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Co. No 04929226
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Lloyd's Register Group Limited
Report and consolidated financial statements
31 December 2020

Company registration number: 08126909

Lloyd's Register

Contents

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 and joint ventures referred to in note 27 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 71 Fenchurch Street, London, EC3M 4BS.

Our Business

LR is a professional services company specialising in engineering and technology solutions that improve the safety and performance of complex, critical infrastructure and supply chains. Our technical expertise is supported by over 260 years of heritage from our beginnings as a marine classification society. We now operate across multiple industry sectors in over 75 countries employing over 6,800 employees.

Our Purpose: Working together for a safer world.

Shareholder: Our shareholder, Lloyd's Register Foundation, has at its heart a mission to secure for the benefit of the community, high technical standards of design, manufacture, construction, maintenance, operation and performance for the purpose of enhancing the safety of life and property at sea, on land and in the air. It also focuses on promoting the advancement of public education including within the transportation industries and any other engineering and technological disciplines.

Chairman's Statement

Lloyd's Register's purpose of making the world a safer place has become more relevant than ever in the 18 months since our last Annual Report and Accounts. The global pandemic has caused upheaval to nearly every industry and most of us have had our lives disrupted in many different ways.

Particularly in the first six months of 2020, LR's ability to serve our customers and continue our existing ways of working were severely impacted. However, thanks to the resilience, agility and innovation of colleagues throughout the Group we were able to adapt to the changed working environments, minimise disruption to our customers and continue to protect the safety of our people and those of our clients.

Indeed, in a global context where many industries have faced difficulties, it is particularly pleasing to see strong cash generation during the period as the Group continues to focus on improving the efficiency of processes and teams put in place over recent years of change within LR.

However, despite the change brought about by the pandemic, the world's reaction has accelerated some key megatrends, including decarbonisation and digitalisation, bringing a sharper focus on the possibility of a green economic recovery.

In our increasingly digitised industries, we have found our markets ready to adopt our new digital offerings. The momentum of change will propel us to greater success in the digital future we now find our business operating in.

Lloyd's Register has retained its focus on sustainability and decarbonisaton during the period. The Board and I have been delighted to work with the Board of Trustees of the Lloyd's Register Foundation, our owning charity, to develop and launch solutions such as the Lloyd's Register Maritime Decarbonisation Hub. It is designed to create safe, sustainable pathways to a zerocarbon maritime industry, and is the latest example of how Lloyd's Register's uses its unique heritage and connection to the Foundation to provide global thought-leadership toward a more sustainable future.

Given the increased risks of working during a period of pandemic, safety has never been more important to the Board and Executive Leadership Team of Lloyd's Register. Our priorities during this period have been to keep our colleagues safe, protect jobs and livelihoods where possible and continue to service and support our clients. It is in this context that I am proud to report we have continued to maintain our health and safety record through striving to minimise the number of lost time incidents. Our organisation aspires to Zero Harm and we continue support all of our colleagues and clients as we strive towards this goal.

A new strategic direction

After an extensive strategic review, the Board agreed to set the Group on an exciting new direction. In the future, LR will focus on a single sector, the Ocean Economy, the economic activities of all ocean-based industries together with the assets goods and services provided by marine ecosystems. This strategic focus has contributed to the divestment of the Energy business line during the period and the announcement that the LR will sell its Business Assurance, including Nettitude, and Inspection Services business line to Goldman Sachs later in 2021. The Board is convinced that this strategy and industry focus will enable LR to respond best to opportunities for growth and become the go-to partner and adviser for compliance, performance and sustainability in the Ocean Economy.

Board changes

I am thankful to my fellow Board members for their support, creativity and resilience during this challenging period, delivered whilst maintaining our commitment to strong governance.

On 31 December 2020, Alastair Marsh stepped down as Chief Executive Officer and I would like to thank him personally, and on behalf of the Board, for his contribution to Lloyd's Register and, in particular, his strong leadership of the Company through the recent global pandemic. Alastair is an exceptional business leader who has transformed the company during his tenure, delivering on a five-year modernisation and cultural change strategy. Following the significant investment in new systems and processes, LR is a far more agile and customer-focused organisation, with a strong growth platform in innovative digital services, whilst also achieving greater operational excellence.

The Board was delighted to appoint Nick Brown as Alastair's successor as Group CEO. Having worked for Lloyd's Register in a variety of senior leadership roles around the world, Nick has a strong track record of delivering business growth and has a deep understanding and experience of our business and the sectors and markets in which we operate. This is reflected in his recent appointment as incoming Council Chair of the International Association of Classification Societies (IACS). He is a customer-focused leader with a passion for purpose, who epitomises our values. The Board warmly welcomes Nick to the role and wishes him every success.

Finally, on behalf of the Board, I would like to thank all LR colleagues around the world, for their dedication and energy in enabling our business to meet the challenges this period has presented.

Thomas Thune Andersen
Chairman, Lloyd's Register Group Limited

Chief Executive Officer's report

I was appointed CEO of Lloyd's Register Group on 1 January 2021, succeeding Alastair Marsh. It's a great honour for me, having spent my entire career at Lloyd's Register, from working as a field surveyor in Europe and the Middle East, to leading our activities in China, and most recently as Director, Marine & Offshore. I would like to thank Alastair for his dedication to the role over the last five years, making our business more innovative and agile through increased digital capability, which has served us well during a turbulent period.

Business performance

As a result of the effort of everyone at Lloyd's Register, despite the disruption caused by the pandemic and a lower level of marine new construction income leading to lower annualised revenues overall, our businesses have shown great resilience. Our ability to limit the impact of the pandemic has been fuelled in part by the speed at which we were able to roll-out remote solutions and audits. Business Assurance & Inspection Services ('BA&IS'), in particular, saw an increase in activity by the end of the period and a higher level of remote audits. About a third of the surveys carried out in 2020 were done remotely. They are a growing proportion of the 30,000 surveys we complete around the world each year.

Brexit came into effect on 31 January 2020 and I am pleased to say that we achieved notified body status on all our impacted EC Directive services for BA&IS before the transition period ended. We continue to work with colleagues directly affected by Brexit to minimise its impact on their working with LR. We have set out our response to Brexit in more detail on page 20.

The continued headwinds in the global Energy industry made for challenging trading conditions in our Energy business and, after a number of rounds of strategic reshaping of our Energy business, the Board recognised the best opportunity for success of this part of our operations and its customers was outside the LR Group. In October 2020, we sold our Energy business to private equity investor Inspirit Capital, to create Vysus Group - a new engineering and technical consultancy. This was a difficult decision but I believe it is in the best interests of our Energy colleagues and customers and wish Vysus Group every future success.

In spite of the effects of the pandemic on global trade, we have seen many notable new business wins. Our Marine & Offshore business has achieved a number of new ship construction orders at a time when the overall level of ordering has been very low. The BA&IS business has continued momentum, winning new accounts in many sectors against a background of regulators putting audits on hold. We have seen some notable 'firsts' among our new business wins, which is a sign of our success in executing against our strategy, creating a strong platform for growth in future years.

We have made great progress in our digital services offering for our clients not least through our cybersecurity business Nettitude's product portfolio has proved relevant and important to customers throughout our businesses both in the UK and, increasingly, globally.

In our Marine & Offshore business, since the end of the financial period we have acquired Navico Group's C-MAP commercial marine business. C-MAP brings new functionality and capability to the i4 Insights platform through shore-side and ship-side voyage optimisation and cloud-based fleet management and fleet analytics software.

We launched CertSmart in our BA&IS business as an entirely digital-engagement model. CertSmart is aimed at low complexity, single-site businesses with 25 employees or less. It provides a simplified, efficient and affordable ISO 9001 certification service which is still covered by LR's 001 UKAS accreditation.

Throughout the pandemic, LR has continued to invest in training and development of our people, helping them adapt to new ways of working and changing customer needs.

Our strategy for profitable growth

After the end of the period, in June 2021, the Group announced the sale of 100% of its BA&IS business line, including cybersecurity business Nettitude, to Goldman Sachs Asset Management. The transaction is a key milestone in Lloyd's Register's strategy to become the go-to partner and adviser on compliance, performance and sustainability to the maritime industry and broader Ocean Economy. The deal is expected to complete during the second half of 2021, following customary anti-trust and regulatory approvals.

Strategic Report (continued)

The transaction will enable LR to support its clients better in responding to the regulatory, economic and societal pressures to digitalise and decarbonise within challenging timeframes. The additional investment capital it provides will empower LR to become an even more valuable partner to maritime clients as they address the risks and opportunities ahead of them. In particular, the divestment will allow accelerated investment in LR's maritime service offering, both organically and through acquisitions.

We believe this will unlock significant growth potential for both companies. For Lloyd's Register, it comes at a time when there is a pressing need for specialist maritime advisers to guide clients through fundamental change and to help support their digitalisation and decarbonisation ambitions.

This transaction is part of the Group's commitment to a new strategy focusing on the Ocean Economy to achieve our purpose of making the world a safer place and increase our contribution to the Lloyd's Register Foundation. This strategy is underpinned by investment in our people, innovation, technology and decarbonisation expertise.

Our Marine & Offshore business will target growth through investment into the development of industry-leading digital solutions and client services with the objective of increasing LR's share of the classification of the global fleet.

Since the end of the period we have established Maritime Performance Services as a new business line with the aim of becoming a trusted advisor for operational efficiency and sustainability solutions, with a target of doubling our current income from these services to £100m.

We will continue to focus on making LR easier for our customers to do business with and will focus on understanding our customers' challenges and how we can add value through increased digitalisation and accelerating opportunities to decarbonise.

As explained in more detail on page 19, during the period we launched a Group-wide Diversity and Inclusion initiative for all employees. We are committed to making LR more diverse and inclusive and a place where we are all proud to work, building flexibility into our ways of working to enhance colleague motivation and wellbeing.

As a professional services business, all of LR's services are delivered by our people. We will continue to invest in their technical expertise and the systems to support them. This will be underpinned by a focus on the efficiency of our processes and managing our cost base to be more competitive in the market, whilst always seeking to improve performance through digitalisation.

Working together for a safer world

In November 2020, we launched the Lloyd's Register Maritime Decarbonisation Hub in partnership with Lloyd's Register Foundation. Its aim is to accelerate the sustainable decarbonisation of the maritime industry, by facilitating the delivery and operation of safe, technically feasible and commercially viable zero-emission vessels by 2030.

We are collaborating with clients and equipment manufacturers across the industry with a range of joint developments, and industry leading approvals in principle, aiding the development of technologies and processes for low and zero carbon fuels such as ammonia and hydrogen, as well as a range of energy saving technologies such as future tanker and bulk carrier designs incorporating air lubrication systems and rotating sails.

A trusted advisor to our customers

When I think back over the last 10 years, it is very clear that the risks, opportunities and challenges faced by our customers have changed dramatically. Advancements in technology and increased digitisation, as well as growing concerns about the impact of human activity on our planet, mean that our customers are operating in a very complex environment.

It is why I truly believe that the way we can pursue our vision of making the world safer, is by moving beyond compliance services toward being a 'trusted advisor'. LR's people have immense expertise and we will harness this insight and advice for our customers, helping them to improve the performance and sustainability of their businesses.

To achieve our goal, our business will be focusing on customers, sales and growth. I want to put LR in the best possible position to succeed in a competitive post-pandemic environment and enable us to release

Strategic Report (continued)

our enormous potential for this next part of our evolution.

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

3 September 2021

Pro forma financial and operational highlights - 12 months to 30 June 2020 - unaudited

As part of our response to COVID-19 ('the pandemic'), the Directors changed the statutory period-end from 30 June 2020 to 31 December 2020 for one period to focus on business resilience and cashflow management during the crisis in particular by supporting our customers with remote service delivery and providing our colleagues with new ways of working. To allow comparison to the previous statutory period, the year to 30 June 2019, pro forma highlights including both continuing and discontinued operations have been presented based upon the 12 months to 30 June 2020. Financial highlights for the statutory 18-month period to 31 December 2020 have been presented below. These highlights are discussed in more detail in the Financial results section below.

Turnover **£848m** 2018/19: £893m	**Adjusted operating profit*** **£21m** 2018/19: £52m	**Operating cash inflow** **£99m** 2018/19: Outflow £(23)m
Average headcount (Number) **6,878** 2018/19: 7,117	**Operating loss** **£(21)m** 2018/19: Operating profit £10m	**Turnover per employee** **£123,000** 2018/19: £125,000
Safety: Lost time incidents rate** **0.10** 2018/19: 0.16	**Employee Survey Result: Engagement Score***** **67%** 2018/19: 61%	**Contribution to Lloyd's Register Foundation** **£3m** 2018/19: £0m

Statutory financial highlights - 18 months to 31 December 2020 - audited

Turnover	Adjusted operating profit *	Operating loss	Operating cash flow
£1,253m	**£58m**	**£(1)m**	**£133m**

* *Adjusted operating profit is operating profit before exceptional costs, goodwill amortisation and development project expenditure to enhance internal systems and processes (12 months to June 2020: £6.0m, 12 months to June 2019: £3.2m).*

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

*** *This metric represents the result of the Employee Survey in November 2020. The Engagement Score is measured based on answers to the following two questions:*

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

Section 172(1) statement

Oversight, Strategy and the Longer-term

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

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

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

At each Board meeting a detailed 'deep dive' investigation and discussion is undertaken into a specific risk area. Examples of risk deep dives which have taken place during the period include anti-bribery and corruption, cybersecurity and the loss of a major global accreditation. In each instance, the relevant risk owner from the business has presented to the Board and responded to questions.

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

Key areas of the Board's focus during the period have included: the development of a revised strategy for the Group; the decision to dispose of the Group's Energy operations; the Group's response to the pandemic; and the appointment of a new Chief Executive Officer.

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

Stakeholder engagement

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

1. Lloyd's Register Foundation

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

Why we focus on this stakeholder

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

What the Foundation expects of us:
- social investment;
- further its charitable objectives; and
- a financial return.

How the Board engages and communicates

The Group's Chairman and one of the non-executive directors are members of the Group Board and the Board of Trustees of the Foundation ('Foundation Board'). At each meeting of the Group Board they provide an update on the Foundation's:
- key developments in planning, strategy and events; and
- financial and operating performance.

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

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

At least once a year, the Group's Board of Directors and Foundation's Board of Trustees conduct joint board meetings. The agenda for these meetings *include detailed presentations by the Group's business leaders. Before social distancing measures implemented in response to the pandemic prevented travel and in-person meetings, these meetings took place at one of the Group's key operational locations.*

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

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

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

How Board has taken account of these interests / Outcome

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

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

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

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

- the restructuring of the Energy business in April 2020;
- the change in the Group and Foundation's financial year-end to 31 December 2020; and
- the decision to divest of the Group's Energy operations.

There were two key joint initiatives between the Group Board and the Foundation Board during the *period. First, in October 2020, the Group launched the Maritime Decarbonisation Hub as a joint initiative, open to undertaking and actively seeking partnerships with stakeholders across the industry, focused on creating a more sustainable future for shipping and contributing to society's global challenge of slowing climate change.*

Second, since 2018, the Foundation's award-winning Safety Accelerator programme has initiated 25 safetytech Innovation Challenges between industry leaders and global start-ups, in the marine, energy and food sectors. Winning start-ups go on to receive funding to test safetytech in live industry environments for three months, alongside leading companies. In October 2020, the Foundation announced it will continue to run open innovation challenges with clients funded through a grant but will increase the focus on commercial application to create stronger and deeper proof points of Safetytech impact on clients' management of safety and risk. In addition, through a grant to Safetytech Accelerator Limited, a new non-profit distributing subsidiary of the Group, these initiatives will create and de-risk scale-up opportunities to spread adoption and impact of the new innovation.

2. Customers

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

Why we focus on these stakeholders

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

Customers care about:

- Safety
- Sustainability
- Trusted long-term partnerships
- Technical expertise

How the Board engages and communicates

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

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

The potential for negative impact on LR's brand and loss of market share due to loss of customer trust as a result of negative customer experience is one of the Group's principal risks. Each year, the Board conducts a detailed review of the risk register which includes deterioration in customer satisfaction and actions which can be taken to mitigate this risk.

How Board has taken account of these interests / Outcome

As noted in the Chief Executive Officer's report above, during the period the Board has undertaken a detailed strategy review which included three decisions based upon customer interests. The strategic review identified that:

- the Group's Energy customers could better be served by as a group operating independently of LR;
- LR should investigate opportunities to divest its BA&IS business line and focus solely on the maritime sector and opportunities within the Ocean Economy; and
- LR could enhance its service delivery to its maritime customers by investing in the development of a new business line focusing on Marine Performance Services.

The section below on the pandemic shows that the Board considered LR's ability to continue to serve and support our clients was as a key commitment driving the Group's response to the pandemic. More details on the Group's response and specific actions taken to support our customers is detailed on page 18.

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

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

3. Workforce

The Group defines its workforce as its employees and subcontractors.

Why we focus on this stakeholder

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

Our workforce expects to be safe when performing their work and to work in a culture in which they can achieve their potential.

How the Board engages and communicates

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

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

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

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

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

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

How Board has taken account of these interests / Outcome

Key actions taken by the Board and the Executive Leadership Team to promote and measure employee engagement are described in more detail in the section on employee engagement on page 19 below.

The Board's response to the pandemic was centred around the protection of the Group's workforce. The three central commitments of the response were to: keep Group colleagues safe, protect jobs and livelihoods where possible and to continue to serve and support Group clients. The Board's action and communication throughout the pandemic is described in more detail in the section on page 18 below.

In November 2019, members of the Board attended a Global Business Forum held in the UK when 150 of the Group's leaders met to discuss LR's strategic direction. In 2020 consideration was given to the risks from the pandemic which prevented a Global Business Forum from taking place.

Throughout the period the Board has undertaken a number of Group-wide engagement activities including video messages from the Chairman; and quarterly Group-wide webinars with the Executive Leadership Team for all Group employees including question and answer sessions.

In advance of joining the Board as CEO, Nick Brown ran 60 small group sessions to listen to the views of employees around the Group.

When considering the strategic review of LR's Energy business and its workforce, an element of the Board's consideration was how to balance the best prospects for the business by reducing its scale and cost base through restructuring redundancy programmes and the interests of its employees.

The Board delegates employee engagement to the Executive Leadership Team. In addition to the quarterly Group-wide webinars for all employees the Team held a series of Business Forum meetings with employees from different businesses and functions around the Group to include the colleague perspective when making key strategic decisions.

During the period, the Board worked with the Board of trustees of the Lloyd's Register Superannuation Fund Association to release the charge over the escrow and extend the deed of gift from the Foundation to cover liabilities in certain limited circumstances.

4. Suppliers and Regulators

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

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

Why we focus on these stakeholders

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

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

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

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

How Board engages and communicates

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

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

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

How Board has taken account of these interests / Outcome

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

As detailed below in the section of the Strategic Report which outlines the Group's response to Brexit, the Board has authorised changes in registration and accreditation of its legal entities to enable the Group to continue to serve our clients through continued access to European Union markets.

In November 2019, the Board gave approval for the reorganisation of the Group's maritime operations to satisfy the European Union that no potential conflict of interest exists between classification and statutory services and the advisory and regulatory arm in marine classification. This reorganisation was designed to ensure ongoing compliance with the requirements of our maritime regulatory bodies.

5. Society and the Environment

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

Why we focus on this stakeholder

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

What society expects of us:

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

How the Board engages and communicates

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

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

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

How Board has taken account of these interests / Outcome

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

Strategic Report (continued)

Lloyd's Register was a contributor to the development of the Sustainable Ocean Principles along with stakeholders from the private sector, NGOs, academic institutions and UN agencies and signed the United Nations Global Compact in 2018. In September 2019, Chief Executive Officer Alastair Marsh took part in the UN Secretary General's launch of the Climate Action Summit at the United National Headquarters in New York. This included a panel discussion on how the Sustainable Ocean Principles can drive action, alongside Eldar Sætre, CEO Equinor, Patrick Pouyanné, CEO Total, Kristin Holth, CEO Ocean, DNB and Yngve Slyngstad, CEO, NBIM.

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

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

Sustainability

LR has issued a separate report on its Environmental, Social and Governance (ESG) factors in a report available on www.unglobalcompact.org/participation/report/cop/create-and-submit/active/445379.

LR's core proposition is to provide compliance, assurance and performance and verification services to our clients. These include services that:

- allow our clients to improve their own sustainability, such as certification to standards ISO 14001, ISO 26001, ISO 50001 and provision of advisory services to reduce risk;
- verify performance of technologies; and
- assure supply chains.

Our sustainability strategy priorities are aligned to two of the United Nations' Sustainable Development Goals (SDGs): sustainable oceans; and energy transition. Many of these areas involve supply chain innovation and new technologies. LR is partnering at a strategic level to use our expertise to advise on potential solutions and collaborating with clients to validate new solutions.

The table below gives examples of LR's Areas of focus, commitments and the associated thematic impact:

LR area of focus / Related UN SDG	**Commitment**	**Impact**
Clean Transport and Energy	We will support the safe and sustainable energy transition to zero of the maritime and energy sectors.	• Decarbonisation • Energy Transition • Energy Integration
Food Supply Chain Security	We will support the food sector to assure the food supply chain security from farm to fork.	• Food Supply Chain Security • Sustainable Agriculture • Seafood • Food Manufacture • Energy Transition
Safety & Well-being	We will prioritise the safety of our and our clients' people and assets.	• Zero-harm • LR LifeSavers • Employee well-being
Leading with Integrity	We will operate at all times with integrity and respect in line with our values.	• Ethical Standards • Diversity & Inclusion • Procurement best practice • Global Reporting Initiative & UN Global Compact Communication on Progress (COP) reporting
Green LR	We will reduce our carbon footprint to meet our proposed science-based target initiative (SBTi) targets which are currently subject to review by SBTi and will be reported against in future periods.	• SBTi • Reduced property carbon-footprint • Reduced business travel • Reduced waste
Reporting and Measurement	We will report transparently on our commitments.	• Ethical Standards • Diversity & Inclusion • Procurement best practice
Our Proposition	We will enable our clients to work safely, securely and sustainably.	• Compliance • Assurance • Proposition

Services to Clean Energy industries

In addition to the Maritime Decarbonisation Hub launched in 2020, the Group has been developing capability to provide its extensive technical and advisory expertise to clients in the offshore wind and solar thermal industries to help them interpret and manage complexity, reduce project risk and optimise asset performance. The Group has already supported 20GW of offshore wind projects and has provided survey and geological support to 50% of the UK's offshore wind projects.

Energy and Carbon Reporting

In addition to the Group-wide reporting included in the Group's ESG report, the table below reports on all sources of Greenhouse Gas (GHG) emissions and energy usage in its UK and offshore operations as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). Although the results in the table below are not for all entities within the consolidated Group, the Group's UK operations generate a significant part of the Group's total GHG emissions and energy usage.

Working with The Carbon Trust, the below table has been prepared in accordance to ISO14064-3 which is the standard that specifies principles, requirements and provides guidance for verifying and validating greenhouse gas statements. Of scope 3 emissions, 48,755t CO2e (38%) related to business travel.

GHG Scope	Category	UK and offshore	
		Total Emissions (t CO2e)	% of total value chain
Scope 1	Scope 1 – Gas, lease car miles and F-gas	4,314	3%
Scope 2	Scope 2 – location-based electricity consumption	5,501	4%
Scope 3	Scope 3 – indirect emissions (not included in scope 2)	117,086	91%
		126,901	**100%**

Total t CO2e / £m turnover 18-months to 31 December 2020	**101.4**
Total Scope 1 and 2 emissions – location based (t CO2e)	**9,815**
Total Scope 3 emissions (t CO2e)	**117,086**
Total Scope 1, 2, and 3 emissions – location based (t CO2e)	**126,901**

Annual quantity of Energy consumed for which the company is responsible	UK and offshore
	Kilowatt Hours kWH
Gas	8,776,165
Purchased electricity	15,450,399

Energy efficiency actions taken

Green LR

LR has measured and reported GHG emissions for the past 4 years under the Global Reporting Index (GRI) and validated by Corporate Citizenship.

Our carbon and emission footprints have been measured by the Carbon Trust across Scope, 1, 2 and 3. In late 2020 these results informed our emissions reduction targets submission to the Science Based Targets Initiative (SBTi).

Actions to reduce our carbon footprint during the period include:

Property

Setting office environmental standards

- Eight Environmental Principles set standards against waste, energy, natural resource use and low impact travel. In the past year our 40 largest offices were assessed against implementation of the Principles enabling us to form a greater understanding of the level of environmental controls.

Sustainability in property management

- We seek to comply with building standards (such as BREEAM), include renewable energy provision for gas and electric and improve waste reporting and management throughout our properties.

Reduction in property footprint

- We are actively reviewing the extent of our property portfolio and look to reduce our footprint where possible.

Information Systems

- We continue to reduce the data and applications hosted on private data centres on LR premises through migration to the cloud to minimise the consumption of energy from data storage and IT services.

Travel

The pandemic and associated restrictions on travel has led to a reduction in travel across all areas of the Group. Although we expect some increase in travel as restrictions are eased, we plan to change permanently the amount of travel we undertake compared to the period before the pandemic. During this period we have achieved the following:

- 50% reduction in commuting through remote working solutions, like Microsoft Teams.
- Reduction in travel to client sites through remote solutions, for example remote surveys, inspections and assessments.
- Reduction in business travel and encouraging use of green travel options.
- Migration of job provision and company cars to electric and hybrid vehicles.

Following the easing of restrictions imposed during the pandemic the level of travel is expected to increase, albeit reduced compared to pre -pandemic levels.

Behaviours and engagement

We have established an environmental behaviours and engagement programme, called 'Green Shares', with the aim of making environmental issues personal and raising awareness of global mega-trends.

Science-based Target Initiative

Although LR has measured and reported our verified emission footprint for 4 years, this year we have been working with the Carbon Trust to develop the robustness and maturity of our measurement. This is in order that LR can establish and commit to an ambitious science-based emissions reduction target in line with the latest climate science. We have submitted our target for validation to the SBTi and anticipate approval before the end of 2021.

Measurement and reporting

LR reports our corporate sustainability progress in an ESG Report in addition to our Annual Report and Accounts and on our website (www.lr.org).

Our current reporting commitments include

- Global Reporting Index (GRI) to 'core' option;
- UNGC Communication on Progress (COP) to 'Active'; and
- Science Based Targets Initiative (2020/21).

We have signed up to the UNs Business Ambition for 1.5°C and joined the Race to Zero in the lead up to COP26.

COVID-19

The Group has weathered the COVID-19 pandemic storm better than many organisations. At the start of the pandemic, we put steps in place to make our business more resilient, including new ways of working, remote provision of our services and prudent management of cashflow. This allowed us to honour our commitments to keep our colleagues safe, protect jobs and livelihoods where possible, and continue to serve and support our clients.

To contain the virus since the outbreak, we have:

- Strictly followed government and health authority guidelines on both mandatory and self-isolation within affected areas;
- Introduced quarantining where necessary;
- Introduced remote working for employees where appropriate;
- Held regular dialogue with our employees to report any illness of themselves or their close family members;
- Provided additional protective equipment, including masks, gloves, sanitising equipment and temperature monitors to our employees;
- Trained our employees on coronavirus prevention, established a series of communications channels to promote important messages on hygiene, mental health and well-being and continued to address our employees' concerns and questions as they arose; and
- Complied immediately and in full with central and local governmental instructions and safety measures.

Since the beginning of the pandemic, we have introduced additional protocols that help assess the risks of specific jobs before they are started. A key part of our prevention plan was to reduce contact by considering alternative ways to conduct surveys, delaying non-critical work and exploring where inspections, audits and assessments can be undertaken remotely. LR's investment in its IT infrastructure and systems allowed nearly all employees to transition to remote working without significant disruption.

Throughout the period, CEO Alastair Marsh and the Executive Leadership Team communicated via weekly emails to all global employees, outlining the Group's response to the pandemic. These included: implementing a traffic light risk assessment system on a country-by-country basis; communicating plans for remote working; and updates on how LR's operations and financial performance had been affected by the pandemic. These communications were supplemented with question and answer webinars with the Executive Leadership Team.

In order to minimise the impact of the pandemic on the performance and stability of the Group's business, the following measures were taken:

- Reduction in recruitment and discretionary travel and promotional activity;
- 2,350 employees volunteered to accept a 3-month 10% reduction in pay;
- Participation in government-funded assistance schemes such as support for furlough arrangements;
- Extension of the Group's statutory financial period to an 18-month period ending on 31 December, to allow for a focus on short-term cash management and scenario planning.

The impact on each of the business lines during the first half of the 2020 calendar year was severe with activities in some months as low as 50% of expected levels.

In the period the Group received £7.7m of government grants in various countries as part of furlough schemes and other government initiatives to provide financial support as a result of the pandemic. This income was used to protect jobs during the period of great uncertainty facing the Group, and was accompanied by self-help measures including that undertaken by 2,350 of our colleagues who volunteered to accept a 3-month 10% reduction in pay, including the Board and Executive Leadership Team and other colleagues who reduced their working hours in return for a reduction in pay.

In making use of furlough arrangements we were able to bring greater certainty for the majority of our workforce where we assessed that, in a post pandemic world, demand for our services would return and the vast majority of furloughed personnel had returned to the Group by August 2020. Sadly, in certain parts of the Group, specifically in Energy and the part of Digital Products focused on the Energy industry, it became clear early in the pandemic that the longer term impact on the outlook for that sector and hence our business meant that our level of resource was forecast to be unsustainable in the longer term. We made the difficult decision to restructure those businesses in the first half of 2020 rather than make more extensive use of furlough schemes. After the balance sheet date, the Board agreed its intention to repay Covid related government support where practical.

The Group's response to collaborating with our customers to minimise impact on their businesses and the adoption of remote testing innovation meant that by September our other business lines had started to return to a normal trading pattern. In many of our markets we found we were able to be flexible and perform work postponed from the first half of 2020 later in the year as restrictions eased.

Employee engagement and looking beyond the pandemic

The challenges posed by the pandemic fundamentally changed how our employees were able to interact with our customers and with their colleagues. Lockdowns and social distancing brought about a seismic shift in our working environment. Whether office-based or on-site, many of our colleagues migrated to remote working overnight. This created challenges for both our operational effectiveness but also for our provision of support for our employees' wellbeing.

New ways of working

The Group's investment in IT infrastructure and systems over the past five years meant most employees succeeded in making the change to remote working without impacting our business performance. However, the change has also led to us redefining how we get our work done, how we blend employee wellbeing with high performance, and what role offices should play to maximise our future success.

Following consultations with colleagues around the world, we have decided that our future should be the best of both office, field and remote working: an environment where colleagues have greater flexibility than ever before to achieve their full potential.

Employee surveys

The Group has performed employee opinion surveys regularly over the past 5 years. However, in the unprecedented working environment of 2020, a series of three special surveys were conducted in May, June and August 2020 asking all Group colleagues three short questions around whether they were well supported; whether the Group was doing a good job at communicating; and what else they were thinking about. These special surveys were designed to get regular feedback on the wellbeing of our colleagues as we navigated the challenges of the pandemic, recognising that everyone experienced the crisis in a unique way.

In November 2020, the Group ran a more extensive employee survey asking colleagues 33 questions on their views on the Group and its prospects for the future. Despite the difficult circumstances faced by our employees caused by the pandemic our engagement score has increased from 61% in 2019 to 67%. The results of the survey have provided the basis for a thorough review of the Group's action plans.

Diversity, Inclusion and Belonging

At LR we want everyone to feel they belong; to be a place of safety where we can be our authentic selves and bring our unique perspectives and talents to every challenge.

During the period, the Group engaged with colleagues throughout the Group to explore their views on how LR responds to its targets to encourage diversity, inclusion and belonging.

In October 2020, a separate survey was conducted across the Group to try to understand colleagues' sense of belonging in LR. Comments from colleagues submitted as part of the survey varied through topics such as gender and ethnic diversity to experiences of working through the pandemic and a period of social action, including the impact of the death of George Floyd in the USA, and communication within the Group.

Additionally, LR commissioned EW Group to carry out a 'Diversity and Inclusion Audit 'of HR and people-related policies, processes and systems from an equality, diversity and inclusion perspective. The Group has used the recommendations from the report to identify how LR might improve its policies, processes and strategy for Diversity, Inclusion and Belonging.

The Group has committed to further action towards promotion of a greater sense of belonging at LR by setting up colleague networks. These are open forums organised around diversity categories on Gender, Ethnicity, and LGBT to identify issues and opportunities relating to shared identities and experiences and suggest ways that LR can improve its diversity, inclusion and belonging.

Brexit

Following the referendum in 2016, the United Kingdom left the European Union on 31 January 2020 and completed a transition period on 31 December 2020 during which time the UK has followed EU rules. The UK government agreed a trade deal with the EU setting out new rules for living working and trading that took effect from 31 December 2020. During the period, LR has been proactive in taking action to minimise any disruption to the services provided to its customers. Consequentially, LR continues to be able to provide our services in the same way in a post-Brexit international marketplace as we have done throughout our long history.

LR's latest news on the impact of Brexit can be found at www.lr.org/en-gb/brexit.

Maritime

In the Maritime sector, LR is a European Union Recognised Organisation. Previously, LR was required to be sponsored by an EU member state (for the purposes of ensuring compliance with Regulation (EC) No 391/2009, Article 8), and previously gained this sponsorship through the United Kingdom.

The amendments to Regulation 391/2009 to remove the need for a sponsoring State entered into force on 28 March 2019.

With this amendment, LR automatically continues to enjoy its recognition following the United Kingdom's exit from the European Union. Surveys and certificates for EU member states flagged ships, conducted and issued by us on behalf of the flag, remain wholly unaffected. Additional surveys are not necessary, nor is there a need to reissue any statutory certificate.

Business Assurance & Inspection Services

Whilst the UK exited the EU on 31 January 2020, we continue to provide European Union Notified Body (EU NoBo) services to customers all over the world through the EU NoBo status of several of our LR legal entities.

Our status as an EU NoBo is particularly relevant to our assurance and inspection work performed under various EU Directives and Regulations, which helps our clients retain their access to EU markets.

We hold NoBo status in several major EU countries:

- Pressure Equipment Directive (PED) in Germany (Lloyd's Register Deutschland GmbH), Spain (Lloyd's Register España SA) and the Netherlands (Lloyd's Register Nederland B.V.)
- Transportable Pressure Equipment Directive (TPED) in the Netherlands (Lloyd's Register Nederland B.V.)
- Construction Products Regulation (CPR) in the Netherlands (Lloyd's Register Verification B.V.)
- Machinery Directive (MD) in the Netherlands (Lloyd's Register Verification B.V.) and Spain (Lloyd's Register España SA)
- ATEX (File Retention Only) in the Netherlands (Lloyd's Register Verification B.V.)
- Simple Pressure Vessel Directive (SPVD) in the Netherlands (Lloyd's Register Verification B.V.)
- Marine Equipment Directive (MED) in Germany (Lloyd's Register Deutschland GmbH) and the Netherlands (Lloyd's Register Verification B.V.)

ISO (the International Organisation for Standardization) is not tied to the European Union in any way. ISO International Standards were therefore unaffected by Brexit.

As an International Accreditation Forum (IAF) Multilateral Recognition Arrangement signatory, United Kingdom Accreditation Services' (UKAS) accredited management system approvals continue to be recognised post-Brexit. UKAS is currently a member of the European Accreditation Association (EA). UKAS remains a full member of EA, retaining its membership post Brexit for a minimum period of two years.

Financial Results

Turnover for the 18-month period to 31 December 2020 was £1,253.2m (12 months to 30 June 2019: £892.8m).

The Group's underlying trading performance is measured through its adjusted operating profit measure which was £58.4m for the 18-months to 31 December 2020 (12 months to 30 June 2019: £52.1m). Adjusted operating profit is defined as operating profit before exceptional costs, goodwill amortisation and development project expenditure to enhance internal systems and processes. Development project expenditure for the 18-months to 31 December 2020 was £6.0m (12 months to 30 June 2019: £3.2m).

Total Group operating profit before exceptional costs for the 18 months to 31 December 2020 was £28.6m, (12 months to 30 June 2019: £29.7m) of which £57.6m (2019: £61.4m) relates to the continuing operations of the Group offset by operating losses before exceptional items from discontinued operations of £28.9m (2019 loss: £31.7m). Discontinued operations comprise the Energy business which was disposed of on 31 October 2020. The reduction in the Group's operating profit before exceptional costs from continuing operations despite the longer accounting period reflects the impact that the pandemic had on the Group's retained businesses during the period.

Total Group exceptional costs for the 18-month period of £29.2m included £12.1m of redundancy costs on restructuring activity associated with changes in processes and resource requirements following restructuring within back office functions and the Energy business performed during 2020. The Group also increased its onerous lease provision by £11.4m following changes in expected future use of its leased property driven by changes in the Aberdeen real estate market and, in part, as a result of the disposal of the Energy business.

Statutory operating loss for the 18-month period, after exceptional costs, was £(0.6)m (12 months to June 2019: profit £9.5m).

The Group's tax charge for the 18 months to 31 December 2020 was £23.9m (12 months to 30 June 2019: £16.6m). The tax charge for the period reflects the loss on disposal of the Energy business and losses in various other jurisdictions on which no tax benefit was recognised.

Performance review – pro forma

As described above, as part of the Group's response to the pandemic, the directors elected to extend the financial period to 31 December 2020. To enable the comparison of the period's performance with prior 12-month periods ending in June, pro forma performance measures for the 12 months to June 2020 have been presented. Pro forma information is presented on a comparable basis of preparation but is *unaudited.*

Reconciliations are shown below between the Group's financial key performance indicators: pro forma turnover; adjusted operating profit; and operating profit before exceptional costs and the results for these metrics for the 18-month period to December 2020. The Board believes that the presentation of pro forma results for the 12-month period facilitates comparison with the prior period.

The Board intends the next financial period will end on 30 June 2021 after a six-month period of account and intends to present similar pro forma information on a 12-month basis in that report.

Strategic Report (continued)

Reconciliation of pro forma turnover to reported turnover KPI

		Current period £m	Prior period £m
Pro forma turnover – continuing operations	12 months to June 2020/19	725	770
Pro forma turnover – discontinued operations	12 months to June 2020/19	123	123
Pro forma turnover (unaudited)	**12 months to June 2020/19**	**848**	**893**
Effect of change in reporting date – continuing operations	6 months to December 2020	379	-
Effect of change in reporting date – discontinued operations	6 months to December 2020	26	-
Turnover	**18 months to December 2020 / 12 months to June 2019**	**1,253**	**893**

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

	Marine & Offshore	Energy	Digital Products	Business Assurance and Inspection	Total
	£m	£m	£m	£m	£m
Turnover 12 months to June 2019	**427**	**123**	**21**	**322**	**893**
Pro forma turnover – 12 months to June 2020	410	123	20	295	848
Pro forma turnover – 6 months to December 2020	213	26	7	159	405
Turnover – 18 months to December 2020	**623**	**149**	**27**	**454**	**1,253**

Reconciliation of pro forma Adjusted operating profit to reported Adjusted operating profit

		Current period £m	Prior period £m
Pro forma Adjusted operating profit - continuing operations	12 months to June 2020/19	30	72
Pro forma Adjusted operating profit - discontinued operations	12 months to June 2020/19	(9)	(20)
Pro forma Adjusted operating profit – (unaudited)	**12 months to June 2020/19**	**21**	**52**
Effect of change in reporting date – continuing operations	6 months to December 2020	44	-
Effect of change in reporting date – discontinued operations	6 months to December 2020	(7)	-
Adjusted operating profit	**18 months to December 2020 / 12 months to June 2019**	**58**	**52**

Strategic Report (continued)

Reconciliation of pro forma operating profit before exceptional costs to reported operating profit before exceptional costs

		Current period £m	Prior period £m
Pro forma operating profit before exceptional costs - continuing operations	12 months to June 2020/19	18	62
Pro forma operating loss before exceptional costs - discontinued operations	12 months to June 2020/19	(18)	(32)
Pro forma operating profit before exceptional costs - (unaudited)	**12 months to June 2020/19**	**0**	**30**
Effect of change in reporting date - continuing operations	6 months to December 2020	40	-
Effect of change in reporting date - discontinued operations	6 months to December 2020	(11)	-
Operating profit before exceptional costs	**18 months to December 2020 / 12 months to June 2019**	**29**	**30**

Reconciliation of pro forma operating (loss)/profit to reported operating profit

		Current period £m	Prior period £m
Pro forma operating profit - continuing operations	12 months to June 2020/19	4	46
Pro forma operating loss - discontinued operations	12 months to June 2020/19	(25)	(36)
Pro forma Operating (loss)/profit - (unaudited)	**12 months to June 2020/19**	**(21)**	**10**
Effect of change in reporting date - continuing operations	6 months to December 2020	32	-
Effect of change in reporting date - discontinued operations	6 months to December 2020	(10)	-
Operating (loss)/profit	**18 months to December 2020 / 12 months to June 2019**	**(1)**	**10**

Balance sheet and working capital

Net assets for the Group at 31 December 2020 were £472.4m (2019: £528.7m), a decrease of £56.2m. £41.0m of this reduction relates to £22.7m of net assets and £18.3m of related goodwill disposed of with the Energy business.

Cash and cash equivalents have increased by £181.1m to £259.2m (2019 £81.7m). Net cash inflow from operating activities for the 18 months to 31 December 2020 was £132.8m (12 months to 30 June 2019: outflow £23.3m) primarily driven by a reduction in balance sheet receivables. The repayment of the £15.8m overdraft held at June 2019 and net £64.2m of cash inflows from investing activities account for the net remainder of the increase in cash. The cash inflow from investment activities included the liquidation of £79.9m investments held in an escrow account relating to the funding of the UK pension liability.

During the year, the Group made a £3.0m donation to its parent Lloyd's Register Foundation. This payment has been disclosed as a movement in the balance sheet profit and loss reserve equity account in the statement of changes in equity.

Business lines' review

Marine & Offshore

The Marine & Offshore business generated turnover of £622.8m (pro forma turnover for 12 months to June 2020: £410.1m, 12 months to June 2019: £427.0m).

In the first six months of the financial period to December 2019 Marine & Offshore delivered a strong performance with year-on-year growth particularly in In-Service despite a contraction in new construction activity as the global market slowed down.

The pandemic had a major impact on the new construction market in the first six months of 2020. Compared with the same period in 2019, new construction contracting activity was reduced by 52%, particularly in our key markets in Asia.

At the same time the Offshore business was significantly affected by volatility in the oil and gas market.

During periods of lockdown, LR was quick to adopt remote survey technology and practices delivering over 2,300 remote surveys in 2020. The success of this type of assurance has changed the mix of services the Group can offer and remote survey is now a permanent part of our product range.

As lockdown restrictions eased in some parts of the world, the business experienced an acceleration of activity, as postponed surveys and inspections were rescheduled. We responded in terms of recruitment and flexible resourcing to work with clients to recover some of the lost time on their projects.

Whereas some geographies and service lines had returned to pre-pandemic activity levels by December 2020, significant parts of the Group's Marine client base, particularly those in the cruise line and ferry industries, remained very subdued.

LR maintained its leading share of the total new construction orderbook at 19.8%. LR also maintained its share of the world fleet in the period.

In October 2020, LR launched a dedicated centre of excellence to accelerate the safe, sustainable and cost-effective decarbonisation of world shipping in support of delivering greenhouse gas reduction targets. The Maritime Decarbonisation Hub, a joint initiative between Lloyd's Register Group and Foundation, brings together thought leaders and subject matter experts with the skills, knowledge and capability to help the maritime industry design, develop and commercialise the pathways to future fuels required for decarbonisation. A steering group of external stakeholders is in place with the purpose of focusing the hub on the challenges that matter to industry.

The Maritime Decarbonisation Hub is open to undertaking and actively seeking partnerships with stakeholders across the industry, focused on creating a more sustainable future for shipping and contributing to society's global challenge of slowing climate change.

Through collaboration, and producing and sharing evidence-based research, the Maritime Decarbonisation Hub will help steer charterers, owners and operators, financiers, ports, yards, fuel suppliers and regulators amongst others through the technically complex decision-making and robust investment considerations they will encounter during this transition towards industry transformation.

Looking ahead, we have reorganised the Marine & Offshore business line into two focused service lines: Marine & Offshore delivering Classification, Certification and Verification services; and a new Maritime Performance Services service line offering professional services, fleet management and fleet optimisation.

This separation sets a platform for LR to move beyond traditional compliance services toward being a trusted advisor for our customers. With two service lines and targeted investment we can achieve accelerated growth in our core compliance business and create a separate maritime performance and risk service line which supports a broader range of customers and value propositions.

Business Assurance and Inspection Services

Turnover for the 18-month period to December 2020 was £453.9m (pro forma turnover for 12 months to June 2020: £295.3m, 12 months to June 2019: £321.7m).

In the context of the challenges presented by the pandemic, Business Assurance and Inspection Services has returned a strong result during the period, reflecting the beneficial results of new product innovation and focus on key growth markets of Food Certification and Cybersecurity, while strengthening our core compliance business through rapid digitalisation and operational efficiency.

The lockdowns imposed by governments prevented in-person attendance at our customer sites and had a significant impact on our Business Assurance businesses. Many accreditation bodies gave extensions to issued certificates, postponing requirements for annual surveys, causing a reduction in activity and income in the early months of the pandemic.

LR was quick to accelerate its digital transformation. Remote delivery has proved a successful and practical solution across Business Assurance and Inspection Services, with positive feedback from our customer base.

Remote delivery has reduced the gross revenues recoverable as some travel and related costs are no longer charged to our customers however, it has enabled us to utilise our colleagues in a more efficient way which has led to an increase in profitability.

Our remote inspection portfolio has enabled Inspection Services customers to connect with our technical experts, allowing for smarter, safer and more sustainable interactions and moving us toward our strategic goal to be the leading provider of remote inspections. We have had encouraging customer feedback, with 87% of our customers finding it easy to arrange their remote audit and 82% viewing it as being as in-depth as the face-to-face service.

Today, one third of our interactions with 40,000 customers take place though a digital portal, and nearly half of all audits are delivered remotely.

Our ability to deliver training and improvement services was also restricted during the pandemic. In what proved to be a timely move, in March 2020, we launched our new training campaign, Ascend, together with an enhanced website and iLearning platform which has seen enthusiastic uptake by our customers.

The food industry faces increasing environmental and social responsibility demands, tougher stakeholder and government requirements and rising food safety and traceability scrutiny, as well as challenges in managing brand reputation and addressing profitability concerns. During the period, we have successfully increased our market in our core GFSI standards with a focus on our clients in the USA, China and specific European countries.

The Inspection business has proved more resilient to the COVID crisis due to the safety-critical nature of its services and the importance of verifying assets in our customers' supply chains. Growth in Inspection Services is expected through the Assurance business leveraging on global frameworks and a focus on Performance Services business in the Middle East and Asia. We have diversified our reach from our traditional oil and gas industry focus, including developing capability for inspection in water plants and water treatment.

Our cybersecurity business, Nettitude, continued to perform well as the accelerated transformation of the digital world has led to customers needing to increase their focus on ensuring they protect their data and assets from new threats. Nettitude has expanded its geographical footprint during the period, providing services in Asia and Europe as well as servicing new industry sectors such as marine and offshore.

During the period, we have introduced a number of additional sector-specific standards which will allow our customers to reinforce their information security management systems.

Although some of our markets remain challenging due to continued restrictions from the pandemic, our investments particularly into our digital capability put us in a strong position for future growth. Examples of current initiatives include:

- working closely with some of our key account customers in the food sector to use 30 years of data of various factors to help them predict potential supply chain risks before they occur; and

- the recent launch of CertSmart, a tool specifically developed for small, single-site businesses who are looking for ISO 9001 certification, which enables customers to select and pay for their audit online and delivers the majority of audits remotely.

Although it will take place after the next statutory reporting period ending 30 June 2021, the Group's announcement of the sale of the BA&IS business line to Goldman Sachs Asset Management will provide enormous potential for future success. Operating as an independent business will allow BA&IS to make decisions that ensure ways of working, systems and processes match its operating model, allowing it to deliver outstanding service to customers. With greater access to the resources they need BA&IS will be able to accelerate the digital transformation of the business, whilst also expanding global reach to further its position in high-growth markets, including food, automotive, sustainability and cybersecurity.

Energy

LR's Energy business generated £149.0m of turnover during the 16 months to its disposal at the end October 2020 (pro forma turnover for 12 months to June 2020: £122.7m, 12 months to June 2019: £123.4m).

Going into the pandemic, Energy's business performance had improved compared to previous years, but the crisis changed the dynamics of the sector, exacerbating the demand and supply imbalance for oil and gas globally, radically devaluing the global price of hydrocarbons.

In March 2020, the Group reassessed the scale of its Energy service offering to target profitability in an environment where expert predictions indicated long-term suppression of the global oil price and where our customers were forced to delay or cancel large projects and capital investment programmes.

The strategic review explored all options of adapting current operations and staff retention but ultimately resulted in the immediate closure of the Group's Upstream Consulting Services group in April 2020 which comprised the Reservoir Services, Rock Properties and Development Solutions Capabilities and associated permanent headcount reductions across our global delivery and support teams. These reductions represented more than 20% of our headcount within Energy.

Despite the restructuring activity undertaken, the Group's Energy business was unable to achieve the targeted levels of profitability as part of the LR Group. Subsequently, as part of an ongoing strategic review, the Group reached an agreement in September 2020 to sell the remaining Energy business to a private equity investor, Inspirit Capital, creating a new engineering and technical consultancy, now called Vysus Group. This disposal created a loss on disposal reflecting the net assets and remaining amortised goodwill balances divested as part of the sale which were less than the consideration received.

At LR, we will continue to deliver services to the energy industry, supporting our clients and pursuing growth opportunities through our offshore compliance, Digital Products and Inspection Services businesses.

Digital Products

In this report we are separately reporting our Digital Products business, which was previously included in Marine & Offshore and partly within the results of the Energy business line, which was sold during the year. Digital Products generated £27.5m of revenue in the 18 months to December 2020 (pro forma turnover for 12 months to June 2020: £19.9m, 12 months to June 2019: £20.7m).

Our Digital Products business line focuses on combining deep technical expertise with data, models, and modern software and applications. Our service offering includes leading tools for:

- integrated digital solutions for the marine industry such as Cloud Fleet manager (Hanseaticsoft) and loading and stability management software (Seasafe) offered on an integrated platform (i4Insight).
- asset performance and risk management including: data, models, content and services to optimise performance; and operational expenditure cost and risks including nuclear asset maintenance optimisation; and
- subsurface exploration, data visualisation and flow performance optimisation;

The pandemic has impacted our Digital Products business, including innovation activities, leading clients to delay plans and defer expenditure. Many of our software clients and prospective clients are in the oil and gas industry, so our business has been affected by the shockwave running through that sector.

During the period, these factors led the Group to streamline the business' operating model and strategic priorities, in order to remain relevant to the changing needs and expectations of our clients.

Despite software often being seen as a discretionary purchase, the crisis has shown the multiple benefits for enterprises, particularly from cloud-based solutions. We saw continued good progress from our marine digital products, particularly in our Hanseaticsoft Cloud Fleet Manager product which included a major five-year deal with Evergas Ship Management and a significant three-year purchase of our AllAssets risk-based inspection software by Haldia in India.

In the future there is an even greater opportunity for larger success particularly in offering services to the Marine & Offshore industry.

Principal risks and uncertainties

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

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

The Group Risk Register is regularly reviewed and updated to reflect changes in strategic, operational and legal and compliance risks, and the controls and mitigations associated with these risks. The principal strategic risks of the Group are:

- Reliance on key industries and services or geographies;
- Market disruption through technology, innovation or competition;
- People, talent and succession - 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;
- Strategic corporate development investments fail to deliver the expected benefits;
- Impact on brand and loss of market share due to loss of customer trust due to negative customer experience; and
- Geopolitical changes.

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, over-spend or failure; and
- A business resilience event/crisis such as key IT system failure, a global pandemic or operational failure of a main office or shared service centre;
- The loss of a major global accreditation preventing operations in a key market or geography; and
- Legal and regulatory compliance, including adherence to legal and regulatory requirements and litigation risk. 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, restrictions on immediate movement of cash held in some countries and interest rate risk.

Future outlook

LR has met the challenges of the pandemic during the period and, by keeping our focus on the wellbeing of our people and serving our customers, has ended the period in a strong financial position, with more than £250m in cash on the balance sheet and lower levels of working capital.

The divestment of Energy during the period and the announced sale of the BA&IS business line planned for later in 2021 creates an exciting prospect for Lloyd's

Strategic Report (continued)

Register to move ahead with a single sector focus on the Ocean Economy. Our investments in people, processes and tools will reach market quicker, we will be able to respond to customers and expand our service offering with greater speed and agility, beating our competitors in a rapidly changing world.

The challenges of the past period have shown us how we can work in an agile, adaptive, collaborative and resilient way – which should serve us well for the very different future that awaits us.

Authorised by the Board for issue and approved by

Nick Brown
Chief Executive Officer
Lloyd's Register Group Limited
3 September 2021

Directors and advisors

Directors

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

Company Secretary

Ms M K Davies

Statutory Auditor

Deloitte LLP
London
United Kingdom

Registered office

71 Fenchurch Street
London
EC3M 4BS
United Kingdom

Registered number

08126909

Board of Directors

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

Nicholas Brown

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

Nick is a graduate of Nottingham University, a Chartered Mechanical Engineer and a Member of both the Institute of Mechanical Engineers and the Institute of Marine Engineering, Science and Technology. In April 2021, The International Association of Classification Societies (IACS) named Nick Brown as its Incoming Council Chair.

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.

Board of Directors

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.

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.

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.

Ishbel Macpherson

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

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

Currently, she is Senior Independent Director and Chairman of the Remuneration Committee at Dechra Pharmaceuticals plc. Ishbel is also a Trustee of Lloyd's Register Foundation and a Chairman of its

Audit, Risk and Investment Committee. She is Chairman of the Lloyd's Register Group's Audit and Risk Committee.

Mary Waldner

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

Board Evaluation Review

The Board of Directors (the Board) conducts an evaluation of its performance annually. Every three years, the review is externally facilitated, with the most recent externally facilitated review in 2018, which was carried out by Leadership Advisor Group, who had no other connection with the Company. In the intervening two years, the review is carried out by way of an internal evaluation using a questionnaire process.

During the period covered by the accounts, two performance evaluations were carried out internally via questionnaire, with the responses collated by Leadership Advisor Group to preserve the anonymity of individual respondents. In both reviews, the questionnaires covered key governance matters, the effectiveness of Board and Committee meetings, the quality of board papers, the effectiveness of the Chairman, oversight of risks and strategy, and Board and corporate culture.

The results of the evaluations were considered by the Board at its November meetings in both 2019 and 2020. At both meetings, there was general satisfaction with the performance and operation of the Board. In relation to areas identified for development in the 2019 evaluation, the Board agreed and undertook actions arising. With regard to the 2020 evaluation, in the context of the restrictions put in place in response to the pandemic, the Board agreed to discuss the observations arising when the Board could meet in person.

Remuneration Committee report for the period ended 31 December 2020

Report scope

This report describes the constitution and principal activities of the Remuneration Committee during the 18-month period ended 31 December 2020.

The Committee

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

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

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

It is the role of the Committee to:

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

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

General policy

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

- The importance of recruiting and retaining management of the required quality;
- Linking reward to the Group's performance, including the key business objective of promoting safety; and
- Giving encouragement to enhance the Group's performance through innovation and achievement 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 leaders of suitable calibre which also reflects their level of responsibility and experience;
- Provides incentive arrangements which reflect challenging objectives and recognise the importance of motivating management to sustain annual, as well as long-term growth;
- Is set to see that they are fairly and responsibly rewarded for their individual contributions; and
- Takes account of competitive rates of total remuneration based upon surveys of comparative organisations which are undertaken 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 current external advisor is EY and the Group Human Resources Director acts as Secretary to the Committee.

Remuneration Committee report for the period ended 31 December 2020 (continued)

Total remuneration of Executive Directors and Executive Leadership Team

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

- Base salary and benefits
- Incentive arrangement
- Pension

The total remuneration of the Board of Directors and Executive Leadership Team is shown in the note 24 of the financial statements. The increase compared to 2019 is principally as a result of the extension to the financial reporting period to 18-months.

Directors' Remuneration

	18 months to December 2020	12 months to June 2019
	£000	£000
Emoluments	3,031	2,644
Amounts receivable under long-term incentive schemes	2,306	306
	5,337	2,950

	Number 2020	Number 2019
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 period received aggregate emoluments of £2,847,000 (2019: £1,486,000) which includes £1,558,000 (2019: £260,000) 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 period (2019: £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 £812,000 (2019: £632,000). The timing of this payment is determined by the scheme rules.

This scheme has been closed to further accrual for all members.

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. For the 18-months to 31 December 2020, the Committee approved an increase to base salary for the Chief Executive Officer and Executive Leadership Team in line with CPI and the level given to the broader UK workforce.

Incentive Arrangement

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

Pension

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

Remuneration Committee report for the period ended 31 December 2020 (continued)

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

Service contracts

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

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 their external advisors (EY) 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 period ended 31 December 2020

This report describes the role and principal activities of the Audit and Risk Committee of Lloyd's Register Group Limited during the 18-month period ended 31 December 2020.

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 (TA&Q) 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 any major areas of judgement and considering whether, in the Committee's view, the accounts reflect a fair and reasonable account of the Group's affairs.

Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are:

Ms I J S Macpherson (Chair)
Mr W E Armstrong

Meetings

The ARC meets three times a year. The ARC invites LR's Chief Executive Officer, Chief Financial Officer, Group Reporting Director, 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 on the adequacy and effectiveness of the Group's internal control and risk management systems.

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

TA&Q performs reviews of compliance with the Group Management System, a global set of documented policies, procedures and guidance covering all aspects of the Group's operations. TA&Q also reports to the ARC on the results of external assurance work testing the Group's compliance with various regulatory and compliance standards, including standards set by ISO, the United Kingdom Accreditation Service (UKAS) and other accreditation

Audit and Risk Committee report for the period ended 31 December 2020 (continued)

bodies , with which the Group chooses, or is obliged, to comply with in order to deliver its services.

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

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

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

External auditor

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

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

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

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

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

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

- Reviewed and agreed the 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 30 June 2019 and 31 December 2020 Reports and Consolidated Financial Statements and the Auditor's Report thereon, specifically considering revenue recognition; goodwill impairment; key judgements in relation to the defined benefit pension schemes and taxation; recoverability of certain assets; and provisions;
- Recommended to the Group Board of Directors that the June 2019 and December 2020 Reports and Consolidated Financial Statements and the Directors' assessment of the Group as a going concern were fair and reasonable;
- Reviewed the charter for Internal Audit and Risk;
- 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;
- Considered the change in the accounting reference date from June 2020 to December 2020; and
- Reviewed the ARC Terms of Reference.

Directors' Report

The Directors present their report and audited financial statements for the 18-month period ended 31 December 2020.

Principal activities

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

Results

The consolidated operating profit for the period before exceptional costs was £28.6m (2019: £29.7m). After exceptional costs the consolidated operating loss was £(0.6)m (2019: profit £9.5m).

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

Future developments

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

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

Dividends

The Directors do not recommend a dividend (2019: £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 period. An amount of £18.0m (12 months to June 2019: £17.1m) has been charged to the profit and loss account.

Charitable grants and donations

During the period, Lloyd's Register Group Limited made £3m donation to Lloyd's Register Foundation, its parent (12 months to June 2019: £nil).

The Group made various other charitable grants and donations of £0.1m (12 months to June 2019: £0.1m).

Principal risks and uncertainties

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

Branches

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

Directors

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

Mr T Thune Andersen
Mr W E Armstrong
Mr N L Brown (appointed 1 January 2021)
Mr C G Finlayson
Mrs C B Firstbrook
Mr M V Kelsey
Mr M F Lykiardopulo
Ms I J S Macpherson
Mr A S Marsh (resigned 31 December 2020)
Mrs M E Waldner

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

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

Directors' indemnity

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

Employees

The Group strives to be an equal opportunities employer.

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

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

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

Capital structure

Details of the issued share capital, are set out in note 21.

Post balance sheet events

As described in note 28 to the financial statements after 31 December 2020, the Group completed the acquisition of C-MAP commercial, a leading provider of marine cartography and digital publications, shore-side and shipside voyage optimisation and cloud-based fleet management & fleet analytics software. Additionally, On 29 June 2021, the Group announced the sale of 100% of its Business Assurance and Inspection Services business line, including cybersecurity business Nettitude, to Goldman Sachs Asset Management. The deal is expected to complete during the second half of calendar year 2021.

Disclosure of information to auditor

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

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

Statement of Directors' responsibilities

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

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

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

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

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

Carbon Reporting

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

Going concern

The Directors have reviewed the Group's forecast results and cash flows which, in conjunction with the cash balances which are immediately available for use held on the balance sheet at the date of approval of the financial statements, support a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Report (continued)

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

Michelle Davies
Company Secretary

3 September 2021

Consolidated profit and loss account for the 18 months period ended 31 December 2020

	Note	18 months to 31 December 2020 Continuing £000	18 months to 31 December 2020 Discontinued £000	**18 months to 31 December 2020 Total £000**	12 months to 30 June 2019 Continuing £000	12 months to 30 June 2019 Discontinued £000	12 months to 30 June 2019 Total £000
Turnover	5	1,104,227	148,966	**1,253,193**	769,420	123,427	892,847
Cost of sales		(744,920)	(146,257)	**(891,177)**	(523,093)	(133,180)	(656,273)
Gross profit		359,307	2,709	**362,016**	246,327	(9,753)	236,574
Administrative expenses		(332,964)	(37,811)	**(370,775)**	(200,484)	(26,618)	(227,102)
Other operating income	5	8,127	—	**8,127**	—	—	—
Administrative expenses before exceptional costs		(309,883)	(31,645)	**(341,528)**	(184,910)	(21,971)	(206,881)
Operating profit / (loss) before exceptional costs		57,551	(28,936)	**28,615**	61,417	(31,724)	29,693
Exceptional costs	8	(23,081)	(6,166)	**(29,247)**	(15,574)	(4,647)	(20,221)
Operating profit / (loss)	6	34,470	(35,102)	**(632)**	45,843	(36,371)	9,472
Loss on disposal	14	—	(42,722)	**(42,722)**	—	—	—
Share of net operating (loss) / profit of joint ventures		(1,713)	(200)	**(1,913)**	(784)	191	(593)
Net investment income	9	24,411	—	**24,411**	22,410	—	22,410
Other finance costs	9	(1,614)	—	**(1,614)**	(1,214)	—	(1,214)
Profit / (loss) before taxation		55,554	(78,024)	**(22,470)**	66,255	(36,180)	30,075
Tax on profit / (loss)	10	(28,687)	4,799	**(23,888)**	(24,099)	7,537	(16,562)
Profit / (loss) for the financial period		26,867	(73,225)	**(46,358)**	42,156	(28,643)	13,513

Consolidated statement of comprehensive income for the 18-month period ended 31 December 2020

	Note	**18 months to 31 December 2020 £000**	12 months to 30 June 2019 £000
(Loss) / profit for the financial period		**(46,358)**	13,513
Currency translation difference on foreign currency net investments		**(3,668)**	1,812
Re-measurement of net defined benefit liabilities	20	**(6,328)**	(27,318)
Share of loss of joint venture transferred to goodwill following step acquisition		**1,036**	—
Tax relating to components of other comprehensive income		**(6,215)**	1,772
Gain on asset transferred from own use to investment property (note 12)		**8,306**	—
Other comprehensive loss		**(6,869)**	(23,734)
Total comprehensive loss		**(53,227)**	(10,221)
(Loss) / profit for the period attributable to:			
Equity shareholders of the Company		**(46,358)**	13,513
		(46,358)	13,513
Total comprehensive loss for the period attributable to:			
Equity shareholders of the Company		**(53,227)**	(10,221)
		(53,227)	(10,221)

Consolidated and Company balance sheets at 31 December 2020

		Group		Company	
		31 December	30 June	**31 December**	30 June
		2020	2019	**2020**	2019
	Note	**£000**	£000	**£000**	£000
Non-current assets					
Goodwill	11	**58,239**	91,188	–	–
Intangible assets	11	**44,832**	55,909	**40,418**	49,129
Tangible assets	12	**173,824**	183,575	**152,672**	152,442
Investments	13	**74,321**	141,192	**242,214**	338,647
Pension surplus	20	**142,735**	119,981	**142,735**	119,981
Deferred tax assets	10	**19,092**	24,799	**3,810**	5,437
Interests in joint ventures: Share of net assets	13	**314**	7,713	–	–
		513,357	624,357	**581,849**	665,636
Current assets					
Debtors	16	**248,276**	386,961	**339,450**	251,453
Cash at bank and in hand		**259,154**	81,680	**149,698**	2,786
		507,430	468,641	**489,148**	254,239
Creditors: amounts falling due within one year	17	**(211,429)**	(248,768)	**(728,596)**	(514,680)
Net current assets / (liabilities)		**296,001**	219,873	**(239,448)**	(260,441)
Total assets less current liabilities		**809,358**	844,230	**342,401**	405,195
Creditors: amounts falling after more than one year					
Provisions for liabilities	18	**(73,415)**	(65,549)	**(28,117)**	(20,293)
Net assets excluding pension liability		**735,943**	778,681	**314,284**	384,902
Pension liability	20	**(263,510)**	(250,021)	**(249,992)**	(233,630)
Net assets including pension liability		**472,433**	528,660	**64,292**	151,272
Capital and reserves					
Called-up share capital	21	**90**	90	**90**	90
Share premium	21	**39,960**	39,960	**39,960**	39,960
Profit and loss account		**432,383**	488,610	**24,242**	111,222
Total shareholder's funds		**472,433**	528,660	**64,292**	151,272

The loss for the financial period arising in the financial statements of the parent company is £78,511,000 (2019: £111,226,000).

The financial statements were approved by the Board of Directors and authorised for issue on 3 September 2021 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 18-month period ended 31 December 2020

	Called-up share capital	Share premium	Profit and loss account	**Total**
	£000	£000	£000	**£000**
At 1 July 2018	90	39,960	498,831	**538,881**
Profit for the financial period	–	–	13,513	**13,513**
Currency translation difference on foreign currency net investments	–	–	1,812	**1,812**
Re-measurement of net defined benefit liabilities	–	–	(27,318)	**(27,318)**
Tax relating to components of other comprehensive income	–	–	1,772	**1,772**
Total comprehensive loss	–	–	(10,221)	**(10,221)**
Donation to Lloyd's Register Foundation	–	–	–	–
At 30 June 2019	90	39,960	488,610	**528,660**
Loss for the financial period	–	–	(46,358)	**(46,358)**
Currency translation difference on foreign currency net investments	–	–	(3,668)	**(3,668)**
Re-measurement of net defined benefit liabilities	–	–	(6,328)	**(6,328)**
Share of loss of joint venture transferred to goodwill following step acquisition	–	–	1,036	**1,036**
Tax relating to components of other comprehensive income	–	–	(6,215)	**(6,215)**
Gain on asset transferred from own use to investment property (note 12)	–	–	8,306	**8,306**
Total comprehensive loss	–	–	(53,227)	**(53,227)**
Donation to Lloyd's Register Foundation	–	–	(3,000)	**(3,000)**
At 31 December 2020	90	39,960	432,383	**472,433**

Company statement of changes in equity for the 18-month period ended 31 December 2020

	Called-up share capital	Share premium	Profit and loss account	**Total**
	£000	£000	£000	**£000**
At 1 July 2018	90	39,960	243,628	**283,678**
Loss for the financial year	—	—	(111,226)	**(111,226)**
Foreign currency translation differences	—	—	480	**480**
Re-measurement of net defined benefit liabilities	—	—	(23,971)	**(23,971)**
Tax relating to components of other comprehensive income	—	—	2,311	**2,311**
Total comprehensive loss	—	—	(132,406)	**(132,406)**
At 30 June 2019	90	39,960	111,222	**151,272**
Loss for the financial period	—	—	(78,511)	**(78,511)**
Foreign currency translation differences	—	—	30	**30**
Re-measurement of net defined benefit liabilities	—	—	(7,310)	**(7,310)**
Tax relating to components of other comprehensive income	—	—	(6,495)	**(6,495)**
Gain on asset transferred from own use to investment property (note 12)	—	—	8,306	**8,306**
Total comprehensive loss	—	—	(83,980)	**(83,980)**
Donation to Lloyd's Register Foundation	—	—	(3,000)	**(3,000)**
At 31 December 2020	90	39,960	24,242	**64,292**

Consolidated cash flow statement for the 18-month period ended 31 December 2020

	Note	2020 £000	2019 £000
Net cash inflow / (outflow) from operating activities	23	**132,770**	(23,316)
Cash flows generated by / (used in) investing activities			
Decrease / (increase) in long term loans		**285**	(152)
Proceeds from sale of investments		**111,093**	30,447
Proceeds from sale of tangible fixed assets		**3,547**	2,382
Purchase of investments		**(29,866)**	(27,246)
Purchase of intangible fixed assets		**(3,563)**	(7,387)
Purchase of tangible fixed assets		**(9,513)**	(11,900)
Interest paid		**(286)**	(474)
Interest received		**491**	1,398
Other investment income		**15,775**	11,655
Additional investment in existing joint ventures		**(903)**	(4,821)
Acquisition of other unlisted investments		**—**	(300)
Acquisition of subsidiaries		**(3,020)**	—
Payment of deferred consideration on acquisitions		**(6,872)**	(1,353)
Donation to Lloyd's Register Foundation		**(3,000)**	—
Disposal of subsidiaries (note 14)		**(10,002)**	—
Net cash flows generated by / (used in) investing activities		**64,166**	(7,751)
Cash flows from financing activities			
(Decrease) / increase in borrowings		**(15,841)**	15,841
Net increase / (decrease) in cash and cash equivalents		**181,095**	(15,226)
Cash and cash equivalents at beginning of period		**81,680**	96,906
Effect of foreign exchange rate changes		**(3,621)**	—
Net increase / (decrease) in cash and cash equivalents		**181,095**	(15,226)
Cash and cash equivalents at end of period		**259,154**	81,680

Reconciliation of net cash flow to movements in net funds

	Cash and cash equivalents £000	Bank overdraft £000	Deferred consideration payable £000	**2020 Net funds £000**	Cash and cash equivalents £000	Bank overdraft £000	Fair value of derivatives £000	Deferred consideration payable £000	2019 Net funds £000
At 1 July	81,680	(15,841)	(6,338)	**59,501**	96,906	—	(450)	(5,797)	90,659
Foreign exchange	(3,621)	—	—	**(3,621)**	—	—	—	—	—
Cash flow	181,095	15,841	6,872	**203,808**	(15,226)	(15,841)	—	422	(30,645)
Other movements	—	—	(534)	**(534)**	—	—	450	(963)	(513)
At 31 Dec	259,154	—	—	**259,154**	81,680	(15,841)	—	(6,338)	59,501

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 29 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 18-month period ended 31 December 2020.

2. Basis of preparation

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

The Directors continue to adopt the going concern basis of accounting in preparing the 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 31 December 2020. The comparative period is the twelve months to 30 June 2019. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

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

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

3. Accounting policies

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

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

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

Notes to the financial statements (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f. Foreign currencies are dealt with as follows:

   i. Foreign currency denominated assets and liabilities of the Company and its overseas operations are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

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

   iii. Other exchange differences are shown in the profit or loss account except for exchange differences on monetary items receivable or payable from / to a foreign operation for which settlement is neither planned nor likely to occur (forming part of the net investment in the foreign operations) which are shown in other comprehensive income and accumulated in equity.

g. The costs of operating lease rentals are charged to the profit and loss account in the period to which they relate even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

h. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

i. Research expenditure is written off as incurred. Development expenditure, including all costs of developing internally generated intangible assets, is also written off.

j. Interest receivable from bank and short-term deposits includes interest accrued. Income from listed investments is recorded on an accruals basis when the income becomes payable to the Group.

k. Corporate donations made to the ultimate parent Lloyd's Register Foundation are shown within the statement of changes in equity. These donations do not constitute dividends payable to shareholders.

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

Notes to the financial statements (continued)

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

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

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

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

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

n. Provision is made on a case-by-case basis in respect of defending claims received and where appropriate, the estimated cost of settling claims. Provisions for employee benefits arising on termination of employment, are recognised when a company is demonstrably committed to a formal plan for termination and is without realistic possibility of withdrawal from the plan.

o. In the Group financial statements, investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture.

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

   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.

r. The Group's collection of pictures, furniture and fittings, ship models, books and archive material are considered to be heritage assets. No value is attributed to them in the balance sheet and no depreciation charged on the grounds that for many of the assets, reliable historical cost information is not available and that the depreciated historical cost of these assets is now immaterial.

s. Exceptional items include items that are assessed by the Directors to merit separate presentation to enable the users of the financial statements to better understand the elements of financial performance in the period, to facilitate comparison with prior periods and to assess financial trends more easily.

   They include restructuring related costs including redundancy, costs expensed for large IT development projects that do not qualify for capitalisation, onerous lease provisions and major net curtailment gains on pension scheme modifications.

Notes to the financial statements (continued)

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Group key sources of estimation uncertainty

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

Revenue recognition

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

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 £58,239,000.

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 20 to the financial statements describes the principal discount rate, salary increase, inflation, mortality and pension payment increase assumptions that have

Notes to the financial statements (continued)

been used to determine the pension and post-retirement charges. The calculation of any charge relating to pensions is dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on advice of the Group's actuaries, on prior experience and market conditions.

Company critical accounting judgements and key sources of estimation uncertainty

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

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 31 December 2020, the Company's investments in subsidiary undertakings had a carrying amount of £167,770,000.

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

Recoverability of intercompany receivables

At 31 December 2020, the Company's intercompany debtors had a carrying value of £331,996,000. The Directors use their judgement in estimating the recoverable amount of each debtor by considering each counterparty's net asset position and expected future performance. Forecasts of future performance require judgement based upon historical experience as well as input from external sources where applicable. To the extent that actual recovery experience differs significantly from the assumptions on recovery the profit and loss account of the Company in future years may be materially affected.

Pension plans

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

5. Turnover

	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
Turnover by class of business	**£000**	£000
Marine and Offshore	**622,844**	427,026
Energy	**148,966**	123,427
Digital Products *	**27,511**	20,709
Business Assurance and Inspection Services	**453,872**	321,685
	1,253,193	892,847

*During the 18 months ended 31 December 2020, the Group has created a new business line, Digital Products. As more fully described on page 26, our Digital Products business line focuses on combining deep technical expertise with data, models, and modern software and applications. The comparative period has been re-presented to separately show the turnover for this new business line, for which turnover was previously reported within the Marine and Office and Energy business lines, depending on the market of the customer being served.

Notes to the financial statements (continued)

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

	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
Revenue by category	**£000**	£000
Rendering of services	**1,253,193**	892,847
Income from quoted securities (note 9)	**7,183**	5,065
Interest receivable on loans and deposits (note 9)	**491**	1,398
Rental income from investment property (note 9)	**8,592**	6,583
Grants	**8,127**	—
	1,277,586	905,893

Grants income includes Government grants of £7.7m (12 months to 30 June 2019: £nil) received as part of Government initiatives to provide financial support as a result of the pandemic. There are no future related costs in respect of these grants.

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

6. Operating profit / (loss)

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

	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Staff costs (note 7)	**717,323**	503,748
Amortisation of goodwill (note 11)*	**23,744**	19,236
Impairment of goodwill (note 11)*	**1,723**	—
Amortisation of intangible fixed assets (note 11)*	**14,619**	9,074
Depreciation of tangible fixed assets (note 12)	**13,782**	8,581
Charge for bad and doubtful debts*	**1,676**	1,403
Research and development costs	**17,986**	17,143
Unrealised fair value gains on forward currency contracts	—	(450)
Realised fair value losses on forward currency contracts	—	612
Operating lease rentals	**54,290**	38,173
Foreign exchange loss	**9,772**	1,196
Loss on disposal of fixed assets	**930**	151

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

Notes to the financial statements (continued)

Services provided by the Company's auditor and its associates

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

	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	**610**	347
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	**1,873**	1,547
Tax services	**89**	114
Other services	**37**	57
	2,609	2,065

7. Staff costs

	Group		Company	
	18 months to 31 December 2020	12 months to 30 June 2019	**18 months to 31 December 2020**	12 months to 30 June 2019
	£000	£000	**£000**	£000
Wages and salaries	**588,231**	414,962	**30,834**	14,396
Social security costs	**68,224**	46,900	**2,464**	1,560
Other pension costs (note 20):				
• Other pension costs excluding curtailments and settlement costs	**61,028**	39,786	**5,092**	3,282
• Curtailment (gains) / losses	**(160)**	2,100	**(93)**	1,802
	717,323	503,748	**38,297**	21,040

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, £12.1m (2019: £6.2m) of redundancy costs have been incurred (note 8).

Notes to the financial statements (continued)

Average number of employees for the period:	**18 months to 31 December 2020**	12 months to 30 June 2019
	Number	Number
Marine and Offshore	**2,578**	2,593
Energy	**574**	790
Business Assurance and Inspections Services	**2,359**	2,564
Digital Products*	**164**	134
Administrative and support	**985**	1,036
	6,660	7,117

* Comparative average employee numbers have been re-presented to separately show headcount in the newly created Digital Products business line.

	Group	
Directors' remuneration		
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Emoluments	**3,031**	2,644
Amounts receivable under long-term incentive schemes	**2,306**	306
	5,337	2,950

	Number	Number
	18 months to 31 December 2020	12 months to 30 June 2019
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 period was the Group Chief Executive Officer who served in this role until 31 December 2020. He received aggregate emoluments of £2,847,000 (12 months ended 30 June 2019: £1,486,000) which includes £1,558,000 (12 months ended 30 June 2019: £260,000) in respect of a long-term incentive plan for the 18 months ended 31 December 2020. He is a member of a Company defined contribution pension scheme, however no amounts were paid by the Company during the period (12 months ended 30 June 2019: £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 during the 18 months ended 31 December 2020 of £812,000 (12 months ended 30 June 2019: £632,000). The timing of this payment is determined by the scheme rules.

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

Notes to the financial statements (continued)

8. Exceptional costs

Exceptional costs within administrative expenses

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

- redundancy and severance incurred following the implementation of the Group's new ERP system and continued downturn in some of the Group's key markets of £12.1m (2019: £6.2m) as discussed in the Strategic Report;
- increase in an onerous lease provision of £11.4m (2019: £1.2m); and
- a £1.7m impairment of Goodwill (refer to note 11); and
- a £4.0m impairment of a loan made to a third party (refer to note 14); and
- in the prior year, a cost of £1.8m was 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 research and implementation phases of major IT development projects of £11.0m.

9. Net investment income and other finance costs

Net investment income	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Investment income	**29,114**	22,884
Less: interest payable and similar charges	**(4,703)**	(474)
Net investment income	**24,411**	22,410

Investment income	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Income from quoted securities	**7,183**	5,065
Interest receivable on loans and deposits	**491**	1,398
Fair value gains on financial assets measured at fair value through profit and loss	**2,080**	11,240
Net gain / (loss) on disposal of investments	**16,978**	(4,279)
Fair value (losses)/ gains on investment property measured at fair value through profit and loss	**(6,210)**	2,877
Income from investment property	**8,592**	6,583
	29,114	22,884

Interest payable and similar charges	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Interest payable on overdrafts and other interest	**(286)**	(474)
Impairment of unlisted investments	**(4,417)**	—
	(4,703)	(474)

Notes to the financial statements (continued)

Other finance costs	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Net interest on defined benefit liability (note 20)	**(1,614)**	(1,214)
	(1,614)	(1,214)

10. Taxation

	Group	
	18 months to 31 December 2020	12 months to 30 June 2019
	£000	£000
Current tax on (loss) / profit		
UK corporation tax	**1,977**	729
Double tax relief	**(1,822)**	(169)
	155	560
Foreign tax	**25,545**	17,649
	25,700	18,209
Adjustment in respect of prior years		
• *UK corporation tax*	**(313)**	333
• Foreign tax	**(2,996)**	(1,413)
Total current tax	**22,391**	17,129
Deferred tax		
Origination and reversal of timing differences	**(2,176)**	(1,072)
Adjustments in respect of previous years	**3,673**	505
Total deferred tax	**1,497**	(567)
Total tax on (loss) / profit	**23,888**	16,562

The standard rate of tax applied to the reported (loss) / profit is 19% (2019: 19%).

On 3 March 2021, new measures to increase the main corporation tax rates to 25% from 1 April 2023 were announced in the UK budget 2021. On 24 May 2021, these new measures were substantively enacted. Deferred tax assets and liabilities have not been remeasured for the increased tax rate as this new legislation was not substantively enacted as at the balance sheet date. The increase in the tax rate is expected to increase the deferred tax liability by £7.8m.

During the period beginning 1 January 2021, the net reversal of deferred tax assets and liabilities is expected to increase the corporate tax charge for the period by £5.7m (2019: £6.8m). 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 2020 £000	Group 2019 £000
Group (loss) / profit before taxation	**(22,470)**	30,075
(Loss) / profit multiplied by the average standard rate of United Kingdom corporation tax of 19% (2019: 19%)	**(4,269)**	5,714
Effects of:		
• Tax exempt profits	**(3,326)**	(2,914)
• Overseas rate differences	**4,335**	3,915
• Goodwill amortisation not deductible for tax purposes	**4,820**	3,628
• Expenses not deductible for tax purposes	**833**	1,570
• Brought forward unprovided timing differences now recognised in period	**653**	(1,926)
• Impact of UK qualifying corporate donations	**(1,149)**	—
• Current period unprovided timing differences	**8,236**	3,464
• Fair value gain on investment property not subject to tax	**1,202**	—
• Disposal of subsidiary undertakings	**8,117**	—
• Other taxes	**4,072**	3,686
• Adjustments in respect of previous periods	**364**	(575)
Group total tax charge for period	**23,888**	16,562

Deferred tax (assets) / liabilities	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
At 1 July (assets) / liabilities	**(7,789)**	(4,819)	**10,850**	12,622
Arising in the period	**10,287**	(2,991)	**6,989**	(1,745)
Acquisitions	**—**	—	**—**	—
Foreign exchange differences	**438**	21	**83**	(27)
At 31 December liabilities / (assets)	**2,936**	(7,789)	**17,922**	10,850
Deferred tax asset	**(19,092)**	(24,799)	**(3,810)**	(5,437)
Deferred tax liability (note 18)	**22,028**	17,010	**21,732**	16,287
	2,936	(7,789)	**17,922**	10,850
Deferred tax is recognised as follows:				
Accelerated capital allowances	**1,813**	1,133	**2,289**	1,442
Deferred tax arising in relation to retirement benefit obligations	**16,872**	8,484	**21,492**	13,618
Tax losses	**(10,076)**	(10,612)	**(5,310)**	(5,994)
Other timing differences	**(5,673)**	(6,794)	**(549)**	1,784
	2,936	(7,789)	**17,922**	10,850

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 £28.3 million (2019: £50.7 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
Cost:				
At 1 July 2019	307,444	81,508	7,145	60,967
Additions	11,136	3,563	–	2,836
Disposals	(203,899)	(21)	–	–
Exchange adjustment	(7,966)	–	–	–
At 31 December 2020	106,715	85,050	7,145	63,803
Amortisation:				
At 1 July 2019	216,256	25,599	7,145	11,838
Charged during the period	23,744	14,619	–	11,547
Impairments	1,723	–	–	–
On disposals	(185,585)	–	–	–
Exchange adjustment	(7,662)	–	–	–
At 31 December 2020	48,476	40,218	7,145	23,385
Net book value:				
At 31 December 2020	**58,239**	**44,832**	**–**	**40,418**
At 30 June 2019	91,188	55,909	–	49,129

*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 31 December 2020 was £2,819,000 (30 June 2019: £4,030,000) and the software has an estimated remaining useful life of three years.

The Group has developed a group-wide enterprise resource planning and financial reporting solution. The net book value as at 31 December 2020 was £20,793,000 (2019: £24,824,000). The intangible asset is being amortised over the estimated useful life of 10 years.

The net book value of an operational system specific to the Marine business at 31 December 2020 was £14,964,000 (2019: £19,035,000). The remaining estimated useful life is five years.

During the period, the Group impaired £1.7m of goodwill to align the carried forward net book value to the forecast income generation of the relevant operation.

Notes to the financial statements (continued)

Acquisitions

Hanseaticsoft GmbH

On 11 December 2020, the Group increased its ownership of HanseaticSoft GmbH (Hanseaticsoft) from 55% to 79% and acquired control of the entity. Consideration was £3.0m in cash with £7.0m of cash previously transferred to acquire the 55% ownership. At 30 June 2019, the group applied equity accounting for HanseaticSoft due to joint control with other shareholders.

HanseaticSoft is a marine fleet management platform software company.

The acquisition has been accounted for using the acquisition method of accounting. The fair value of net liabilities acquired was £1.1m.

	Book value	Fair value adjustments	**Fair value**
	£000	£000	**£000**
Fixed assets	31	—	**31**
Current assets	344	—	**344**
Cash	202	—	**202**
Current liabilities	(1,702)	—	**(1,702)**
	(1,125)	—	**(1,125)**

Total consideration payable	**10,011**
Less net liabilities acquired	**1,125**
Goodwill arising on acquisition	**11,136**

The useful economic life of the goodwill arising on acquisition is estimated to be 10 years based on the expected life of the customer contracts and software coding underpinning the business.

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

The consolidated profit and loss account for the 18-month period ended 31 December 2020 includes the result of Hanseaticsoft since the acquisition date and contributed £nil of turnover and £nil of profit after taxation.

Notes to the financial statements (continued)

12. Tangible fixed assets

Group:

	Investment property*	Land and buildings	Leasehold improvements	Office fittings and equipment	Plant and machinery	Computer equipment	Motor vehicles	**Total**
	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:								
At 1 July 2019	134,279	30,526	20,023	42,252	3,998	59,607	2,949	**293,634**
Additions	–	499	2,422	1,916	1,360	2,058	1,258	**9,513**
Disposal of business	–	–	(1,396)	(594)	(3,059)	(3,478)	(485)	**(9,012)**
Transferred to investment property	2,288	(6,655)	–	–	–	–	–	**(4,367)**
Revaluations	2,096	–	–	–	–	–	–	**2,096**
Disposals	–	(1,724)	(446)	(2,977)	(576)	(2,064)	(1,337)	**(9,124)**
Exchange differences	–	–	(476)	(465)	(42)	(479)	(221)	**(1,683)**
At 31 December 2020	138,663	22,646	20,127	40,132	1,681	55,644	2,164	**281,057**
Depreciation:								
At 1 July 2019	–	18,266	10,329	28,178	2,716	48,309	2,261	**110,059**
Charged in period	–	722	2,659	4,835	454	4,686	426	**13,782**
Disposal of business	–	–	(223)	(520)	(2,196)	(3,128)	(231)	**(6,298)**
Transferred to investment property	–	(4,367)	–	–	–	–	–	**(4,367)**
Disposals	–	(48)	(446)	(1,788)	(169)	(1,585)	(632)	**(4,668)**
Exchange differences	–	–	(391)	(354)	(37)	(345)	(148)	**(1,275)**
At 31 December 2020	–	14,573	11,928	30,351	768	47,937	1,676	**107,233**
Net book value:								
At 31 December 2020	138,663	8,073	8,199	9,781	913	7,707	488	**173,824**
At 30 June 2019	134,279	12,260	9,694	14,074	1,282	11,298	688	**183,575**

*79% (2019: 73%) of the mixed used property is classified as an investment property.

Company:

	Investment property*	Land and buildings	Leasehold improvements	Office fittings and equipment	Plant and machinery	Computer equipment	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:							
At 1 July 2019	134,279	28,802	2,458	15,936	29	22,600	**204,104**
Additions	–	499	–	715	–	4	**1,218**
Transferred to investment property	2,288	(6,655)	–	–	–	–	**(4,367)**
Revaluations	2,096	–	–	–	–	–	**2,096**
Disposals	–	–	–	(509)	–	(8)	**(517)**
Exchange differences	–	–	–	(15)	–	(7)	**(22)**
At 31 December 2020	138,663	22,646	2,458	16,127	29	22,589	**202,512**
Depreciation:							
At 1 July 2019	–	18,229	1,382	9,554	1	22,496	**51,662**
Charged in period	–	711	191	1,716	2	36	**2,656**
Transferred to investment property	–	(4,367)	–		–	–	**(4,367)**
Disposals	–	–	–	(84)	–	(8)	**(92)**
Exchange differences	–	–	–	(13)	–	(6)	**(19)**
At 31 December 2020	–	14,573	1,573	11,173	3	22,518	**49,840**
Net book value:							
At 31 December 2020	138,663	8,073	885	4,954	26	71	**152,672**
At 30 June 2019	134,279	10,573	1,076	6,382	28	104	**152,442**

*79% (2019: 73%) of the mixed used property is classified as an investment property. Land and buildings include freehold property in the United Kingdom with a net book value of £7,314,000 (2019: £10,314,000) and estimated market value of £39,676,000 (2019: £46,394,000).

Notes to the financial statements (continued)

Heritage Assets

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

Investment property

Investment property includes one freehold property that is in mixed functional and investment use. Areas of the building occupied by or marketed to third party tenants are deemed to be in investment property use and are held at market value. A proportion of 79% (2019: 73%) is deemed an investment property, based on the value of space let or marketed to third party tenants. The transfer of part of the property from own use to investment property resulted in revaluation gain of £8,306,000 which is recognised in other comprehensive income. The property valuation, with an effective date of 31 December 2020, was carried out on a market value basis by a surveyor holding a qualification from the Royal Institution of Chartered Surveyors who has recent experience in the location and class of investment property valued. If the investment property had not been revalued it would have been included at £27,965,000 (2019: £30,094,000).

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

As set out in note 9, rental income from investment properties for the 18 months ended 31 December 2020 was £8,592,000 (12 months ended 30 June 2019: £6,583,000).

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	
	2020	2019
	£000	£000
Within one year	**5,724**	5,795
In the second to fifth years inclusive	**19,835**	15,861
After five years	**21,741**	20,692
	47,300	42,348

Notes to the financial statements (continued)

13. Investments

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Investments in subsidiaries	**—**	—	**167,770**	201,968
Listed investments and cash held by investment managers (note 15)	**74,201**	136,370	**74,201**	136,370
Other unlisted investments	—	4,417	**—**	—
Long-term loans	**120**	405	**143**	209
Investments in joint ventures: cost	—	—	**100**	100
	74,321	141,192	**242,214**	338,647
Investments in joint ventures: share of net assets	**314**	7,713	—	—
	74,635	148,905	**242,214**	338,647

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 27.

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

The carrying value of the Company's investments in subsidiaries is stated net of impairments of £51,211,000 (30 June 2019: £7,310,000).

	Cost	Accumulated *impairments*	Carrying value
	£000	£000	£000
At 1 July 2019	209,278	(7,310)	201,968
Additions	10,165	—	10,165
Disposals	(462)	—	(462)
Impairment	—	(43,901)	(43,901)
At 31 December 2020	**218,981**	**(51,211)**	**167,770**

Joint ventures

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

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

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

Notes to the financial statements (continued)

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

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Lloyd's Register Apave Limited	**199**	104	–	–
Lloyd's Maritime Information Services Limited	**115**	115	**100**	100
Common Structural Rules Software LLC	–	19	–	–
Hanseaticsoft GmbH (note 11)	–	6,789	–	–
Fullagar Technologies Limited	–	–	–	–
Xinjiang LR Tunhe Social Economic Consulting Company Limited (note 14)	–	686	–	–
	314	7,713	**100**	100

At 31 December 2020 the Common Structural Rules Software LLC joint venture had net liabilities. The Group's share of the net liabilities amounted to £51,000 (2019: £nil) and was recognised within other provisions.

14. Sale of subsidiary undertakings

On 31 October 2020 the Group completed the disposal of the majority of its Energy business comprising certain legal entities as well as certain business assets to Indigo Solutions Holdings Limited, subsequently renamed Vysus Group Holdings Limited. The results of the Energy business for the 18-month period ended 31 December 2020 and the year ended 30 June 2019 are disclosed as discontinued operations in the Group's consolidated profit and loss account.

Net assets disposed of and the related sale proceeds were as follows:

	Total
	£000
Fixed Assets	**3,204**
Current Assets	**39,524**
Creditors*	**(18,580)**
Provisions for liabilities	**(1,402)**
Net assets	**22,746**
Goodwill	**18,314**
Disposal costs	
	1,662
Loss on disposal	**42,722**

*Includes £4.0m loan payable to Lloyds Register Group Limited

Sale proceeds	–
Net cash outflows in respect of the sale comprised:	
Cash and cash equivalents received	–
Less: cash and cash equivalents disposed of	**8,340**
Disposal costs	**1,662**
	10,002

Notes to the financial statements (continued)

15. Listed investments and cash held by investment managers

	Group and Company		
	United Kingdom bonds	Cash	**Total**
	£000	£000	**£000**
Carrying value:			
At 1 July 2019	134,639	1,731	**136,370**
Additions	29,639	227	**29,866**
Disposals	(92,917)	(1,198)	**(94,115)**
Revaluation	2,080	—	**2,080**
At 31 December 2020	73,441	760	**74,201**

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

Investments with market value of £74m (2019: £62m) were held in a ring-fenced portfolio relating to the funding of pension liabilities outside the UK. The 30 June 2019 investments include £74m held in an escrow account relating to the funding to the UK pension liability. This escrow requirement has been released in the current period.

16. Debtors

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Trade debtors	**123,654**	201,040	**699**	2,687
Amounts owed by Lloyd's Register Foundation	**771**	943	**–**	—
Amounts owed by Group undertakings	**—**	—	**331,996**	241,567
Other debtors	**6,776**	9,916	**1,069**	785
Prepayments and accrued income	**90,006**	145,928	**5,443**	6,414
Taxation recoverable	**27,069**	29,134	**243**	—
	248,276	386,961	**339,450**	251,453

17. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Bank overdraft	—	15,841	**—**	15,841
Trade creditors	**20,690**	31,511	**540**	1,724
Amounts owed to Group undertakings	**—**	—	**718,181**	487,899
Other creditors	**365**	1,634	**377**	—
Corporation tax	**14,731**	14,814	—	1,491
Other taxation and social security	**19,063**	18,356	**1,529**	514
Accruals and deferred income	**156,580**	166,612	**7,969**	7,211
	211,429	248,768	**728,596**	514,680

Notes to the financial statements (continued)

18. Provisions for liabilities

Group	Legal claims	Acquisition-related	Employee related	Onerous lease	Deferred tax	Other	**Total**
	£000	£000	£000	£000	£000	£000	**£000**
At 1 July 2019	4,625	6,338	21,497	8,692	17,010	7,387	**65,549**
Exchange revaluation	164	—	(178)	—	121	(349)	**(242)**
Charged / (credited) to profit and loss account	209	534	34,472	12,929	(1,598)	4,993	**51,539**
Charged to other comprehensive income	—	—	—	—	6,495	—	**6,495**
Disposal of operations (note 14)	(109)	—	(1,129)	—	—	(164)	**(1,402)**
Utilisation of provision	(930)	(6,872)	(37,671)	(2,302)	—	(749)	**(48,524)**
At 31 December 2020	3,959	—	16,991	19,319	22,028	11,118	**73,415**

Company	Deferred tax	Legal claims	Employee related	Other	**Total**
	£000	£000	£000	£000	**£000**
At 1 July 2019	16,287	765	3,078	163	**20,293**
Exchange revaluation	84	—	—	(6)	**78**
(Credited) / charged to profit and loss account	(1,134)	19	8,984	151	**8,020**
Charged to other comprehensive income	6,495	—	—	—	**6,495**
Utilisation of provision	—	—	(6,769)	—	**(6,769)**
At 31 December 2020	21,732	784	5,293	308	**28,117**

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 one year.

Employee related: Provision is made for redundancy and relocation costs with respect to the restructuring programmes in addition to certain employee benefits, including £6.8m (2019: £9.6m) relating to the settlement of Netherlands pension obligations, and repatriation of expatriate workers and other employment related costs. Settlement of these provisions is expected within four 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 13 years.

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

Notes to the financial statements (continued)

19. Financial instruments

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

	Group	
	31 December 2020	30 June 2019
	£000	£000
Financial assets		
Investments in listed investments (note 15)	**73,441**	134,639

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 31 December 2020, the fair value of the call options was £nil (2019: £nil).

20. Retirement benefits

Defined benefit pension schemes

Worldwide

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

UK

The main funded scheme, the Lloyd's Register Superannuation Fund Association was closed to future accrual from 1 October 2010. The scheme continues to fund benefits accrued to that date, and valuations of the scheme are carried out on a triennial basis. The most recent completed valuation was carried out as at 31 March 2019. This showed that the funding position of the scheme had declined from the previous valuation. The funding shortfall was £17m for the 2019 valuation, a decrease from £81m in the previous valuation's Recovery Plan as at 31 March 2016. In the 18-month period ended 31 December 2020, special contributions of £6.03m (12 months to 30 June 2019: £6.03m) were paid.

Other long-term employee benefits

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

- USA: provision of medical insurance for retired employees subject to age qualification restrictions. This benefit is unfunded with an obligation at 31 December 2020 of £1.4m (30 June 2019: £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 31 December 2020 of £13.6m (30 June 2019: £17.9m), assets of £5.1m (30 June 2019: £5.9m) a net obligation of £8.5m (30 June 2019: £12.0m).
- UK: the UK has other benefits schemes including the Unfunded, Unregistered Retirements Benefits Scheme (see the Remuneration Committee report on page 33). These benefits are unfunded with an obligation at 31 December 2020 of £10.2m (30 June 2019: £10.0m).

Other long-term employee benefits included within provisions (note 18)

Long-term unfunded employee benefits included within provisions are:

- UK: £4.9m (30 June 2019: £2.4m) 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 33.
- Australia: £1.7m (30 June 2019: £1.6m) 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 31 December 2020.

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

The financial assumptions used at 31 December 2020 and 30 June 2019 for the different areas are summarised below.

	UK[1]		Japan[2]		Eurozone[3]		Rest of the World[4]	
	2020	2019	**2020**	2019	**2020**	2019	**2020[5]**	2019 [5]
Liabilities:	**%**	%	**%**	%	**%**	%	**%**	%
Rate of price inflation	**2.9**	3.2	**1.0**	1.0	**1.8**	1.8	**2.0 to 5.0**	2.0 to 5.0
Rate of increase in salaries	**n/a**	n/a	**1.8**	1.8	**1.8**	1.8	**1.8 to 4.5**	1.8 to 5.0
Rate of increase in pensions	**Various**	Various	**0.8**	0.8	**Nil to 1.8**	Nil to 1.8	**2.0 to 5.0**	2.2 to 5.0
Discount rate	**1.4**	2.3	**0.5**	0.5	**0.3 to 1.0**	0.8 to 1.4	**2.2 to 6.3**	2.3 to 7.1

(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 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) "S3NA" mortality tables with an allowance for future improvements based on the Continuous Mortality Investigation (CMI) 2019 long-term projections adjusted by 100% 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Cash and cash equivalents	**103.3**	18.5	—	—	**0.2**	0.3	**4.2**	2.9	**107.7**	21.7
Equity instruments	**—**	58.3	—	—	**3.3**	3.4	**30.8**	29.3	**34.1**	91.0
Debt instruments	**1,057.2**	971.7	—	—	**20.4**	19.6	**25.6**	29.3	**1,103.2**	1,020.6
Other	**14.7**	17.9	—	—	**0.2**	—	**10.1**	11.5	**25.0**	29.4
Market value of assets	**1,175.2**	1,066.4	—	—	**24.1**	23.3	**70.7**	73.0	**1,270.0**	1,162.7
Present value of scheme liabilities	**(1,043.9)**	(957.4)	—	—	**(34.8)**	(34.1)	**(75.5)**	(80.7)	**(1,154.2)**	(1,072.2)
	131.3	109.0	—	—	**(10.7)**	(10.8)	**(4.8)**	(7.7)	**115.8**	90.5
Present value of unfunded liabilities	**(10.2)**	(10.1)	**(53.7)**	(59.0)	**(61.5)**	(59.6)	**(111.2)**	(91.8)	**(236.6)**	(220.5)
Net pension asset / *(liability)*	**121.1**	98.9	**(53.7)**	(59.0)	**(72.2)**	(70.4)	**(116.0)**	(99.5)	**(120.8)**	(130.0)

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

	31 December 2020	30 June 2019
	£m	£m
Pension surplus	**142.7**	120.0
Pension liability	**(263.5)**	(250.0)
Net pension liability	**(120.8)**	(130.0)

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

	Korea		**USA**		**Norway**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Net pension assets	**5.1**	5.9	**35.6**	35.9	**—**	1.6	**40.7**	43.4
Net pension liabilities	**(13.6)**	(18.0)	**(40.6)**	(40.2)	**—**	(1.6)	**(54.2)**	(59.8)
	(8.5)	(12.1)	**(5.0)**	(4.3)	**—**	—	**(13.5)**	(16.4)

Notes to the financial statements (continued)

Amounts recognised in the Consolidated Profit and Loss Account:

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Current service cost	**9.9**	6.3
Curtailment (gains) / losses*	**(0.2)**	2.1
Administrative expenses	**2.2**	1.2
	11.9	9.6

Interest cost on schemes' liabilities	**40.9**	31.5
Interest income on schemes' assets	**(39.3)**	(30.3)
Total amount included under Other finance costs (note 9)	**1.6**	1.2

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

In addition, there is a charge in respect of contributions to defined contribution plans for the 18 months to 31 December 2020 of £48.9m (12 months to 30 June 2019: £32.3m).

The actual return on scheme assets for the 18 months to 31 December 2020 was £167.5m (12 months to 30 June 2019: £114.5m).

Amounts recognised in the Consolidated Statement of Comprehensive Income:

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Gain on pension scheme assets	**128.2**	84.2
Experience gains	**24.4**	2.6
Change in assumptions	**(158.9)**	(114.1)
Actuarial loss	**(6.3)**	(27.3)

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

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Opening defined benefit obligation	**(1,292.8)**	(1,189.4)
Current service cost	**(9.9)**	(6.3)
Curtailments	**0.2**	(2.1)
Member contributions	**(0.1)**	—
Interest cost	**(40.9)**	(31.5)
Actuarial loss	**(134.5)**	(111.5)
Exchange adjustments	**6.6**	(6.3)
Benefits paid	**80.6**	54.3
Closing defined benefit obligation	**(1,390.8)**	(1,292.8)

Notes to the financial statements (continued)

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

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Opening market value of plan assets	**1,162.7**	1,080.7
Expected return on plan assets	**39.3**	30.3
Benefits and expenses paid	**(82.8)**	(55.5)
Employer contributions	**28.1**	20.5
Member contributions	**0.1**	—
Actuarial gain on assets	**128.2**	84.2
Exchange adjustments	**(5.6)**	2.5
Closing market value of plan assets	**1,270.0**	1,162.7

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

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Issued, called up and fully paid:				
90,000 ordinary shares of £1 (2019: 90,000)	**90**	90	**90**	90
Share premium	**39,960**	39,960	**39,960**	39,960

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

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

Profit and loss account

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

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

Notes to the financial statements (continued)

22. Contingent liabilities, capital and financial commitments

	Group		Company	
	2020	2019	**2020**	2019
Contingent liabilities:	**£000**	£000	**£000**	£000
In respect of bank guarantees	**8,752**	9,283	**99**	55
Escrow account for pension schemes	**74,201**	136,370	**74,201**	136,370
	82,953	145,653	**74,300**	136,425

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. Following the results of the latest pension scheme valuations, the remaining balance reverted to Lloyd's Register Group Limited unencumbered.

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

	Land and buildings		Other	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Group				
Within one year	**17,921**	20,019	**7,590**	7,935
Between two to five years	**40,663**	56,357	**11,798**	8,711
After five years	**49,515**	68,190	—	65
	108,099	144,566	**19,388**	16,711

	Land and buildings		Other	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Company				
Within one year	**428**	447	—	1
Between two to five years	**224**	790	**—**	—
	652	1,237	**—**	1

Notes to the financial statements (continued)

23. Reconciliation of operating profit to cash generated by operations

	2020	2019
	£000	£000
Operating (loss) / profit	**(632)**	9,472
Loss on disposal of fixed assets	**930**	151
Exchange adjustment	**(582)**	5,082
Depreciation	**13,782**	8,581
Amortisation and impairment charges relating to intangibles	**40,086**	28,310
Impairment of long-term loans	**4,000**	—
Decrease / (increase) in debtors	**108,442**	(24,334)
Decrease in creditors	**(8,562)**	(16,190)
Increase / (decrease) in provisions	**11,313**	(5,328)
Foreign tax paid	**(23,464)**	(21,066)
Tax received	**3,410**	3,005
Defined benefit pension contributions in excess of fund charges	**(15,793)**	(13,099)
Curtailment (gains) / losses	**(160)**	2,100
Cash generated by / (used in) operations	**132,770**	(23,316)

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, £18.9m (2019: £22.4m) of cash was held by overseas entities which cannot be remitted to other Group entities and £nil (2019: £1.2m) 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 (£12.6m) due to exchange controls and Korea (£8.7m) where remittance is permitted following external audit.

24. 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 18-month period to 31 December 2020 totalled £15,519,000 (12 months to 30 June 2019: £8,009,000). Details of the types of remuneration of the Executive Directors and Executive Leadership Team are included within the Remuneration Committee report.

Notes to the financial statements (continued)

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

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

* Transactions reported in the 16-month period to disposal on 31 October 2020.

The following transactions took place between Lloyd's Register Group Limited undertakings in which the Group holds less than 100% for the 12 months to 30 June 2019:

	Turnover arising from trading with other LR Group companies	Operating costs charged by LR Group companies	Amounts owed (to) / from Group companies at 30 June 2019
	£000	**£000**	**£000**
Subsidiaries			
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
Joint ventures			
Lloyd's Register Apave Limited	—	(1,255)	(626)
Xinjang LR Tunhe Social Economic Consulting Company Limited*	40	(40)	—
Hanseaticsoft GmbH	—	(133)	(179)

During the period the Group has increased its investments in Common Structural Rules Software LLC from $19,625,000 to $20,775,000 and in i4Insight, Inc from $3,200,000 to $5,200,000.

Notes to the financial statements (continued)

Amount due from HanseaticSoft GmbH includes a €800,000 (2019: €200,000) loan. The loan is for a minimum of two years and interest accrues at 6%. The total loan facility amounts to €800,000. Interest income recognised in respect of the loan amounts to €47,000 (12 months to 30 June 2019: €3,000).

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:

	2020	2019
	£000	£000
Administrative services provided	**360**	240
Administrative services receivable	**20**	20

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

- A £900,000 grant to support decarbonisation in the marine sector. £495,000 remains outstanding as at 31 December 2020.
- An £800,000 grant to support the new Safety Accelerator programme. £800,000 remains outstanding as at 31 December 2020.

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

25. 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.

26. Parent company result

Lloyd's Register Group Limited's principal activity is as an investment holding company. The loss for the 18 months ended 31 December 2020 arising in the financial statements of the parent company is £78,511,000 (12 months to 30 June 2019: £111,226,000). 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 £78,511,000 includes central management costs, impairment of intercompany receivables and investments, net intercompany interest charges and the Company taxation charge.

27. Group companies

The following are the subsidiaries and joint ventures of the Group at 31 December 2020. All subsidiaries are consolidated. Details are given of the principal country of operation. The equity share capital of these entities is wholly owned by the Group except where its percentage interest is shown otherwise. All companies are incorporated in their principal country of operation except where stated.

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

Notes to the financial statements (continued)

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

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
71FS Insurance Company Limited[1]	GUERNSEY	Polygon Hall, Le Marchant Street, St Peter Port, GY1 4HY, Guernsey	100
WQ-IC Limited	IRELAND	Skybridge House, Dublin Airport, North Swords, Dublin, K67P6K2	100
Lloyd's Register Bangladesh Pvt Ltd	BANGLADESH	11th Floor, 9 Mohakhali C/A, Dkaka – 1212, Dhaka, Bangladesh	100
Lloyd's Register Drilling Integrity Services Australia Pty Ltd	AUSTRALIA	Level 1, 503 Murray Street, Perth WA 6000, Australia	100
Lloyd's Register Belgie vzwd[1]	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 Quality Assurance Canada Limited	CANADA	5420 North Service Road, Suite 506 Burlington, Ontario L7L 6C7 Canada	100
Lloyd's Register Canada Limited	CANADA	1888 Brunswick Street, Suite 400, Halifax NS B3J 3j8, Canada	100
MARTEC Limited	CANADA	1888 Brunswick Street, Suite 400, Halifax NS B3J 3j8, Canada	100
Lloyd's Register Classification Society (China) Co Ltd	CHINA	19th Floor, 550 Yan An dong Road, Huangpu District, Shanghai, China	100
Lloyd's Register Industrial Technical Services (Shanghai) Co. Ltd	CHINA	20th Floor, Ocean Towers, No 550 Yan An Dong Road, Huang District, Shanghai, China	100
LRQA (Shanghai) Co Ltd	CHINA	20th Floor, Ocean Towers, No 550 Yan An Dong Road, Huang District, Shanghai, China	100
Lloyd's Register Advisory Services China(Shanghai) Ltd	CHINA	Room 1906, No.550 Yan'an East Road, Huangpu District, Shanghai, China	100
Lloyd's Register Central and South America (Curaçao) NV	CURAÇAO	Alablancaweg No. 30 Wilhelminalaan 13, Curaçao	100
Lloyd's Register Egypt LLC	EGYPT	Apartment no 303-3rd 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	79
Hellenic Lloyd's SA	GREECE	87 Akti Miaouli, Piraeus, 18538, Greece	100
Lloyd's Register Italia S.R.L[1]	ITALY	Via Sottoripa 1A/112 16124 Genova GE, Italy	100
Lloyd's Register Quality Assurance Italy Srl	ITALY	Piazza della Vittoria 6, 16121, Genova, Italy	100
Lloyd's Register Industrial Services (India) Pvt Ltd[1]	INDIA	63-64 Kalpataru Square, 6th Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	51

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Marine and Inspection Services (India) LLP	INDIA	63-64 Kalpataru Square, 6th Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	100
PT Lloyd's Register Indonesia	INDONESIA	Menara Dea Tower 1, 12th Floor, JL Mega Kuningan Barat IX Kav, E4.3 No1, Kawasan Mega Kuningan, Jakarta, 12950, Indonesia	100
Lloyd's Register Japan Kabushiki Kaisha	JAPAN	Queen's Tower A, 2-3-1 Minatomirai, Nishi-Ku, Yokohama	100
Lloyd's Register Kazakhstan LLP	KAZAKHSTAN	29/6 Satpayev Street, Floor, Rakhat Palace Hotel, Almaty, Kazakhstan	100
Lloyd's Register Advisory Services Korea Ltd	KOREA	(CJ Logistics Bldg., Joongang-dong 6-ga) 10F, 119, Daegyo-ro, Jung-gu, Busan	100
Lloyd's Register Quality Assurance (Korea) Ltd	KOREA	17th Floor, Sinsong Building, 25-4 Yeouido-dong, Yeoongdeungpo-gu, Seoul, 150-711, Korea	100
LRQA Lietuva UAB	LITHUANIA	Lvovo Str 25, Vilbius, LT-09320, Lithuania	100
Lloyd's Register Malaysia Sdn Bhd	MALAYSIA	Level 28, Naza Tower, Platinum Park No. 10, Persiaran KLCC 50088 Kuala Lumpu, Malaysiax.xx	100
Lloyd's Register of Shipping (Malaysia) Bhd	MALAYSIA	No 10, Persiaran KLCC,50088, Kuala Lumpur, Malaysia	100
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 Services (Malaysia) Sdn. Bhd.	MALAYSIA	Level 10, Menara LGB, No 1, Jalan Wan Kadir, Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	100
Lloyd's Register Mozambique Lda	MOZAMBIQUE	Mozambique, Maputo Cidade DISTRITO URBANO 1 Bairro da Polana, Av. Marginal Tenente Ovaldo Tazama Torres Rani Torre 1, 2 Piso, Fraccao 5	100
LR Advisory Services BV (Netherlands) (formerly Lloyd's Register Drilling Integrity Services Holding B.V)	NETHERLANDS	Gapingseweg 1A, Serooskerke, 4343JA, Walcheren, Netherlands	100
Lloyd's Register Nederland BV	NETHERLANDS	Wnna-Zuid 168, 3012NC, Rotterdam, Netherlands	100
LR Verification BV[1]	NETHERLANDS	KP van der Mandelelaan 41 A, 3062 MB Rotterdam, Netherlands	100
Lloyd's Register EMEA (Nigeria) Ltd Gte	NIGERIA	6th Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register West Africa Ltd	NIGERIA	6th Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register Oman LLC	OMAN	Bait Al Bahja, Building No 603, Room 21, Way No 2710, Ruwi CBD, Muscat, Sultanate of Oman, PO BOX 2715, RUWI PC 112, Oman	70
Lloyd's Register Pakistan (Private) Limited	PAKISTAN	Lloyd's Register, BRR Towers, 14th and 15th Floor, 11 Chundrigar Road, Karachi, 74400 Sindh	100
Lloyd's Register (Polska) Sp Zoo	POLAND	Al. Zwyciestwa 13a, 80-219, Gdansk, Poland	100

Notes to the financial statements (continued)

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Qatar LLC	QATAR	Regus Building D-Ring Road, Doha, PO Box 10285, Qatar	49
Lloyd's Register (Romania) SRL	ROMANIA	Sos. lancului 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 Princessa 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, Sinagpore	100
Lloyd's Register Signapore Pte Limited	SINGAPORE	1 Fusionopolis Place, #09-11 Galazxis, 138522, Singapore	100
Lloyd's Register Pte. Ltd	SINGAPORE	1 Fusionopolis Place, #09-11 Galazxis, 138522, Singapore	100
LRQA Sverige AB	SWEDEN	Goateborgsvagen 74, Box 2107, 43302, Savedalen, Sweden	100
Lloyd's Register RiskSpectrum AB	SWEDEN	Box 1288, 172 25 Sundbyberg, Sweden	100
Lloyd's Register International (Thailand) Ltd	THAILAND	3388/78 Floor 22, Sirinrat Building, Rama IV Road Klong-Ton Sub-district, Klong-Toey District, Bangkok, 10110, Thailand	49
Lloyd's Register Gozetim Ltd Sti	TURKEY	Ataturk Caddesi, Sitkibey Plaza, No 82 Kat 3 Daire 12, Kozyatagi, Istandul, Turkey	100
Lloyd's Register (Ukraine)	UKRAINE	63 Bolshaya Morkskaya Street, Office 203, Mykolaiv, 54001, Ukraine	100
Lloyd's Register Middle East LLC	UAE	The Blue Tower Building, Khalifa Street, Abu Dhabi, UAE	49
Lloyd's Register Americas, Inc.[1]	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100
Common Structural Rules Software LLC	USA	16855 Northchase Drive, Houston, TX 77060, USA	50
Lloyd's Register North America, Inc.	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100
Lloyd's Register Americas Advisory Services, Inc.	USA		100
Lloyd's Register Quality Assurance, Inc.	USA		100
Lloyd's Register Technical Services, Inc.	USA		100
LR Insurance, Inc.	USA		100
Nettitude, Inc.	USA	50 Broad Street, New York, NY 10004	100
i4Insight, Inc	USA	1209 Orange Street, Wilmington, Delaware 19801, USA	80
Lloyd's Register Asia (Vietnam) Company	VIETNAM	Suite 450 Petrovietnam Tower, 8 Hoang Dieu Street, Ward 1, Vung Tau Ciry, Ba Ria, Vung-Tau Province, Vietnam	100

[1]Wholly owned directly by Lloyd's Register Group Limited

Notes to the financial statements (continued)

Shareholdings in two entities are held on Trust on behalf of Vysus Group Holdings Limited following the disposal of the majority of the Group's Energy operations (note 14). These companies are excluded from the Group financial statements from the date of disposal.

Company	Country of Origin	Registered Address	Shareholding %
Lloyd's Register Technical Services Sdn Bhd	MALAYSIA	No 10, Persiaran KLCC,50088, Kuala Lumpur, Malaysia	49
Lloyd's Register Energy & Transportation S de CV.de RL	MEXICO	Calle Habaneras 271 401, Jardines de Virginia, Boca del rio, Veracrux, 94294, Mexico	100

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

Company	Place of registration	Registered *number*
Classification and Quality Services Limited	England and Wales	03973758
Classification Holdings Limited	England and Wales	03704447
Lloyd's Register Finance Limited	Scotland	SC320138
Lloyd's Register GMT Limited	England and Wales	06428883
Lloyd's Register Group Services Limited	England and Wales	06193893
Lloyd's Register Verification Limited	England and Wales	04929226
Senergy Aligned Services Limited	Scotland	SC318186
Senergy Resources Limited	Scotland	SC346964
Senergy Holdings Limited	Scotland	SC252441

28. Post balance sheet events

On 3 March 2021, the Group completed the first stage of the acquisition of C-MAP commercial, a leading provider of marine cartography and digital publications, shore-side and shipside voyage optimisation and cloud-based fleet management & fleet analytics software. The Group acquired the trade and assets representing the C-MAP operations in USA, Norway, Greece, Singapore and India.

On 10 June 2021, the Group purchased the remaining share capital in its subsidiary Hanseasticsoft GmbH for consideration of €2.9m bringing its total shareholding in the company to 100%.

On 29 June 2021, the Group announced the sale of 100% of its Business Assurance & Inspection Services business line, including cyber-security business Nettitude, to Goldman Sachs Asset Management. The deal is expected to complete during the second half of calendar year 2021, following customary antitrust and regulatory approvals.

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

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 31 December 2020 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and 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 28.

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.

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

In the light of the knowledge and understanding of the 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

3 September 2021