Lloyd's Register Central and South America Limited
Annual report and financial statements
30 June 2019

Company registration number: 04774153 (England and Wales)

Lloyd's Register

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Directors and advisers

Directors
A J Williams
A Punter
K Proffitt
J Hicks
E Garcia

Company secretary
T A Bigmore

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

Registered number
04774153

Strategic report

Business review

Turnover for the year of Lloyd's Register Central and South America Limited ("the Company") of £15.6 million (2018 restated: £18.7 million) shows a decrease of 17% from the previous year. Operating profit for the year of £0.6 million was £2.7 million lower than the previous year (2018 restated: £3.3 million). This was due to a decrease in the volume of trading and increased administrative expenses as 2018 included intercompany recharge reversals from another Lloyd's Register Group company.

Profit for the year before taxation amounted to £0.6 million (2018 restated: £3.3 million). Loss after tax for the year was £0.1 million (2018 restated: £2.0 million profit). Foreign exchange losses on the retranslation of the net assets of overseas branches amounted to £0.4 million, resulting in total comprehensive loss of £0.5 million (2018: £2.2 million income).

Net liabilities of the Company at 30 June 2019 are £0.3 million (2018 restated: net assets of £0.1 million).

Cash at bank and in hand at 30 June 2019 is £1.8 million (30 June 2018: £2.2 million), a decrease of £0.4 million.

Principal risks and uncertainties

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

The Company 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)

The Company operates branches in a number of countries (as detailed in the directors' report). The branches invoice clients and pay costs in either the local currency or an agreed contracted currency and thus the Company overall is exposed to market fluctuations in the exchange rates between Sterling and those local currencies in terms of the overall profits it generates in foreign branches.

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

The Company operates branches in Argentina and Venezuela, countries where cost inflation is running at an annual rate in excess of 50%. The impact on the Company's costs is mitigated to an extent by currency devaluations in those countries, but a risk exists over the Company's ability to be able to pass on price rises to customers.

Credit risk

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

Interest rate risk

The Company is partly funded by loans from its parent, which are subject to a market rate of interest. The rate of interest is set annually, and whilst this may change, the Company is not subject to sudden or frequent large changes in the rates of interest that it is subject to.

Political risk

The Company largely operates in non-OECD countries and tends to be subject to restrictions on remittance of cash from those countries to the UK. Cash flow can therefore at times be dependent on the parent company being prepared to continue to fund operations in any particular country with a short-term cash requirement.

The Audit and Risk Committee of Lloyd's Register Group Limited (the immediate parent) reviews the application and effectiveness of the policies and processes of the Lloyd's Register Group on matters of internal financial policy, control and risk. Its responsibilities extend to all subsidiary companies, with the agreement of the directors of those companies, including Lloyd's Register Central and South America Limited.

Strategic report (continued)

By order of the Board

A J Williams
Director

7 September 2020

Directors' report

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

Board of directors

The directors of the Company during the year and subsequently were:

	Appointed	Resigned
T S Boardley		28 September 2018
A Punter	5 October 2018	
A J Williams		
K Proffitt	14 April 2020	
J Hicks	30 June 2020	
E Garcia	30 June 2020	

Principal activities

Lloyd's Register Central and South America Limited undertakes inspections and surveys and provides risk management solutions to clients predominantly in the marine sector in its foreign branches.

Results

Commentary on the results for the year can be found in the Strategic Report.

Future developments

The directors do not foresee any material change in the business or trading results, other than those arising from the uncertainty caused by the Covid-19 pandemic.

Dividend

The directors do not recommend a dividend (2018: none).

Principal risks and uncertainties

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

Subsequent events - Impact of the Coronavirus ("COVID-19") outbreak and going concern

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

In response there has been significant and widespread government action as well as major disruption to the global economy including business slowdowns or shutdowns and significant travel restrictions. These events have resulted in significant declines in both global economic activity and financial market valuations.

The company is part of the Lloyd's Register group ("the Group") which provides inspections and surveys, systems assessments and provides risk management solutions, principally in marine, energy and other sectors where assets or processes require inspection and certification against international standards. The company is in a net current liability and net liability position. It is therefore financially dependent on the support of the Lloyd's Register group to meet its liabilities as they fall due.

The spread of the virus has resulted in a reduction of business activity in the Group, as customers operations were affected either by government imposed regulations restricting the physical movement of individuals in an effort to limit the spread of the coronavirus or as a result of customers facing their own economic and or operational challenges in responding to the virus.

The Group implemented a number of measures in an effort to protect its employees' health and well-being, including having most office workers work remotely and suspending non-essential employee travel including to customer sites to perform services where the safety of employees could not be assured. Whilst the Group has increased its portfolio of services which can be offered remotely, the Group's net sales were negatively impacted by the effects of the pandemic. In response, the Group implemented a series of initiatives with the goal of reducing the negative impact of the virus on the Group's financial performance and cash flows. These measures, which primarily ran from April until July 2020, impacted approximately 25% of global personnel and included initiatives such as reduced working hours in return for a reduction in pay, temporary pay reductions for staff, and furloughing of staff.

As lockdown restrictions have begun to ease in different regions, the Group has cautiously begun a return to more normal ways of working for its surveyors and assessors. The important marine markets in North Asia (China, South Korea and Japan) had a limited impact on results due to lockdown restrictions, while the completion of the backlog of Certification work caused by lockdowns is expected over the coming months. Office-based workers continue

Directors' report

to follow latest government advice, which in some countries includes working from home where possible.

The situation related to the coronavirus continues to be complex and evolving. It is not possible for the Group to reasonably estimate the duration of the pandemic, including the risk from a "second wave". The Group has adapted its financial forecasting to reflect the increased uncertainty caused by COVID-19, including preparing rolling six month forecasts, and has prepared different financial models for the period through to 30 June 2021 reflecting different scenarios ranging from a 6% reduction in revenue to a 21% reduction in revenue compared to pre-COVID-19 expectations, as well as associated cash flow forecasts, including an assessment of the cash flow for freely available cash, cash held in subsidiaries where cash cannot be freely moved around the Group and cash that is not available for working capital use.

At 31 July 2020, the Group held cash of £172.8 million and no external borrowings. The Group has access to overdraft facilities of £40 million, although these facilities can be withdrawn by the lenders on demand. The Group's directors have considered the adequacy of the Group's cash resources and assessed that they are sufficient to meet its liabilities as they fall due. Lloyd's Register Group Limited has provided a letter of financial support to the Company confirming that it will provide the necessary financial support to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are approved.

With this support the directors believe that Lloyd's Register Central and South America Limited is able to meet its financial liabilities as they fall due and hence continue to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared based upon conditions existing at 30 June 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 30 June 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 30 June 2019 for the impacts of COVID-19.

Branches

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

Employees

Lloyd's Register Central and South America Limited strives to be an equal opportunities employer.

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

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

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

Parent and ultimate parent

The ultimate parent is Lloyd's Register Foundation, a company registered in England and Wales and a registered charity. The immediate parent is Lloyd's Register Group Limited, a company registered in England and Wales.

Disclosure of information to auditor

Having made enquiries, each of the directors listed above, which are 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 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.

Directors' report

Auditor

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

By order of the Board

A J Williams
Director

7 September 2020
Company registration number: 04774153

Statement of the directors' responsibilities in respect of the financial statements

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;
- 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.

Profit and loss account for the year ended 30 June 2019

	Note	2019 £'000	2018 £'000 Restated (note 1)
Turnover	3	15,546	18,666
Cost of sales		(12,158)	(13,234)
Gross profit		3,388	5,432
Administrative expenses		(2,789)	(2,177)
Operating profit		599	3,255
Interest receivable and similar income:			
• From group undertakings		27	22
• Other		7	59
Interest payable and similar charges:			
• Other		(7)	—
Profit before taxation	4	626	3,336
Taxation	6	(683)	(1,302)
(Loss) / profit after taxation		(57)	2,034

All items presented above relate to continuing operations.

Statement of comprehensive income for the year ended 30 June 2019

	2019 £'000	2018 £'000
(Loss) / profit for the financial year	(57)	2,034
Currency translation difference on foreign currency net investments	(390)	174
Total comprehensive (loss) / income	(447)	2,208

Balance sheet at 30 June 2019

	Note	2019 £'000	2018 £'000 Restated (note 1)
Fixed assets			
Tangible fixed assets	7	318	230
Investments	8	91	91
		409	321
Current assets			
Debtors	9	13,518	12,796
Cash at bank and in hand		1,787	2,246
		15,305	15,042
Creditors: amounts falling due within one year	10	(15,986)	(15,126)
Net current liabilities		(681)	(84)
Provisions for liabilities	11	(68)	(130)
Total net liabilities		(340)	107
Capital and reserves			
Share capital	12	1,500	1,500
Profit and loss account		(1,840)	(1,393)
		(340)	107

The financial statements of Lloyd's Register Central and South America Limited, company number 04774153 were approved by the Board of Directors on 7 September 2020 and signed on its behalf by:

A J Williams
Director

Company registration number: 04774153

Statement of changes in equity for the year ended 30 June 2019

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 July 2017 as previously stated	1,500	(3,777)	(2,277)
Impact of restatement (note 1)	—	176	176
At 1 July 2017 as restated	1,500	(3,601)	(2,101)
Profit for the financial year (restated – note 1)	—	2,034	2,034
Foreign currency translation differences	—	174	174
Total comprehensive income	—	2,208	2,208
At 30 June 2018	1,500	(1,393)	107
Loss for the financial year	—	(57)	(57)
Foreign currency translation differences	—	(390)	(390)
Total comprehensive loss	—	(447)	(447)
At 30 June 2019	1,500	(1,840)	(340)

Notes to the financial statements for the year ended 30 June 2019

1. Legal information, basis of accounting and accounting policies

Lloyd's Register Central and South America 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 1 and its principal activities are set out within the Directors' report.

a. The financial statements are prepared under the historical cost convention and in accordance with applicable Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company 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.

   Whilst the Company has net liabilities, the parent company Lloyd's Register Group Limited, has agreed to provide support until Lloyd's Register Central and South America Limited is in a position to be able to repay those amounts. This support has been provided for a period of at least 12 months from the date of approval of these financial statements. With this support, the directors believe Lloyd's Register Central and South America Limited is able to meet its liabilities as they fall due and the directors continue to adopt the going concern basis in preparing the financial statements. The impact of the Coronavirus ("COVID-19") outbreak on the going concern assessment is explained further in note 16 of the accounts.

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

   Lloyd's Register Central and South America Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments, intra-group transactions, presentation of a cash flow statement and remuneration of key management personnel.

b. Lloyd's Register Central and South America Limited is exempt by virtue of the provisions of section 400 of the Companies Act 2006 from the obligation of preparing and delivering consolidated financial statements. Its results are included in the consolidated financial statements of Lloyd's Register Foundation, which are available from 71 Fenchurch Street, London, EC3M 4BS.

c. Fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation of tangible fixed assets is provided by the straight line method, commencing with the year in which they are ready for use, at rates estimated to write off their cost during their respective useful lives as follows:

Motor vehicles	5 years
Office equipment	8 years
Computer equipment	5 years
Leasehold improvements	length of the lease

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

Notes to the financial statements for the year ended 30 June 2019 (continued)

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. Dividends from subsidiaries are brought into account when due and receivable. Interest receivable from bank and short-term deposits includes interest accrued.

f. Investments including those in subsidiaries are valued at cost less impairment.

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

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

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

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

h. Foreign currencies are dealt with as follows:

   i. Foreign currency denominated assets and liabilities of Lloyd's Register Central and South America Limited and its overseas operations are translated at the rate of exchange ruling at the balance sheet date.

   ii. Income and expenditure for the year are translated at the appropriate rates prevailing during the year, updated on a monthly basis.

   iii. Exchange differences are shown in the profit and loss account with the exception of those arising from the retranslation of the net assets of overseas branches which are recorded in other comprehensive income and accumulated in equity.

   iv. If a branch of the Company has a functional currency that is the currency of a hyperinflationary economy, the branch's financial statements are first restated in accordance with Section 31 of FRS102. Under Section 31, income, costs and balance sheet amounts are translated at the exchange rates ruling at the balance sheet date.

i. The costs of operating lease rentals are charged to the profit and loss account in the period to which they relate.

j. Pension payments are made to retired former employees who are members of the Lloyd's Register of Shipping Pension Scheme which is an unfunded defined benefit scheme. Lloyd's Register Group Limited is legally responsible for the plan. There is no contractual agreement or stated policy for charging the cost of the defined benefit plan as a whole to individual group entities.

k. Short-term employee benefits are recognised as an expense in the period in which they relate.

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

Adjustment in respect of prior periods

Prior period comparatives have been restated for a change in the application of the Company'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 Company 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 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 Company 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.

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. The change in profit before tax has resulted in restatement of taxation balances for both the profit and loss account and balance sheet as detailed below.

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

Profit and loss account

- £35,000 decrease in turnover from £18,701,000 to £18,666,000;
- £206,000 increase in cost of sales from £13,028,000 to £13,234,000; and
- £87,000 decrease in taxation charge from £1,389,000 to £1,302,000.
- Resulting in a £154,000 decrease in the profit for the financial year from £2,188,000 to £2,034,000

Balance sheet

- £703,000 increase in prepayments and accrued income from £134,000 to £837,000;
- £1,568,000 increase in accruals and deferred income from £1,287,000 to £2,855,000;
- £2,000 decrease in the corporation tax liabilities from £861,000 to £859,000;
- £892,000 decrease in invoices on account net of work in progress from £892,000 to £nil; and
- £7,000 decrease in deferred tax assets from £252,000 to £245,000.
- Resulting in a £22,000 increase in net assets from £85,000 to £107,000.

Opening net liabilities at 1 July 2017

- £176,000 decrease in opening net liabilities at 1 July 2017 from £2,277,000 to £2,101,000.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Notes to the financial statements for the year ended 30 June 2019 (continued)

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 Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Hyperinflation
The company has applied the hyperinflationary accounting requirements of Section 31: Hyperinflation of FRS 102 for the first time in the year ended 30 June 2018, when the impact was first considered material in respect of the Company's Venezuelan branch and in the year ended 30 June 2019, the Argentine economy has also been assessed as hyperinflationary. As a result, the financial statements of the Company's Venezuelan and Argentinian branches have been restated for changes in the general purchasing power of the Venezuelan bolivar and Argentine Peso, which are the functional currencies in each branch, respectively. The estimated level of inflation for the year ended 30 June 2019 is 385,628% for Venezuela (year ended 30 June 2018 – 10,571%) and 56.79% for Argentina. This has been determined from the national consumer price index published by the countries respective central bank. The gain/(loss) on non-monetary items for the year was £nil.

Exchange Control
In 2017, the Venezuelan Government continued to operate the DIPRO and DICOM exchange mechanisms. In January 2018, the Government implemented a reformed exchange rate system for the country. The DIPRO rate was eliminated and the Government mandated that all future foreign exchange transactions be conducted at a renewed DICOM rate. The first auction under the new system was held on 1 February 2018 and the DICOM rate moved to VEF 25,000 per US dollar. Subsequent to this, the economic and political crisis in Venezuela worsened, with a substantial increase in inflation rates. However, in the second quarter of 2018, the renewed DICOM rate has not increased in line with inflation, and therefore is not representative of the rate at which the Company extracts economic benefit from its Venezuelan operations.

These currency exchange controls in Venezuela restrict our ability to convert amounts generated by our Venezuelan operations into US dollars, for instance for the payment of dividends.

At June 2019, judgement was required to calculate an exchange rate appropriate for the Venezuelan branch. The financial statements of the company operations in Venezuela were translated at 30 June 2019 using a rate of VEF 7,946,046 per GBP.

Key sources of estimation uncertainty

Recoverability of aged trade receivables
Judgement is required in evaluating the likelihood of collection of customer debt after revenue has been recognised. This evaluation requires estimates to be made including the level of provision to be made for amounts with uncertain recovery profiles. Provisions are based on historical trends in the percentage of debts which are not recovered, or on more detailed reviews of individually significant balances. To the extent that actual recovery experience differs significantly from the historical trends of the Company or from the assumptions on recovery following the detailed reviews of individually significant balances, the profit and loss account of the Company in future years may be materially affected.

2. Ownership of share capital

The issued share capital is held by Lloyd's Register Group Limited, a company registered in England and Wales. The ultimate beneficial interest in the issued share capital of the Company is held by Lloyd's Register Foundation, a company registered in England and Wales and a registered charity.

Notes to the financial statements for the year ended 30 June 2019 (continued)

3. Turnover

A geographical analysis of turnover is not included as the directors consider it would be seriously prejudicial to the interests of the Company.

4. Profit before taxation

This is stated after charging / (crediting):

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	55	64
Auditor's remuneration:		
• Fees payable to Company's auditor for the audit of the Company's annual financial statements	28	27
• Fees payable to Company's auditor and its associates for the audit of the Company's branches	55	47
• Fees payable to the Company's auditor and its associates for taxation services	7	2
• Fees payable to the Company's auditor and its associates for other services	—	1
Charge for bad and doubtful debts	173	55
Reversal of investment impairments	—	(44)
Profit on disposal of fixed assets	(16)	(18)
Operating lease rentals:		
• Leasehold property	244	244
• Other equipment and vehicles	70	76
Foreign exchange (gain) / loss	(228)	490

5. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	4,818	4,706
Social security costs	588	594
Other pension costs	391	433
	5,797	5,733

Average number of employees for the year:	**Number**	Number
Marine and Offshore	37	35
Energy	22	20
Management Systems and Inspection Services	15	14
Administrative and support	22	22
	96	91

The remuneration of directors is borne by other entities within the Lloyd's Register Group; the directors receive no remuneration in their role as directors of the Company.

Notes to the financial statements for the year ended 30 June 2019 (continued)

6. Taxation

	2019 £'000	2018 £'000 Restated (note 1)
Current tax on profit		
United Kingdom	—	—
Foreign tax	1,226	1,515
Adjustment in respect of prior periods	(324)	(100)
Total current tax	902	1,415
Deferred tax		
Origination and reversal of timing differences	(266)	(123)
Adjustments in respect of previous periods	47	10
Total deferred tax	(219)	(113)
Total tax on profit	683	1,302

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. On 11 March 2020 the UK government announced proposals to maintain the UK corporation tax rate at 19% from 1 April 2020, rather than reducing it to 17% as previously announced. This was substantively enacted on 17 March 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 £0.2m. 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:

Factors affecting the charge for the year	2019 £'000	2018 £'000 Restated (note 1)
Profit before taxation	626	3,336
Profit multiplied by average standard rate of United Kingdom corporation tax of 19% (2018: 19%)	119	634
Effects of:		
• Group relief claimed for nil consideration	(59)	—
• Overseas rate differences	490	510
• Expenses not deductible for tax purposes	594	605
• Unprovided timing differences	(32)	119
• Other taxes	(152)	(476)
• Adjustments in respect of previous periods	(277)	(90)
	683	1,302

Notes to the financial statements for the year ended 30 June 2019 (continued)

Deferred tax assets	2019 £'000	2018 £'000 Restated (note 1)
At 1 July asset	(245)	(184)
Arising in the year	(219)	(113)
Foreign exchange	19	52
At 30 June asset	(445)	(245)

Deferred tax is recognised as follows:		
Other timing differences	(445)	(245)
	(445)	(245)

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 £0.1m (2018: £0.2m). Such assets would potentially become recoverable against future profits generated in the relevant overseas operations.

7. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Motor Vehicles £'000	Leasehold improvements £'000	Total £'000
Cost:					
At 1 July 2018	134	222	356	154	866
Additions	109	2	45	13	169
Disposals	(21)	—	(31)	(6)	(58)
Exchange differences	(4)	8	(15)	(9)	(20)
At 30 June 2019	218	232	355	152	957
Depreciation:					
At 1 July 2018	119	183	298	36	636
Charged in year	10	5	25	15	55
Disposals	(7)	—	(31)	—	(38)
Exchange differences	(3)	6	(10)	(7)	(14)
At 30 June 2019	119	194	282	44	639
Net book value:					
At 30 June 2019	99	38	73	108	318
At 30 June 2018	15	39	58	118	230

Notes to the financial statements for the year ended 30 June 2019 (continued)

8. Investments

	2019 £'000	2018 £'000
Investment in subsidiaries	91	91

Subsidiaries

Lloyd's Register Central and South America Limited owns 100% of the issued ordinary shares (representing the whole share capital) of the following companies:

Company	Country of incorporation and registration	Registered address	Principal activity
Lloyd's Register do Brasil Ltda	Brazil	Rua da Gloria, 311-11, Andar, Rio de Janeiro, RJ, 20.241.180, Brazil	Engineering and inspection
Lloyd's Register Energy and Transportation S de RL de CV	Mexico	Calle Habaneras 271 401, Jardines de Virginia, Boca del Rio, Veracruz, 94294, Mexico	Engineering and inspection
Lloyd's Register Central and South Americas (Curacao) NV	Curacao	Alablancaweg No.30, Wilhelminalaan 13, Curaçao	Engineering and inspection

The book cost of investments at 30 June 2019 was £91,000 (2018: £91,000) and accumulated investment impairments was £nil (2018: £nil).

9. Debtors

	2019 £'000	2018 £'000 Restated (note 1)
Trade debtors	3,844	3,850
Amounts due from Group undertakings	5,284	7,247
Other debtors	907	272
Prepayments and accrued income	2,654	837
Deferred tax asset (note 6)	445	245
Tax recoverable	384	345
	13,518	12,796

Notes to the financial statements for the year ended 30 June 2019 (continued)

10. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000 Restated (note 1)
Trade creditors	137	3
Amounts owed to Group undertakings	11,189	11,284
Other taxation and social security	772	124
Other creditors	261	1
Corporation tax	427	859
Accruals and deferred income	3,200	2,855
	15,986	15,126

11. Provisions for liabilities

	Dilapidations £'000	Restructuring £'000	Total £'000
At 1 July 2018	16	114	130
Exchange revaluation	(1)	(4)	(5)
Provided in the year	3	—	3
Utilised	(2)	(58)	(60)
At 30 June 2019	16	52	68

Property dilapidations: The provisions are maintained to meet contractual obligations to perform restoration on leasehold properties on exit. Settlement of these provisions is expected within 8 years.

Restructuring costs: Provision is made for redundancy and relocation costs with respect to restructuring programmes. Settlement of these provisions is expected within one year.

12. Share capital

	2019 £'000	2018 £'000
Issued, called up and fully paid		
1,500,002 ordinary shares of £1 each	1,500	1,500

Notes to the financial statements for the year ended 30 June 2019 (continued)

13. Related party transactions and parent entities

The ultimate parent is Lloyd's Register Foundation, a company registered in England and Wales and a registered charity. The immediate parent is Lloyd's Register Group Limited, a company registered in England and Wales. The registered office of both companies is 71 Fenchurch Street, London, EC3M 4BS.

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.

These financial statements are included in the consolidated financial statements of Lloyd's Register Foundation, whose annual financial statements are available from its registered office at 71 Fenchurch Street, London, EC3M 4BS.

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

14. Contingent liabilities, capital and financial commitments

	2019	2018
Contingent liabilities:	£'000	£'000
In respect of bank guarantees	—	77

It is not anticipated that claims will arise in respect of bank guarantees given. There are no capital commitments as at 30 June 2019 (2018: none). Commitments under non-cancellable operating leases were as follows:

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

	Land and buildings		Other equipment and vehicles	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	135	96	—	2
Within two to five years	243	25	—	—
Thereafter	21	—	—	—
	399	121	—	2

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. In total £488,000 (2018: £nil) of cash was held in countries which cannot be remitted to the Company. In addition to these balances, the immediate movement of cash assets held by the Company is subject to compliance with local regulation restrictions; however, the Company does not consider this cash unavailable for use.

Notes to the financial statements for the year ended 30 June 2019 (continued)

15. Pension schemes

Lloyd's Register Group Limited provides unfunded defined benefit pension arrangements to certain employees of overseas subsidiaries and branches including Lloyd's Register Central and South America Limited. Lloyd's Register Group Limited has placed investments with a market value of £62m in an escrow account as surety.

Lloyds Register Group Limited is legally responsible for the plan and there are no contractual agreements or stated policy for charging the cost of the defined benefit plan as a whole to individual group entities. The contributions into the plan of £252,000 (2018: £281,000) have been recorded as a pension charge for the year. In addition, there is a charge in respect of contributions to other plans, including defined contribution plans of £139,000 (2018: £152,000). There are no unpaid contributions outstanding at the year-end (2018: £nil).

16. Subsequent events - Impact of the Coronavirus ("COVID-19") outbreak

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

In response there has been significant and widespread government action as well as major disruption to the global economy including business slowdowns or shutdowns and significant travel restrictions. These events have resulted in significant declines in both global economic activity and financial market valuations.

The company is part of the Lloyd's Register group ("the Group") which provides inspections and surveys, systems assessments and provides risk management solutions, principally in marine, energy and other sectors where assets or processes require inspection and certification against international standards. The company is in a net current liability and net liability position. It is therefore financially dependent on the support of the Lloyd's Register group to meet its liabilities as they fall due.

The spread of the virus has resulted in a reduction of business activity in the Group, as customers operations were affected either by government imposed regulations restricting the physical movement of individuals in an effort to limit the spread of the coronavirus or as a result of customers facing their own economic and or operational challenges in responding to the virus.

The Group implemented a number of measures in an effort to protect its employees' health and well-being, including having most office workers work remotely and suspending non-essential employee travel including to customer sites to perform services where the safety of employees could not be assured. Whilst the Group has increased its portfolio of services which can be offered remotely, the Group's net sales were negatively impacted by the effects of the pandemic. In response, the Group implemented a series of initiatives with the goal of reducing the negative impact of the virus on the Group's financial performance and cash flows. These measures, which primarily ran from April until July 2020, impacted approximately 25% of global personnel and included initiatives such as reduced working hours in return for a reduction in pay, temporary pay reductions for staff, and furloughing of staff.

As lockdown restrictions have begun to ease in different regions, the Group has cautiously begun a return to more normal ways of working for its surveyors and assessors. The important marine markets in North Asia (China, South Korea and Japan) had a limited impact on results due to lockdown restrictions, while the completion of the backlog of Certification work caused by lockdowns is expected over the coming months. Office-based workers continue to follow latest government advice, which in some countries includes working from home where possible.

The situation related to the coronavirus continues to be complex and evolving. It is not possible for the Group to reasonably estimate the duration of the pandemic, including the risk from a "second wave". The Group has adapted its financial

Notes to the financial statements for the year ended 30 June 2019 (continued)

forecasting to reflect the increased uncertainty caused by COVID-19, including preparing rolling six month forecasts, and has prepared different financial models for the period through to 30 June 2021 reflecting different scenarios ranging from a 6% reduction in revenue to a 21% reduction in revenue compared to pre-COVID-19 expectations, as well as associated cash flow forecasts, including an assessment of the cash flow for freely available cash, cash held in subsidiaries where cash cannot be freely moved around the Group and cash that is not available for working capital use.

At 31 July 2020, the Group held cash of £172.8 million and no external borrowings. The Group has access to overdraft facilities of £40 million, although these facilities can be withdrawn by the lenders on demand. The Group's directors have considered the adequacy of the Group's cash resources and assessed that they are sufficient to meet its liabilities as they fall due. Lloyd's Register Group Limited has provided a letter of financial support to the Company confirming that it will provide the necessary financial support to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are approved.

With this support the directors believe that Lloyd's Register Central and South America Limited is able to meet its financial liabilities as they fall due and hence continue to adopt the going concern basis in preparing the financial statements.

The financial statements have been prepared based upon conditions existing at 30 June 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 30 June 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 30 June 2019 for the impacts of COVID-19.

Independent auditor's report to the member of Lloyd's Register Central and South America Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyd's Register Central and South America Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss 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 of the Company which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 2 to 16.

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.

We have nothing to report in respect of these matters.

Independent auditor's report to the member of Lloyd's Register Central and South America Limited (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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. 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.

H Shekle

Hadleigh Shekle (Senior statutory auditor)
For and on behalf of
Deloitte LLP
Statutory Auditor
London, United Kingdom
9 September 2020