training Ltd	UK		100
Seasafe Marine Software & Computation (UK) Ltd	UK		100
Netitude Ltd	UK		100
Threat2Alert Limited	UK		100
Netitude Forensics Limited	UK		100
Fullagar Technologies Limited	UK		50

Beyan Braithwaite Building Granta Park,  
Great Abington, Cambridge, CB21 6AL



## Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Drilling Integrity Services (UK) Ltd	UK	Kingswells Causeway, Prime Four Business Park, Kingswell, Aberdeen, AB15 8PU, Scotland	100
Lloyd's Register Finance Limited (formerly Senergy Technology Limited) <sup>1</sup>	UK		100
Senergy Holdings Ltd	UK		100
Senergy Trustees Limited (dissolved 21 August 2018)	UK		100
Senergy Wells Limited	UK		100
Senergy (GB) Limited	UK		100
Senergy Development Solutions Limited (dissolved 21 August 2018)	UK		100
Interactive Petrophysics Limited	UK		100
Senergy Oil & Gas Limited	UK		100
Senergy Survey & Geoengineering Limited (dissolved 21 August 2018)	UK		100
Senergy Resources Limited	UK		100
Senergy Group Limited (dissolved 21 August 2018)	UK		100
Senergy Software Limited	UK		100
Senergy Limited	UK		100
Senergy Aligned Services Limited	UK	7 Bon Accord Square, Aberdeen, AB11 6DJ, Scotland, UK	100
Floyd and Associates Limited (dissolved on 28 August 2018)	UK		100
RTAMO Limited (dissolved 22 January 2019)	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
Food Certification International Ltd	UK		100
71FS Insurance Company Limited <sup>1</sup>	GUERNSEY	Polygon Hall, Le Marchant Street, St Peter Port, GY1 4HY, Guernsey	100
Lloyd's Register Employment Services Limited (dissolved on 7 September 2019)	GUERNSEY	Heritage Hall, La Marchant Street, St Peter Port, GY1 4HY, Guernsey	100
Lloyd's Register Drilling Integrity Services Australia Pty Ltd	AUSTRALIA	Level 1, 503 Murray Street, Perth WA 6000, Australia	100
Senergy Econnect Australia Pty Limited	AUSTRALIA	Level 1, 60 Toorak Road, South Yarra VIC 3141, Australia	100
Lloyd's Register Bangladesh Pvt Ltd	BANGLADESH	11 <sup>th</sup> Floor, 9 Mohakhali C/A, Dkaka - 1212, Dhaka, Bangladesh	100
Lloyd's Register Belgie vzw <sup>1</sup>	BELGIUM	Lloyd's Register Belgie VZWD, Rijnkaai 37, 20000 Antwerp, 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 Serviços de Integridade de Perfuração Ltda	BRAZIL		100
WEST Services Tecnicos do Brasil Ltda	BRAZIL	Rua do Camo no 7, 18 Andar, Rio de Janeiro, Brazil	100
Lloyd's Register Quality Assurance Canada Limited	CANADA	5420 North Service Road, Suite 506 Burlington, Ontario L7L 6C7 Canada	100

## Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Energy Canada Ltd	CANADA	Suite 400, 355 4th Avenue SW, Calgary AB T2P 0J1, 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 <sup>th</sup> Floor, 550 Yan An dong Road, Huangpu District, Shanghai, China	100
Lloyd's Register Industrial Technical Services (Shanghai) Co. Ltd	CHINA	20 <sup>th</sup> 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 Consulting Energy Inc	CHINA	Room805, Tower E, Global Trade Center, 36 North Third Ring Road East, Beijing, 100013, P.R. China	100
Xinjiang LR Tunhe Social Economic Consulting Company Limited	CHINA	802 Tianhe New City Plaza, Tower A, 38 He Nan Dong Road, Xinshi District, Urumqi, Xinjiang, China	60
Lloyd's Register Central and South America (Curaçao) NV	CURAÇAO	Alablancaweg No. 30 Wilhelminalaan 13, Curaçao	100
Lloyd's Register Denmark Holdings ApS	DENMARK	Strandvejen 104 A, 2 <sup>nd</sup> Floor, DK-2900, Hellerup, Denmark	100
Lloyd's Register Consulting - Energy A/S	DENMARK	Strandvejen 104 A, 2 <sup>nd</sup> Floor, DK-2900, Hellerup, Denmark	100
Lloyd's Register Egypt LLC	EGYPT	Apartment no 303-3 <sup>rd</sup> 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	55
Hellenic Lloyd's SA	GREECE	87 Akti Miaouli, Piraeus, 18538, Greece	100
Lloyd's Register Italia S.R.L. <sup>1</sup>	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 Consulting - Energy Private Ltd	INDIA	503, 5 <sup>th</sup> Floor, Nitco Biz Park 1, Plot No C/19, Road No 16-U, Eagle Estate, MIDC, Thane (W), Maharashtra, 400604, India	100
Lloyd's Register Industrial Services (India) Pvt Ltd <sup>1</sup>	INDIA	63-64 Kalpataru Square, 6 <sup>th</sup> 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 <sup>th</sup> Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	100

## Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
PT Lloyd's Register Indonesia	INDONESIA	Menara Dea Tower 1, 12 <sup>th</sup> 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 Quality Assurance (Korea) Ltd	KOREA	17 <sup>th</sup> 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 Drilling Integrity Services International (L) Ltd	MALAYSIA	Lot 2&3, Level 3, Wisma Lazenda, Jalan Kemajuan, 87000 Federal Territory of Labuan, Malaysia	100
Lloyd's Register of Shipping (Malaysia) Bhd	MALAYSIA	No 10, Persiaran KLCC, 50088, Kuala Lumpur, Malaysia	100
Lloyd's Register Technical Services Sdn Bhd <sup>1</sup>	MALAYSIA	No 10, Persiaran KLCC, 50088, Kuala Lumpur, Malaysia	49
Senergy International Sdn Bhd	MALAYSIA	10 <sup>th</sup> Floor, Menara Hap Seng, No 1& 3, Jalan P Ramlee, 50250, Kuala Lumpur, Malaysia	49
Senergy Global Resources Sdn Bhd	MALAYSIA	Level 10, Menara LGB, No 1, Jalan Wan Kadir, Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	49
Lloyd's Register Energy & Transportation S de CV de RL	MEXICO	Calle Habaneras 271 401, Jardines de Virginia, Boca del rio, Veracruz, 94294, Mexico	100
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 <sup>1</sup>	NETHERLANDS	KP van der Mandelelaan 41 A, 3062 MB Rotterdam, Netherlands	100
Lloyd's Register Norway Holdings AS	NORWAY	P.O. Box 376 Skøyen, N-0213 Oslo, Norway	100
Lloyd's Register Consulting – Energy AS	NORWAY	Drammensveien 169, N-0277 Oslo, Norway	100
Lloyd's Register EMEA (Nigeria) Ltd Gte	NIGERIA	6 <sup>th</sup> Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register West Africa Ltd	NIGERIA	6 <sup>th</sup> Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	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 (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

## Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register (Romania) SRL	ROMANIA	Sos. Iancului 31, Etaj 3, 021716 Bucuresti, Romania	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
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 Singapore Pte Limited	SINGAPORE	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
Senergy Oil and Gas (Singapore) Pte. Ltd. (dissolved 6 May 2019)	SINGAPORE	6 Temasek Boulevard, #29-00 Suntec Tower G Our, 038986, Singapore	100
Lloyd's Register Consulting – Energy AB	SWEDEN	PO Box 1288, 172 25 Sundbyberg, Sweden	100
LRQA Sverige AB	SWEDEN	Goateborgsvagen 74, Box 2107, 43302, Savedalen, Sweden	100
Lloyd's Register Sweden Holdings AB	SWEDEN	PO Box 1288, 172 25 Sundbyberg, Sweden	100
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, Istanbul, 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. <sup>1</sup>	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100
Common Structural Rules Software LLC	USA	16855 Northchase Drive, Houston, TX 77060, USA	50
Lloyd's Register Drilling Integrity Services, Inc.	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100
Lloyd's Register Energy Americas, Inc.	USA		100
Lloyd's Register North America, Inc.	USA		100
Lloyd's Register Quality Assurance, Inc.	USA		100
Lloyd's Register Technical Services, Inc.	USA		100
LR Insurance, Inc.	USA	50 Broad Street, New York, NY 10004	100
Nettitude, Inc.	USA		100
SGC Engineering LLC	USA	501 County Road, Westbrook Maine 04092, USA	100
i4Insight, Inc	USA	1209 Orange Street, Wilmington, Delaware 19801, USA	80

## Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
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

<sup>1</sup> Wholly owned directly by Lloyd's Register Group Limited

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 Consulting – Energy Limited	England and Wales	07630518
Lloyd's Register Drilling Integrity Services (UK) Ltd	Scotland	SC115074
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
Lloyd's Register Verification Limited	England and Wales	04929226
Senergy Resources Limited	Scotland	SC346964
Senergy Holdings Limited	Scotland	SC252441
Senergy Oil and Gas Limited	Scotland	SC350041
Senergy Aligned Services Limited	Scotland	SC318186

# 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 company's affairs as at 30 June 2019 and of the group's profit for the year 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 company balance sheets;
- the consolidated and company statement 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 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

We have nothing to report in respect of these matters.

## 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 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its 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

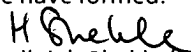
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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 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.



Hadleigh Shekle (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

24 October 2019