

Co No 7905861

Lloyd's Register Foundation

Annual report and financial statements 30 June 2014

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Strategy for the long term

Connecting science, safety and society

The Lloyd's Register Foundation is a charity helping to protect life and property by supporting engineering-related education, public engagement and the application of research. We do this because... life matters

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AT A GLANCE

Our vision

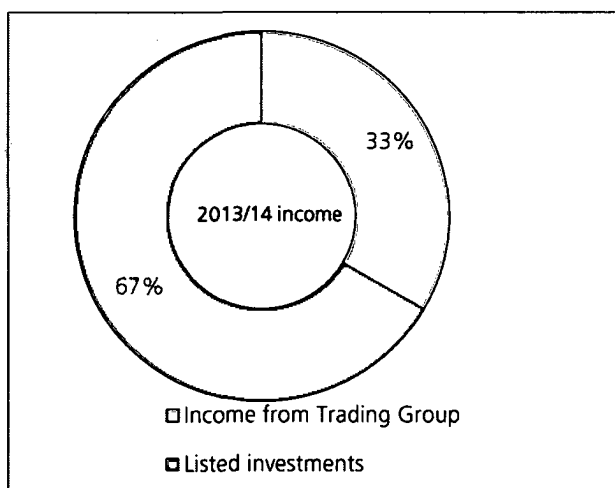
Our vision is to be known worldwide as a leading supporter of engineering-related research, training and education, that makes a real difference in improving the safety of the critical infrastructure on which modern society relies. In support of this, we promote scientific excellence and act as a catalyst working with others to achieve maximum impact.

Life matters

The Lloyd's Register Foundation is a charity set up in 2012, which became fully operational in 2013. Our mission is to protect life and property through securing high technical standards of design, manufacture, construction, maintenance, operation and performance and to advance engineering-related public education. We draw on a long and distinguished history dating back to 1760 through our trading arm, Lloyd's Register Group Limited (LR), with its tradition of public benefit.

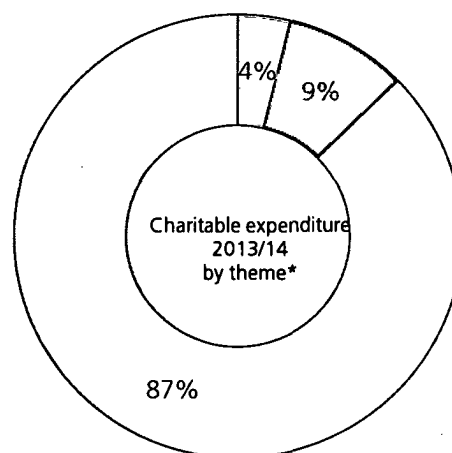
Foundation income

£12.0 million



Charitable expenditure

£17.9 million



- Promoting safety & public understanding of risk
- Advancement of skills & education
- Supporting excellent scientific research

*£17.2 million of grants awarded and £0.7 million of direct costs. Grants include a £15.0m grant agreed in June 2014, none of which was paid in the year.

2013/14	2013/14
Approaches for funding	Grants awarded
119	15
2012/13	2013/14
Value of grants awarded	Value of grants awarded**
£8.1 million	£17.2 million

** £16.8 million of grants awarded with the remainder being allocated costs less clawbacks.

Highlights 2013/14

- First full year of operation as Lloyd's Register Foundation
- Appointment of Managing Director to put strategy in to practice
- Development and publication of Strategy 2014-2020
- Commenced major grant giving in key research and education areas under our new strategy
- Dialogue with our stakeholders and research community about the 'white space' where we can target our funds and achieve a real impact
- Research collegium tackled global coastal eco-cities challenge
- First international foresight review exercise on nanotechnology completed and published
- Forum on big data launched as second foresight exercise
- Launch of first international research colloquium

TRUSTEES' REPORT

Chairman's statement

A year of change and development

The critical infrastructure on which modern society relies – ships, energy generation, industrial plant, railways – is under increasing pressure to satisfy growing demand while innovating safely and protecting lives and the environment. Societies and communities face major challenges linked to issues such as climate change, population growth, energy security, and the availability of food and water.

Technology, education, and training needs to advance rapidly to keep pace with these changes. With our mission to protect the safety of life and property and to advance public education, the Lloyd's Register Foundation has an important role to play in meeting these challenges.

Our first full year of operation

The year has been one of considerable change and development for the Foundation. Having invested time and energy in putting in place a proper governance framework, including agreement on a long-term strategy, we have started to see the benefits of this during the year. The Managing Director's report will focus on the huge steps we have taken; however, I would like to highlight a few of these exciting initiatives.

For example, we have commissioned a number of technical review panels to look into key societal risk areas. The results of these will be made available to the public and over time we aim to produce a library of such publicly available material. We are working with potential beneficiaries in a number of areas on some new and exciting projects which will help establish us in our strategic sectors. We have also concluded an agreement to be one of the founding partners in the new Structural Integrity Research Centre being established by TWI (The UK Welding Institute) which will be a world leading research centre.

One of the advantages we have is the ownership of a large risk-based engineering organisation, Lloyd's Register Group Limited (LR), which employs experts in a number of fields. This helps us to understand and address complex technical issues while also helping to deliver our public benefit agenda. This unique relationship helps to define the Foundation. In reality the Foundation is a small charity which provides grants and other funding to advance safety and public education. The ownership of a large trading organisation, which part funds the Foundation through its trading profits, means we do not have to commit increasing resources to fundraising, as other charities are having to do, but instead we can focus on developing our plans without concerns as to whether we will have sufficient funds available. There is considerable advantage to this type of relationship. In addition, LR's services directly support a significant part of the Foundation's charitable objectives - to enhance the safety of life, property and the environment - by helping its clients to ensure the quality construction and operation of critical infrastructure.

To ensure that the Foundation understands and can help direct the trading entity, two of the Foundation trustees serve on the Board of LR. It is not surprising therefore that the aims of the Foundation and its trading company are heavily aligned.

Supporting the Foundation

We are fortunate to have a full complement of highly experienced and committed people as trustees, who freely give of their time in order to direct and govern the Foundation. I am very pleased to see how the boards of the Foundation and LR are enthusiastically engaged in our activities.

As Chairman, I offer sincere thanks and appreciation to my fellow trustees for everything we have already achieved and continue to achieve.

I would like to formally welcome Sir Brian Bender and Carol Sergeant who joined the Board during the year and who bring with them considerable skills and knowledge which will further help to develop the Foundation. We are also pleased that Rosemary Martin joined the Board on 1 July 2014, and we look forward to the significant contribution we know she will make.

I should also like to thank Christine Dandridge and Jan Kopernicki who stood down as trustees during the year. Christine and Jan were part of the Board which helped formulate the plans for the establishment of the Foundation and then, along with the other trustees, helped oversee its initial growth. We owe them a debt of gratitude for helping to establish such strong roots.

The trustees would like to extend their thanks to Richard Sadler, LR's Chief Executive Officer, for his firm leadership of the trading company during continued difficult economic times, to the board and management of LR and to all of its employees worldwide. The trustees would also like to thank their Secretary, Keith Povey who helped manage the mechanics of establishing the Foundation and putting solid, best practice governance in place, and Lambros Varnavides who has helped establish and now chairs the Board's Grants Committee.

In October 2013, we were very pleased to be joined by Professor Richard Clegg as the Foundation Managing Director. Richard has been with Lloyd's Register since 2010 and brings an array of experience from the nuclear sector and from working in industry, academia and government in both the civil and defence sectors. Richard has brought a focus and helped define the direction the Foundation wishes to follow. The Board would like to thank him for his strong leadership and support. Until October, Alastair Marsh held the position of Interim Managing Director, and thanks go to him also for his efforts and assistance.

As I noted at the start of my statement, the world continues to evolve. Lloyd's Register as an entity has been helping society since 1760, albeit it has had to change its organisational structure a number of times as the demands of society have developed, and laws and expectations have changed. The Lloyd's Register Foundation, with its 100% ownership of a large trading entity, is the latest iteration in this long and distinguished history and one which we believe will allow us to meet the current challenges of society in the best way possible.

Everyone who works for the Foundation or for LR ultimately helps to make the world a safer and better informed place in which to live. For over 250 years we have made a difference to peoples' lives and with such an excellent team supporting the Foundation, I am confident that we will continue to do so in 2014/15 and beyond.

Thomas Thune Andersen

Chairman, Lloyd's Register Foundation

Managing Director's review

Progress on new strategy and development of grants' portfolio

This is my first annual review statement as MD of the Lloyd's Register Foundation and I feel that we have a lot of exciting progress to report. While later in this document we shall be reporting on the consolidated financial statements of the Foundation and its trading group, I would like to dwell on the charitable activities of the Foundation and the strides we have taken in setting our new strategy and beginning to build our grants portfolio.

June 2014 was a landmark for the Foundation when we published our new six year strategy. This contains the 'golden thread' of how our charitable aims shall be delivered through four strategic themes and their associated objectives and funding priorities. Our strategic themes are concerned with supporting excellent scientific research, promoting engineering-related education, encouraging public communication around risk, and facilitating the uptake and application of technology for the wider benefit of society.

Our mission is concerned with enhancing the safety of life and property linked to the critical infrastructure on which modern society relies, particularly in the energy and transportation sectors. Our focus on safety relates to society as a whole but in areas which may be hidden from view – lives and livelihoods depend on quality systems you will probably never see, ships, roads and rail tracks on which you may never travel and distant production plants about which you have never heard. The Foundation's role together with the Lloyd's Register Group, our trading arm, is to make the world a safer place by supporting engineering-related research, training and education targeted at these areas of critical infrastructure.

A good start

We are proud that in 2013/14 a good start has been made with implementing the new strategy and beginning to strengthen our grants portfolio, which will continue to grow next year. With our grants we aim to take the long view, clustering our support and building long-term relationships with those we work with. Our guiding principle is impact and excellence through supporting the best research and education teams worldwide and working with them to maximise the impact of their results for the wider benefit of modern society. We also want to make a distinctive difference, so we search for and invest in 'white space' research topics for which there is currently little or no funding available, and where the Foundation can make a real impact.

There have been specific highlights in 2013/14 that we are proud to report and which are early indicators of the new direction that the Foundation is heading. We have signed a heads of agreement with TWI in the UK to establish a new postgraduate research centre connected with one of our funding priorities in the area of structural integrity and systems performance. Working with TWI and other stakeholders we aim to put the new centre at the hub of an international research network in the field. Another highlight to report, linked to our strategic theme of training and education, is the award of a sizeable grant to establish an innovative apprenticeship scheme in the marine sector that tackles some of the structural issues previously inhibiting small to medium sized companies training apprentices.

One of the strategic themes of the Foundation is concerned with emerging technologies. We believe it is important to look 'over the horizon' at new areas of science and technology the applications of which could offer major safety benefits. Under this theme we have commissioned international reviews in the areas of nanotechnology and big data which we will use to inform our future research plans.

Overall 2013/14 has been a solid year in laying the foundations on which to build. In the coming years the activities of the Foundation will be growing significantly to achieve our aim to become one of the world's leading engineering research and education charities.

Our work is made possible by the hard work and success of the Foundation's trading company, LR, by the support of the Foundation's trustees and our small team of staff. We have many stakeholders in science, industry, academia, the third sector and the policy community, and we look forward to working with them all as we strive to help make the world a safer place.

Professor Richard Clegg
Managing Director of the Lloyd's Register Foundation


2nd December 2014.

THE STRATEGIC REPORT

Mission, vision, strategy

In 2014 we published our new strategy which sets out how we will achieve our vision.

Our mission			
<p>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.</p> <p>The advancement of public education including within the transportation industries and any other engineering and technological disciplines.</p>			
Our vision			
<p>Our vision is to be known worldwide as a leading supporter of engineering-related research, training and education that makes a real difference in improving the safety of the critical infrastructure on which modern society relies. In support of this, we promote scientific excellence and act as a catalyst working with others to achieve maximum impact. 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.</p>			
Strategic themes			
Supporting excellent scientific research	Accelerating the application of research	Promoting safety and public understanding of risk	Advancement of skills and education
Objectives			
<ul style="list-style-type: none"> Striving for excellence and impact Promoting technology foresight Building world-class research teams 	<ul style="list-style-type: none"> Accelerating technology uptake Informing standards and policy Facilitating the mobility of researchers 	<ul style="list-style-type: none"> Promoting the safety of life, property and the environment Enhancing public understanding of risk Maintaining and promoting a memory bank of safety and risk management developments 	<ul style="list-style-type: none"> Inspiring the next generation Enhancing the knowledge and skills of the workforce Widening access to disadvantaged and under-represented communities
Funding priorities			
<ul style="list-style-type: none"> Structural integrity and systems performance Resilience engineering Human and social factors Emergent technologies 		<ul style="list-style-type: none"> Supporting safety organisations Communication and public debate of scientific research Developing the Lloyd's Register Foundation Information Centre library and archive 	<ul style="list-style-type: none"> Pre-university education University education Vocational training and professional development
Sectors we serve			
<ul style="list-style-type: none"> Aerospace Automotive Built environment 	<ul style="list-style-type: none"> Food Healthcare and medical IT and communications 	<ul style="list-style-type: none"> Manufacturing Marine Oil and gas downstream 	<ul style="list-style-type: none"> Oil and gas upstream Power and utilities Rail and metro

Strategy into practice

Objectives, performance and future plans

We aim to set the agenda in the fields in which we work and for our results to lead to enhancements in safety with maximum benefit for modern society. In light of this, we set the following main objectives for 2013/14:

- appoint a full time head of the Foundation to give strategic and operational leadership
- develop and launch a new strategy
- realign our historical grants portfolio with the new strategy and objectives
- revise our procedures and guidance notes for grant applications
- commence major grant giving in key research and education areas.

Following the appointment of a managing director in October 2013 the development of our new strategy gained impetus. After a lengthy review of our activities and aims one of the key conclusions was to develop new interests and focus our resources in four strategic themes.

Our strategy

In June 2014 we published our new strategy which sets out how we will achieve our vision. It focuses on key objectives under four strategic themes: promoting safety and public understanding of risk; advancement of skills and education; supporting excellent scientific research; and accelerating the application of research.

We aim to work proactively with the research and education communities we support, as well as other funding bodies, agencies and learned societies, in the UK and internationally, to leverage our grants and maximise their impact for wider society. We will work in co-ordination and consultation with others to enable us to target our support at the key areas where we can make a distinct and recognised contribution in pursuit of our charitable aims.

We will cluster grants and build long-term relationships with the funded research and education communities. Working with the researchers and projects we support we can identify how our work will benefit society, who the beneficiaries will be, and the pathway to impact.

The Foundation's strategy map encapsulates the approach we are taking. It depicts the objectives and how we achieve them through our funding priorities. It also lists the sectors of relevance to the Foundation where we aim to make a public benefit.

Our work in 2013/14

After publishing our new strategy and developing a communication plan for its dissemination to key stakeholders, this left a small remainder of the year for implementation. But nonetheless we have made significant progress, not just in terms of grant giving but in our other activities as well.

In 2013, the Foundation took over responsibility for a number of programmes from The Lloyd's Register Educational Trust (LRET). We have aligned most of these with our new strategic themes but some no longer have a good fit with the Foundation's new strategic direction. We will continue to honour those commitments until their conclusion.

We have produced a new suite of guidance documents on our website to aid grant applicants. This included the publication of our intellectual property policy aimed at establishing the right environment to protect and exploit intellectual property arising from Foundation-funded research, in order to maximise its benefit for wider society.

In 2013/14 we set up two international expert panel groups to review the areas of nanotechnology and big data, under our emerging technologies funding priority, looking at areas where the Foundation could invest in targeted research. The first of these, on nanotechnology, completed a report launched in 2014 and is covered in more detail on page 14.

We have commenced major grant giving in key research and education areas under our new strategy with the launch of our first major grant under the structural integrity and systems performance funding priority and of an innovative new grant to support apprenticeship training in the marine sector. You can read about these projects on pages 11 and 12.

We are developing our process for monitoring and tracking the outcomes arising from our support in order to be able to demonstrate that our grants represent value for money, are achieving their charitable objectives, and delivering benefit to wider society. It also serves as an important evidence base to inform future strategy. We do not proscribe hard metrics but we do work closely with those we fund, at the early stages of awarding grants, to identify what the targeted outcomes are and how they will be monitored and tracked. In the next year we will be refining how we measure the impact of our activities and collecting performance data. Even so there are areas where we can demonstrate measurable impact and in the following sections we summarise our achievements, impact and future ambitions against our four strategic themes.

Supporting excellent scientific research

Strategic theme 1

Objectives

- Striving for excellence and impact
 - Building world-class research teams
 - Promoting technology foresight
-

Case study

A model for future funding

The UK's first postgraduate education and research centre in structural integrity

In June 2014, the Foundation reached agreement with TWI to provide £15 million research funding to establish the new National Structural Integrity Research Centre (NSIRC) in Cambridge. This funding arrangement provides a model for future investments; it is an example of a major centre of excellence being established through co-funding from industry and academia – and now the Foundation. The TWI is one of the world's foremost independent research and technology organisations, with expertise in solving problems in all aspects of manufacturing, fabrication and whole-life integrity management technologies.

The Foundation will become a founder sponsor and board member of the newly-established Structural Integrity Research Foundation (SIRF) which is responsible for the governance of NSIRC. Our collaboration with SIRF will work over the next 10 years. It will inspire and engage the next generation of marine, energy and transportation engineers by providing fundamental science and industry-driven research opportunities aligned with a postgraduate education programme.

Our funding will create up to 83 PhD and EngD studentships. The research will support our objectives by focusing on improving the safety of the critical infrastructure that modern society relies on, particularly in the energy, marine and transportation sectors.

Research undertaken by the Lloyd's Register Foundation students into different areas of structural integrity and new areas of technology will progress by working towards recognised postgraduate degree qualifications through NSIRC's established relationships with leading universities in the UK and overseas.

A number of the Lloyd's Register group companies are already industrial members of TWI, and through this investment the Lloyd's Register Foundation will strengthen links with the world-class pool of engineering knowledge and knowhow. It will contribute to the direction of SIRF activities, including the unique education hub of NSIRC with its purpose-built facilities and equipment.

"We are delighted to be working with the Lloyd's Register Foundation in this venture and are confident that strong industry partnerships are key to effective education programmes. The collaboration will promote greater understanding of future technical needs as well as safer, and increasingly efficient, practice in the field of structural engineering." Christoph Wiesner, Chief Executive at TWI.

www.nsirc.co.uk

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Optimising our global network of researchers, recognising talent and celebrating success.

Activities and impact

We have made the following progress towards achieving our objectives and furthering our charitable activities:

- We continued funding of 19 programmes around the world covering a wide range of subjects including: transport risk management, water security, nuclear decommissioning, and offshore engineering and geotechnics. This included support for 38 centres of excellence.
- As noted on the previous page, we agreed the first major grant under our new strategy. In June 2104 we signed a heads of agreement with TWI to become a founding sponsor for establishment of the UK's new National Structural Integrity Research Centre (NSIRC).
- During the year we established an international expert advisory panel on the topic of nanotechnology with extensive experience at both the scientific, safety and regulatory levels. The resulting report, launched in 2014, is a foresight exercise to look at the worldwide developments being made in nanotechnology and what the impact of its applications might be in the engineering-related sectors of relevance to the Lloyd's Register Foundation. In this way the report straddles two of our strategic themes, supporting excellent scientific research and accelerating the application of research. More detail about this report and its findings are on page 14.
- Work also began on a similar exercise on the subject of 'Big data: data-centric engineering' with an industry forum held in March 2014. This drew together leading names in the research field to debate the impact of big data on society and the way in which we all conduct our business safely, securely and reliably. The forum, led by Professor Richard Clegg and Sir Mark Walport, the UK's Government Chief Scientific Adviser, reviewed the challenges and opportunities created by big data. We also commissioned an international academic expert panel chaired by Professor Sir Nigel Shadbolt of Southampton University, to provide a detailed assessment of technology trends in the field of big data and the impact these are having on society. The report will be published at the end of 2014.
- The third and last of our research collegia was held in July to September 2013 in the UK. These events brought together academia and industry from around the world with the aim of fostering the participants' skills and abilities and developing a professional network of young scholars, while also helping to tackle a topical environmental issue. The theme for 2013 was coastal eco-cities. The research papers from the three events are available on the University of Southampton's website.
- In February 2014 we announced that we would be hosting an international research colloquium, held in September 2014, to showcase the impact and excellence of the work funded by the Foundation, and also to help in communication our new strategy. The event brought together the international communities we sponsor. It served as a forum for sharing technical knowledge, a platform for some of our researchers to communicate the quality and impact of their work on society, and a means to engage younger researchers.

Future plans

Next year will be the first full year under our new strategy. In light of this we plan to focus our activities on:

- continuing the realignment of our historical grants portfolio with the new strategy
- working closely with TWI on commencing research activities in NSIRC, involving our first sponsored postgraduate student intake
- exploring and funding international research links with other centres of excellence around the world that complement the programme in NSIRC, following a 'hub and spokes' type model with NSIRC at the hub
- commencing independent technical reviews in the other funding priority areas of resilience engineering and human and social factors; we will use the results from these reviews to design and target our future grant giving in these areas
- building on the results of our expert panel reviews into nanotechnology and big data, with the launch of ITT's (invitations to tender) to set up research networks in these areas aimed at the Foundation's challenges
- continuing to promote technology foresight into emerging technology areas relevant to the Foundation's aims; candidate areas include space technology and artificial intelligence and advance robotics
- building and strengthening relationships with other research-funding bodies and learned societies that share our aims in engineering-related subjects; also to learn from these organisations, as well as from other charities that have similarities to us, to continually improve and enhance our own activities and maximise our impact.

Accelerating the application of research

Strategic theme 2

Objectives

- Accelerating technology uptake
 - Informing codes, standards and policy
 - Facilitating the mobility of researchers
-

Case study

Foresight review of nanotechnology

The next industrial revolution

In October 2013 we assembled an expert panel to consider nanotechnology. The panel included top academics from world-leading institutions: the universities of Cambridge, Heriot-Watt and Southampton and the Health Safety Laboratory in the UK; Yale in the USA; the National University of Singapore and Münster in Germany.

The resulting report aims to try and look into the future at what potential impacts developments in nanotechnology might have on the safety and performance of engineering assets and the infrastructure on which modern society relies. It outlines a number of areas in which the Foundation could usefully contribute to the development of the technology while fulfilling its mandate of delivering public benefit.

Results included suggestions for research into nano-sensors, which can be incorporated into buildings and assets thus enabling them to 'talk' – providing feedback on corrosion or stresses. Research into energy storage was another theme – megawatt batteries that could deliver profoundly different transportation systems or enable white goods to be powered for life at point of purchase. The Foundation could assist the development of new engineering materials and manufacturing techniques that could see ships being glued together from lightweight composites. Or research into methods for assessing the quality of nanoparticles delivered to companies in future supply chains.

Based on its findings, the Foundation is looking to identify the gaps or 'white space' in nanotechnology research where it could make a distinctive contribution, which would lead to enhancements in safety. This would be through accelerating targeted technology applications or contributing to the body of knowledge addressing any uncertainties about potential risks to human health, property or the environment.

"It is convergence of the sciences spanning chemistry, physics, materials science, biology, and computational sciences that is making nanotechnology possible. Its applications will impact almost every industry including energy, transportation, manufacturing, medical, computing and telecommunications." Professor Sir Mark Welland, Director of the Nanoscience Centre, University of Cambridge and chair of the nanotechnology expert panel.

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Facilitating breakthrough technologies to enhance safety

Activities and impact

Under this new strategic theme our driver is to maximise the uptake and application of the fundamental research we are engaged in. This is one way of providing the practical evidence that we are delivering clear benefits to society and achieving our objectives. Our aims are to enhance safety benefits rather than any requirement to generate a financial return, enabling us to focus on the most promising opportunities for the wider benefit of society. However if a suitable opportunity arises to benefit from the commercialisation of intellectual property we may pursue this if the proceeds enable us to fund further research for greater public benefit.

This is a new strategic theme under our new strategy and progress is just beginning on its design and implementation. There have been, however, some notable achievements against our objectives:

- Some of our funded centres are actively engaged in contributing to international standards. For example, Professor Yoo Sang Choo at the Centre for Offshore Research and Engineering at the National University of Singapore, actively contributes to ISO TC67 SC7 Offshore Structures Committee. He serves in ISO TC67 SC7 WG3 Technical Panels in Substructure and Assessment & Inspection, in preparation of the Second Edition of ISO 19902: Petroleum and natural gas industries - Fixed steel offshore structures. He is also a working group member in the development of the new OGP-ISO 19901-9 Structural integrity management of offshore structures.
- Research on safety management in offshore helicopter transportation has created much interest in the industry. The research by Dr Felipe Augusto Coutinho Nascimento, of the Lloyd's Register Foundation Transport Risk Management Centre at Imperial College London, focused on the mechanisms of hazard identification and risk analysis embedded in safety management processes and a possible suite of novel processes for enhanced hazard identification/risk analysis. The researcher has been invited to peer-review the latest offshore helicopter safety study commissioned by the UK Civil Aviation Authority, which exploited elements of his thesis' processes and is proposing to change the industry dramatically. The processes are designed to be transferable to other safety-critical industrial activities, and therefore can help improve safety in other sectors.

Through its charitable funding activities, the Foundation supports leading-edge scientific research from which useful results will be created. This intellectual property (IP) is a valuable asset and consequently the Foundation has an obligation to ensure that it is suitably protected and applied for the public good.

We also recognise that the appropriate protection and use of IP is an important factor in creating the best conditions for research to flourish and in translating useful research results into tangible public benefits. In view of its responsibilities, the Foundation in 2014 established and published its policy on intellectual property rights connected with the work it funds. Its purpose is to give clear, transparent guidance to our grant recipients, in the spirit of true collaboration, to promote the uptake and application of technology and knowledge for the ultimate benefit of society.

The uptake and application of technology is a key driver for the Foundation, and is one of our high-level Strategic Themes. To maximise its impact and public benefit, in subsequent years the Foundation will be working proactively with the research community to exploit the useful results arising from the work it funds. Our IP policy has been published and is openly available on our website.

Future plans

Next year will be the first full year under our new strategy. In light of this we plan to focus our activities on:

- continuing realignment of our historical grants portfolio with the new strategy priorities
- promoting with our research communities the importance of translating the results from Foundation-sponsored work into tangible benefits, including the uptake of scientific knowledge to underpin international safety-related codes and standards
- identifying opportunities from Foundation-sponsored work to make further investments in technology development, in coordination with other funding partners, to translate ideas into applications. Our aim here is to support and de-risk the follow-on development of new technology applications to higher-TRL levels (technology readiness levels), resulting in an ultimate safety benefit for society in line with our charitable objects.

Promoting safety and public understanding of risk

Strategic theme 3

Objectives

- Promoting the safety of life, property and the environment
 - Enhancing public understanding of risk
 - Maintaining and promoting a memory bank of safety and risk management developments.
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Case study

A memory bank for the future

Information Centre and Library

The Lloyd's Register Foundation Information Centre (IC) is instrumental in the achievement of our objective of maintaining and promoting a memory bank of safety and risk management developments. The IC aims to:

- advance public education including within the transportation industries and other related engineering and technological disciplines by offering library, archive and research resources to the public; and
- enhance public understanding in these areas, encourage and support current research and to assist with research concerning the history and development of Lloyd's Register.

The IC is the custodian of the Lloyd's Register Foundation library and archive. This unique resource is made freely available for education and research purposes worldwide. The IC is responsible for over 80,000 items and is committed to maintaining and promoting it as a unique resource of current and historic information concerning maritime history, engineering science, naval architecture, offshore engineering and ocean technology, available to all researchers.

In August 2013, the IC provided a new home for much of the Denny Library collection of the Royal Institution of Naval Architects (RINA). RINA relocated its headquarters in London and while it took some of its own archival material and reference books, it did not have space for all of its collections which would otherwise have been broken-up or destroyed.

RINA is an internationally renowned professional institution whose members are widely represented in industry, universities, colleges and maritime organisations in over 90 countries. The Institution was founded in 1860 and their library collection included bound volumes covering all aspects of design, construction, maintenance and operation of commercial and naval vessels. In addition, the Denny Library also held a wide range of other relevant technical publications, including copies of all technical papers published by RINA, together with those of other organisations.

By taking on some of the RINA library, IC was able to strengthen its holdings and journal runs and ensure that this historic collection is kept available for researchers, students, clients, staff and the wider public. Work to add provisional details of the collection to the IC library catalogue was completed in spring 2014.

Through visits, presentations and tours the IC encourage interest in Lloyd's Register's heritage, present and future work, and how we work together for a safer world. As one example, in July 2014, IC hosted a visit of the University of Cadiz during which we encouraged and informed students to learn more about classification and risk, as well as educating them on the history and development of Lloyd's Register and the work of the Lloyd's Register Foundation.

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Making a distinctive impact on enhancing safety of critical infrastructure.

Activities and impact

To arrive at this new strategic theme, we have widened a previous programme area, safety of life, to include the public understanding of risk. Our motivation for this is to build trust through dissemination of the results of our work and provide independent technical commentary to inform a balanced debate in society.

Against the objectives of this theme we have made the following progress:

- We continued to fund four of our existing programmes: CHIRP Maritime, UK; Foundation for Science & Technology, UK; Nautical Institute, UK; and Royal National Lifeboat Institution, UK.
- We published our nanotechnology foresight review report openly and publicly, freely available on our website. This is the first in our report series aiming to openly disseminate information about the work we support. It is hoped that these reports will provide insights for the research community and also inform wider debate in society about the engineering safety-related challenges being investigated by the Foundation.
- Eight public lectures were held by our funded programmes, including talks on delivering Europe's largest infrastructure project by Andrew Wolstenholme, CEO, Crossrail; safety and reliability engineering by Professor Donald Winter, University of Michigan; and geotechnical solutions for the offshore: interweaving of research and practice, by Dr Suzanne Lacasse, Managing Director of the Norwegian Geotechnical Institute.
- As well as publishing some 235 academic papers, books and chapters during the year, our research partners took part in conferences, workshops and seminars and their findings are published in conference proceedings.
- As part of its work, the Lloyd's Register Foundation Information Centre and Library helped 11,710 enquirers (on matters ranging from conducting research to tours of the building); organised 28 seminars and catalogued 931 library items.
- We commenced a programme to digitise key examples of unique historical material and place them on our website for open, free use to scholars and public.

In addition, the daily work of LR is a major contributor to the first of the objectives: promoting the safety of life, property and the environment. LR is a global engineering, technical and business services organisation, providing independent assurance and expert advice to help ensure that its clients' assets and processes are safe, responsible and sustainable. LR's highlights in the year related to this objective include:

- achieving top ranking as the 'best performing recognised' organisation in the Paris Memorandum of Understanding (MoU) table of port state control performance, reflecting LR's drive to help improve safety in shipping
- launch of the new LR Rules for Offshore Units in one single document including several new topics such as cryogenic spill and floating liquefied natural gas offloading
- appointment as independent safety assessor for Beijing Metro's Yan Fang Line, the first driverless line in China with all sub-systems developed and supplied by a domestic manufacturer
- successfully delivery by LRQA of a verified carbon standard contract to the International Development Enterprises India (IDEI). The installation of low cost irrigation devices saved almost 33,000 tonnes of CO₂ in its first year.

Future plans

Next year will be the first full year under the new strategy and we will look to strengthen activities in this theme. Specifically we will aim to:

- promote open publication and access of results and data from the work we fund for public benefit
- grow the activities of our Information Centre and Library and offer internships
- undertake a review of the issues and barriers connected with the communication and public understanding of matters relating to risk in order to identify the 'white space' areas where the foundation can make a distinctive contribution in this area
- continue to work with our trading arm and working through them to deliver some of our charitable aims linked to enhancing the safety of life and property.

Promoting advancement of skills and education

Strategic theme 4

Objectives

- Inspiring the next generation of engineers
- Enhancing the skills and knowledge of the workforce
- Widening access to disadvantaged and under-represented communities

Case study

Shipbuilding skills for the future

Sustainable model for apprenticeship schemes

There is an acknowledged skills' gap in the UK and apprenticeship schemes are one means to address this problem. The recruitment of apprentices can be of enormous benefit to employers, bringing renewed enthusiasm and a growing skilled labour force trained to their specific needs.

The Foundation has agreed to grant almost £600,000 over a three year period to develop a novel apprenticeship loan scheme and help continue an existing bursary scheme for small and medium enterprises (SMEs) in the UK's marine sector. The grant is to the Worshipful Company of Shipwrights Ark Appeal; the company is committed to promoting the growth of marine apprenticeships to sustain the level of competency in traditional marine skills through the generations.

The bursaries and loans underwrite the first year wages of a four-year higher apprenticeship. The first year of an apprenticeship is cash negative for a business and therefore the funding overcomes the largest hurdle SMEs in particular face when taking on young people. Furthermore, help is provided with the interview process, wage rates, contractual, administration and mentoring processes, so that by the end of the first year real benefits are seen by the company.

Bursaries are offered as an incentive for SMEs new to apprenticeships, whereas the loans are for those who have benefitted from the bursary scheme but need further help and encouragement to take on more apprentices.

Loans are to be paid back to the Ark Appeal over years three and four of the apprenticeships. In this way, the funds provided by the Foundation can be redeployed time and time again so the programme will become sustainable without further funding from us. There is the potential to apply this original sustainable loan scheme model to other sectors in the Foundation's remit.

Berthon Boating Co. Ltd. started the existing successful bursary scheme in 2009. It has seen over 165 apprentices hired and graduation rates in excess of 90% (compared to the 75% national average). Two years ago the Ark Appeal undertook to fund the scheme. Berthon have continued to be involved with advice and other non-financial support to the participating companies and the British Marine Federation accommodates a separately-funded administrator.

Our funding is helping to escalate the growth in apprenticeships in the marine sector. As a result the sector will have individuals equipped with the right skills and young people will have appropriate training for local work. The benefit to both the individuals and to industry will be long term and as the scheme progresses it will gain momentum and hopefully be successful in attracting alternative sources of funding from other sources

www.shipwrights.co.uk

Raising interest and generating enthusiasm around engineering

Activities and impact

We are committed to widening access and bringing engineering-related skills and education to previously disadvantaged or under-represented groups and communities and inspiring the next generation of engineers.

Against our objectives we have made the following progress:

- We continued funding of 37 programmes around the world covering a wide range of activities including: developing and delivering a Masters programme in rail safety to be taught at Zhejiang University, China; and supporting The Engineering Link Group to expand into other parts of Australia a scheme bringing industry and academia together with school students and teachers, to promote and develop engineering skills and careers.
- Seven new grants were awarded during the year related to our new objectives:

Inspiring the next generation

Arkwright Scholarships Trust, UK: Supporting six scholars who are passionate about engineering through their sixth form studies, and supporting the Trust in widening participation. Grant of £40,000; support scheduled to end June 2017.

National Space Centre, UK: Doubling numbers of 'lead educators' who improve the teaching of physics and maths, and expanding the scheme into Wales, Scotland and Northern Ireland. Grant of £198,000; support scheduled to end June 2016.

Smallpeice Trust, UK: Annual residential courses in marine technology at the universities of Strathclyde, Newcastle and Portsmouth. Grant of £430,914; support scheduled to end June 2018.

Young Engineers, UK: Activities to inspire young people to become engineers, including after-school clubs and engagement with industry. Grant of £170,000; support scheduled to end June 2015.

Enhancing the knowledge and skills of the workforce

Worshipful Company of Shipwrights, UK: Bursaries and loans to encourage marine SMEs to take on apprentices. Grant of almost £600,000; support scheduled to end in September 2017.

Widening access and enhancing the knowledge and skills of the workforce

International Maritime Law Institute, Malta: Scholarships for three Masters students each year, usually from countries with low GDP, studying for one year in Malta, to improve practical knowledge and skill in interpreting and drafting IMO legislation. Grant of £230,571; support scheduled to end June 2017.

UK NEST, UK: Six scholarships each year for engineering undergraduates who show interest in working for members of UK NEST. Grant of £96,000; support scheduled to end June 2016.

- We made seven one-off small donations (under £25,000). The largest of these was made to the Smallpeice Trust for a new Girls into Engineering residential course at the University of Bristol, which supports our objective to widen access. Other donations were made to: IMarEST European International Submarine Races; Royal Institution of Naval Architects, UK, to enable 20 post-graduate

students to attend the conferences each year, over three years; SET Awards, UK for the Maritime Technology Student of the Year Award 2014; Warwick Engineering Society, UK to support the conference organised by the Society for university and selected school students; to Leamington School, UK to support the Whittle Wonders, its national winning team of F1 in Schools, in its participation in the world finals in Dubai in 2014; and to Children's Radio UK.

Future plans

Next year will be the first full year under the new strategy and we will look to strengthen activities in this theme. Specifically we will aim to:

- undertake a review of the current UK provision of schemes promoting the advancement of skills and education related to engineering and safety in order to identify the 'white space' areas where the Foundation can make a distinctive contribution in this area
- work with partners to offer apprenticeship schemes to enhance the knowledge and skills of the workforce, and help to widen access to engineering and technology opportunities to women
- through distance learning and complementary initiatives, we will help to widen access to specific disadvantaged communities outside the UK.

Work experience benefits all

EDT's Year in Industry

In 2013/14 we continued to support the Engineering Development Trust's (EDT) Year in Industry (YINI) scheme, helping 20 young people to gain experience of real industrial challenges. These young people work in SMEs and top companies around the UK for a period of up to a year. The scheme can have a massive impact on the young people's lives.

The winner of the YINI's 2013 Contribution to the Business Award was one of our funded students, Ciarán McEvoy who developed a panel ejection system. Ciarán spent his time at Ingimex Ltd, the UK's largest manufacturer of light commercial vehicle bodies for dropside, tipper and Luton van conversions. His duties included the design and implementation of a bespoke operator-friendly tool shelf; the analysis of a significant work process, identification of a major synchronisation problem and the design and delivery of a cost saving and efficient solution.

The system Ciarán developed virtually automated the transition of the side panel assembly onto the next stage. The overall time taken at this step was greatly reduced, as he entirely removed a bottleneck and subsequent downtime. The process itself was simplified and made more manageable for the operators and the transition is now a smooth, single movement, assisted by a roller table assembly and lifting mechanism that Ciarán designed and introduced. The net result of this work was a reduction by a third of a critical stage in building the Luton van.

Ciarán said: "Finally, I was able to put the maths that I had learnt at school into practice, forcing me to remember and therefore embed things I thought I'd long forgotten. I found my interpersonal skills stretched, for I had to befriend all the different departments to gain cooperation and trust, to follow my project through to the end. ... the transition between school and the working life was the coming to reality

of no longer being spoon fed the question and answer and having to go out my way to find both. Nearly all the unemployed university graduates I've spoken to have the one common problem: lack of experience, so would I recommend the Year in Industry, in a word: definitely!"

"I'm writing to thank you for providing my company with the funding for my placement, this enabled me to embark on the biggest life changing experience of my life and it's already had a positive impact on my career, something I am eternal grateful for." Tom Joy, who completed his industry placement at Colas Ltd. in 2013."

Financial review and policies

Lloyd's Register Foundation generates its income from the investments that it holds.

These fall into two categories:

- Financial investments: a portfolio of listed investments;
- A mixed motive investment: 100% ownership of the unlisted shares in the immediate subsidiary company Lloyd's Register Group Limited

The trustees consider that the policies outlined in this section constitute the framework for their key financial risk management policies.

Results for the year

The Foundation had total incoming resources of £12.0m (2013: £231.5m) for the year consisting solely of investment income (2013: investment income and voluntary income).

Investment income of £12.0m (2013: £14.1m) comprised £8.0m (2013: £6.3m) of income from the return on the investment portfolio and a further £4.0m (2013: £7.8m) donation from the Trading Group.

The Foundation had total resources expended of £18.9m (2013: £9.0m).

Lloyd's Register Foundation	2014 £m	2013 £m
Income from listed investments	8.0	6.3
Donation from the Trading Group	4.0	7.8
Investment income	12.0	14.1
2013 transfer of assets from the Trading Group	-	206.4
2013 merger of Lloyd's Register Educational Trust	-	11.0
2013 voluntary income	-	217.4
Total income	12.0	231.5
Investment management costs	0.9	0.6
Charitable activity costs	17.9	8.3
Governance	0.1	0.1
Total expenditure	18.9	9.0
Net (outgoing)/incoming resources before other gains and losses	(6.9)	222.5

The financial review of the Foundation Group can be found on page 47 and 48 and forms part of this strategic report.

Subsidiaries: mixed motive investment

Lloyd's Register Foundation has one direct, wholly-owned subsidiary company: Lloyd's Register Group Limited.

Lloyd's Register Group Limited is itself the head of a global trading group of companies with over 250 years of history, focused on generating profits to distribute to the Foundation. The Trading Group carries out a mix of charitable and non-charitable activities globally.

The extent to which public benefit is delivered by the work of the Trading Group forms part of the trustees' assessment of the return on their investment.

The Trading Group's trading operations include some 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 for the purpose of enhancing safety of life and property for the benefit of the community. For example, the Marine classification and statutory certification activities carried out align with this objective. These activities also include a comprehensive programme of research, technology and product development. The activities carried out and the results of the research are used to generate fees, and research activities, whilst delivering public benefit, are carried out primarily to advance the business.

Trustees base their expectations of future financial return from their investment on bi-monthly reports to their board meetings from the executive leadership of the Trading Group. The performance of this unlisted investment is considered in the "Investment performance: mixed motive investment" section.

Funds

In September 2012, the Trading Group transferred £206.4m of assets to the Foundation as an expendable endowment. Trustees have the power to convert the capital within the fund to income and expend such amounts converted on the Foundation's objectives as they see fit. £100.0m of the endowment can only be converted to income from June 2017 as discussed below.

Income generated from the assets held within the expendable endowment is shown in the Foundation's general fund, as there are no restrictions on its use.

Capital returns on the assets held within the expendable endowment are retained within the endowment and form part of the endowment into the future, subject to the same rules as the existing endowment funds.

Reserves policy

The Foundation's reserves ensures its long term financial viability. The expendable endowment contains a condition that the Foundation must retain £100.0m of that sum until June 2017. During that period, there is a contractual obligation to transfer an amount not exceeding £100.0m to the Trading Group's UK defined benefit pension scheme should there be an insolvency event affecting Lloyd's Register Group Limited.

The Foundation's investment in Lloyd's Register Group Limited is held at cost. The funds represented by this mixed motive investment are not available for distribution to beneficiaries. The investment is integral to the Foundation's ability to generate future income and also to delivering its public benefit, as noted elsewhere.

The trustees have considered the Foundation's level of general reserves. It does not currently have large overheads and, in general, is able to rely on recurring income from its endowment and from the Trading Group each year. For that reason, the trustees do not consider that the charity has a need to hold other funds as reserve.

The trustees review the Foundation's reserves policy on an ongoing basis and at least, each financial year.

Financial position

At 30 June 2014, the Foundation had unrestricted funds of £10.7m (2013: £16.7m). Of the total funds, all but £50,000 invested in the Trading Group and the £100.0m contingent liability is considered free reserves. This is in excess of the policy position outlined above.

Going concern

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

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

Grant-making policy

All major grant applications are peer reviewed by the Grants Committee, a sub-committee of the Board. Independent expert advice is also sought on defining the scope of research areas that the Foundation is planning to award grants. Final decisions on these applications are made by the Trustees. The Managing Director has delegated authority from the Board to approve small grants up to £5,000.

Details of available funding and the application process are published on our website and notified on social media. Grant holders are required to submit staged reports as part of the process to track delivery against the agreed grant objectives, as well as to monitor the impact and public benefit being generated.

The Foundation currently funds 57 (2013: 71) programmes around the world, some of which are described within this report. More details about each programme can be found on the website www.lrfoundation.org.uk.

Investment policy

The trustees have delegated decision making on investment matters relating to all assets except the investment in the Trading Group (reviewed directly by the Board of Trustees) to an Investment Committee, which is governed by an agreed Terms of Reference, in order to provide appropriate focus on the investment arrangements. Day-to-day investment choice is delegated to investment managers subject to defined tolerances relative to the respective benchmarks.

The Foundation's financial objective is to at least maintain the real value of the 2012 initial donation from the Trading Group of £206 million, whilst generating a stable and sustainable return to meet the Foundation's objectives as laid down under its governing document.

The investment portfolios are a mix of unrestricted funds and an expendable endowment, the income from which serves to provide funds for the ongoing charitable work of the Foundation.

In this context, a number of portfolios exist, each of which has specific objectives.

The Foundation seeks to produce an optimum level of return within an acceptable level of risk. The current investment objective is to generate a return of inflation plus 3% per annum from the initial endowment over the long term. This, when combined with future profit distributions from the Trading Group will enable the present and future financial requirements of the Foundation to be met whilst maintaining the real value of the initial donation. The trustees review the performance of the Trading Group on a regular basis.

A set of measurable performance objectives has been developed for the investment managers and pooled funds. Performance in each asset category is compared quarterly with a suitable benchmark and an out-performance objective. The managers are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given the level of risks adopted. Investment performance is considered quarterly by the Investment Committee.

Cash based investments represent the Foundation's working capital, and as such will be invested in a prudent manner with a secondary objective of achieving reasonable rates of return relative to the deposit market.

The trustees' policy regarding social, environmental or ethical considerations is that day-to-day investment decisions are delegated to the active investment managers. As the trustees invest assets on a passive basis, they do not consider it appropriate for the passive investment manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments.

Investment performance: listed investments

During the year, the investments performed strongly, delivering a total yield of 8.9% (2013: 7.5%). This comprised an annualised income yield of 3.6% (2013: 3.6%) and a capital yield of 5.3% (2013: 3.9%). The return on the endowment is in line with the long term objective stated within the investment policy above.

Investment performance: mixed motive investment

The Trading Group is operating in an environment that continues to suffer from slow growth in the world economy. However, it has continued its trading income growth, up from £920m in 2013 to £1,028m in 2014 (including £97m from acquired operations), and delivered an operating profit before exceptional items (stated as per the Trading Group's consolidated financial statements for the year ended 30 June 2014) of £74m (2013: £71m).

In September 2013 Lloyd's Register Group Limited made its largest ever investment in energy services company Senergy to expand its range of technical assurance services in the oil and gas sector.

The summarised financial information of the consolidated Trading Group as disclosed in the Trading Group's consolidated financial statements for the year ended 30 June 2014 is provided in note 13 to the company's financial statements. Further details of the financial performance of the Trading Group is included within the Lloyd's Register Group Limited's financial statements.

The Trading Group is in the process of making large-scale investments in future operating improvements, including the further roll-out of regional shared service centres and two Global Technology Centres.

The trustees are satisfied with the trading performance, and will work closely with the management of the Trading Group as the working relationship matures. They will allow the Trading Group to retain funds for investment in operating improvements and potential acquisitions, but continue to expect cash distributions from the Trading Group.

By order of the Board


Keith Covey
Company Secretary

2 DECEMBER 2014

GOVERNANCE AND MANAGEMENT

The Foundation is governed by a Board of Trustees, which is responsible for setting the Foundation's strategy, for ensuring good governance and that it fulfils its objectives – delivering public benefit. The Managing Director, Richard Clegg, is responsible to the Board for the operation of the Foundation.

The Board is currently made up of six trustees who are also the members and directors of the Foundation for Companies Act purposes. The Board considers Foundation policies, receives committee reports and recommendations, approves annual budgets, reviews the performance of the Trading Group, and guides the Managing Director.

The Board is supported by four sub-committees, which have delegated authority on certain matters (investment; grants; audit and risk; and nominations). Trustees and other non-executives sit on these sub-committees.

The Board has worked hard to build up an appropriate governance structure that is consistent with our charitable vision. Under this structure there is a clear separation between the Foundation's charitable activities and the profit-making activities of LR.

Lloyd's Register Foundation is a company limited by guarantee and a registered charity. It is governed by a memorandum and articles dated 11 January 2012.

The trustees who served during the year were:

Thomas Thune Andersen, Chairman

Thomas Thune Andersen is the Chairman of the Lloyd's Register Foundation and Chairman of Lloyd's Register Group Limited.

Andersen, a former Member of the Board for the A.P. Moller-Maersk Group with almost 32 years in the maritime and energy sectors, was appointed to the Board of the former Lloyd's Register in June 2010. Thomas is a Board Director of Scottish and Southern Energy, Petrofac and VKR Holdings, the parent group of Velux.

Sir Brian Bender (Appointed 15 August 2013)

Brian retired from the Civil Service in 2009 having been a Permanent Secretary for nearly 10 years. His final position was at the Department for Business, having served previously at DEFRA. He is Chairman of the London Metal Exchange, a governor of Dulwich College and non-executive Director of the Financial Reporting Council, among other posts.

Christine Dandridge (Resigned 31 March 2014)

Christine is a former Lloyd's Underwriter and was a member of the Council of Lloyd's. She holds a number of non-executive positions in the insurance industry and is also an advisor to BTG Pactual.

Ron Henderson

Ron is a Chartered Accountant and former CFO of Network Rail and Balfour Beatty. In addition to other non-executive roles he also served on the UK Auditing Practices Board. Ron chairs the Audit and Risk Committee.

Rosemary Martin (Appointed 1 July 2014)

Rosemary was appointed Group General Counsel and Company Secretary of Vodafone Group in March 2010. She previously served as CEO of the Practical Law Group, having spent 11 years with Reuters Group Plc in various company secretary and legal roles - the last five years as Group General Counsel and Company Secretary.

Before joining Reuters, she was a partner with Mayer, Brown, Rowe & Maw. Rosemary was admitted as a solicitor in 1984 and holds a degree in Philosophy and Literature and an MBA in Legal Practice. She is a non-executive director of HSBC Bank Plc (the European arm of HSBC Group) and a member of the Financial Services Authority's Listing Group Advisory Committee.

Carol Sergeant (Appointed 1 January 2014)

Carol has non-executive positions on the boards of Danske Bank, Martin Currie, and Secure Trust Bank. She is also chairman of the whistle blowing charity Public Concern at Work and chairman of the BSI Standards Strategy and Policy Committee. She has previously been Managing Director on the board of the Financial Services Authority, and Chief Risk Officer at Lloyds Banking Group, having begun her career at the Bank of England.

Lambros Varnavides

Lambros is Managing Director and Global Head of Shipping at The Royal Bank of Scotland. He serves as a director of the Baltic Exchange and sits on its Finance and Charity Committee. He is also a court assistant to the Worshipful Company of Shipwrights and sits on its Finance Committee. He chairs the Grants Committee.

Jan Kopernicki (Resigned 31 December 2013)

Jan is former Head of Shipping at Royal-Dutch Shell, and was previously President of the UK Chamber of Shipping, and Chairman respectively of Maritime UK and the Oil Companies International Marine Forum. He is a Director respectively of J & J Denholm Limited, Nordic Tankers Holding AB and the UK Chamber of Shipping. Jan chairs the Nominations Committee.

Michael Lykiardopulo (Resigned 1 January 2014)

Michael is Managing Director of Lykiardopulo and Co Ltd and is responsible for the commercial management of a fleet comprising 4 million tons of modern oil tankers and bulk carriers. He graduated in Law from Oxford University and qualified as a Barrister. He also presently holds various shipping industry positions including Chairman of The Hellenic War Risks Association and Chairman elect of The UK Defence Association. He is presently also a Trustee of St.Sophia's Greek Cathedral in London.

Trustee recruitment and training

The Board and the Nominations Committee invest considerable time in identifying trustees with appropriate skills which will benefit the Foundation. They are equally keen therefore that any new trustee is properly inducted into the Board. All new Board members go through a structured period of training.

During their training, the Chairman will talk to them about the history of the Foundation, its role in Society and the way the Board operates. The Secretary will provide a fuller briefing on the operations of the Foundation, its structure, its risks, its key documentation and will provide a general overview of trustees' duties and responsibilities and charity law. The new Board members will also be encouraged to meet with the senior staff in the trading company, so they understand that business, and can therefore effect appropriate oversight.

Remuneration of trustees

The trustees are the directors of the Foundation. Trustees are not remunerated for their services as trustees of the Foundation.

Membership of committees:

	Status	Foundation Board	Investment	Grants	Audit and Risk	Nominations
Thomas Thune Andersen	Trustee	Chair	—	—	—	Interim Chair
Sir Brian Bender	Trustee	Member	—	—	—	—
Christine Dandridge ¹	Trustee ¹	Member ¹	Member ¹	—	Member ¹	—
Ron Henderson	Trustee	Member	Member	—	Chair	—
Jan Kopernicki ²	Trustee ²	Member ²	—	—	—	Chair ²
Michael Lykiardopulo ³	Trustee ³	Member ³	Member ³	—	—	—
Rosemary Martin ⁴	Trustee	Member	—	—	—	—
Carol Sergeant ⁵	Trustee	Member	—	—	Member	—
Lambros Varnavides ⁶	Trustee	Member	—	Chair	—	—
The Earl Cowley	Independent	—	Chair	—	Member	—
Peter Christmas	Independent	—	—	Member	—	—
Neil Dunford	Independent	—	Member	—	—	—
Nigel Hollebone	Independent	—	—	Member	—	—
Mark Tapley	Independent	—	Member	—	—	—
Alastair Marsh	LRG CFO	—	Member	—	—	—
Stan Brooks	LRG executive	—	Member	—	—	—
Tim Kent	LRG executive	—	—	Member	—	—
Claus Mylerrup	LRG executive	—	—	Member	—	—
Keith Povey	Secretary	—	—	Member	—	—
Michael Franklin	Grants Director	—	—	Member	—	—
Flemming Jacobs	Independent	—	—	—	—	Member
Richard Close-Smith	Independent	—	—	—	—	Member

Notes:

¹ Christine Dandridge resigned as Trustee on 31 March 2014.

² Jan Kopernicki resigned as Trustee on 31 December 2013.

³ Michael Lykiardopulo resigned as Trustee on 1 January 2014

⁴ Rosemary Martin was appointed as Trustee on 1 July 2014.

⁵ Carol Sergeant was appointed as Trustee on 1 January 2014.

⁶ Lambros Varnavides also acts as chair of the Trading Group Remuneration Committee.

Executive

Day to day management of the Foundation is delegated to Professor Richard Clegg, the Foundation's Managing Director.

Employees

Lloyd's Register Foundation and its Trading Group strive to be equal opportunities employers.

Full consideration is given to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or 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 Foundation and its Trading Group aim to provide employees with information on matters of concern to them as employees and to ensure that they are engaged with the operations and objectives of the organisation.

Management of risk

The Board has established an Audit and Risk Committee, and has delegated to it the identification, review and assessment of key risks to the Foundation. These risks are embedded in a Risk Register which is reviewed at each meeting of the Committee. The updated Risk Register, and the minutes of the meetings of the Audit and Risk Committee, are tabled at meetings of the Board, and further discussed and considered. The risks are ranked according to severity. At the current time, the Board consider the following to be its key risks:

- the Trading Group suffers from poor performance;
- there is an inadequate return from the Foundation's investment portfolio;
- the Trading Group suffers a major claim or event affecting its reputation;
- loss of charitable status due to the impact of EU regulation regarding the Trading Group impacting the Foundation;
- the Foundation fails to build proper relationships with its regulator and other key stakeholders; or
- the Foundation or its Trading Group are adversely affected by changing international law, sanctions or regulation.

For each of these risks the Board has assessed existing mitigation and established additional systems or procedures where necessary to manage the risks.

The Trading Group has internal audit and business assurance functions which provide independent and objective opinions on the adequacy of the Foundation and Trading Group's processes on risk, control, governance and finance systems. The resources of the internal audit function are available to the Foundation's audit committee and during the year an internal audit review of the Foundation has been performed.

For the future there are likely to be factors inside and outside of the Foundation's control that are relevant to us achieving our objectives. In the case of the management of risks, these are monitored by the Board of Trustees and the Audit and Risk sub-Committee. Risks are identified and assessed and controls are reviewed throughout the year.

Public benefit

As described throughout this Trustees' Report, the trustees place specific focus on the public benefits arising from the output and activities of the Foundation having regard to the Charity Commission guidance on public benefit.

Research and development

The Trading Group carries out research and development activities. The amount of £10.1 million (2013: £9.3 million) has been charged to the consolidated statement of financial activities.

Organisational structure

The Foundation has a total of five dedicated staff. A Service Level Agreement exists between the Foundation and the Trading Group, LR, for the provision of specialist business support in areas including finance, HR, communications, legal and IT. The Foundation pays for these services at an agreed market rate.

Disclosure of information to auditor

Having made enquiries each of the trustees, listed above, in office at the time of approving the trustees' report confirm that:

- So far as each trustee is aware, there is no information relevant to the preparation of its report and the financial statements of which the Foundation's auditor is unaware; and
- Each trustee has taken all steps a trustee might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor

During the year, the trustees appointed Deloitte LLP as the Foundation's auditor, replacing Ernst & Young LLP following a competitive audit tender process. Deloitte LLP has expressed a willingness to continue in office.

LEGAL AND ADMINISTRATIVE DETAILS

Financial statements and trustees' report

The company and consolidated financial statements have been prepared in accordance with the accounting policies set out on pages 40 and 55 respectively and comply with applicable laws and the Statement of Recommended Practice on 'Accounting and Reporting by Charities' issued in March 2005.

This trustees' report on pages 5 to 32 and 47 to 48 has been prepared in accordance with Part 8 of the Charities Act 2011 and the Companies Act 2006 and incorporates the directors' report.

Governing document

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

Company number

07905861 (England and Wales)

Charity number

1145988 (England and Wales)

Bankers

Royal Bank of Scotland
1 Princes Street
London
EC2R 8PB

Statutory Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Investment managers

Sarasin & Partners LLP
Juxon House
100 St. Paul's Churchyard
London
EC4M 8BU

Investment custodians

Bank of New York Mellon
One Canada Square
Canary Wharf
London
E14 5AL


Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Registered and principal office

71 Fenchurch Street
London
EC3M 4BS

By order of the Board



Keith Povey
Company Secretary
2 DECEMBER 2014

Statement of Trustees' responsibilities

The trustees (who are also directors of the Foundation for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYD'S REGISTER FOUNDATION

We have audited the financial statements of Lloyd's Register Foundation for the year ended 30 June 2014 which comprise the Group and Parent Company Statements of Financial Activities, the Group Historical Cost Net Movement in Funds, the Group and Parent Company Income and Expenditure Accounts, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Reconciliation of Net Cash Flow to Movement in Net Funds, notes 1 to 24 to the company financial statements and notes 1 to 33 to the consolidated financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the

knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 30 June 2014 and of the group's and the parent charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Hadleigh Shekle, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

2 December 2014

FOUNDATION STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2014

	Note	General funds £000	Endowment funds £000	Total funds 2014 £000	Total funds Period from 11 January 2012 to 30 June 2013 £000
Incoming resources					
Incoming resources from generated funds					
Voluntary income		—	—	—	217,427
Investment income	3				
. Gift aid from Trading Group		4,000	—	4,000	7,803
. From listed investments and other		7,991	—	7,991	6,285
Total incoming resources		11,991	—	11,991	231,515
Resources expended					
Costs of generating funds					
Investment management costs	4	—	901	901	570
Total costs of generating funds		—	901	901	570
Net incoming / (outgoing) resources available for charitable application		11,991	(901)	11,090	230,945
Charitable activities					
Grants:	5,6				
. Promoting safety and public understanding of risk		(14)	—	(14)	—
. Advancement of skills and education		1,595	—	1,595	7,917
. Supporting excellent scientific research		15,583	—	15,583	197
Total grants		17,164	—	17,164	8,114
Direct costs:					
. Promoting safety and public understanding of risk		682	—	682	210
Total charitable expenditure		17,846	—	17,846	8,324
Governance	7	122	—	122	130
Total resources expended		17,968	901	18,869	9,024
Net (outgoing) / incoming resources before other recognised gains and losses	9	(5,977)	(901)	(6,878)	222,491
Realised gains on disposal of listed investments		—	11,396	11,396	3,095
Unrealised gains on listed investments		—	209	209	3,564
Net movement in funds		(5,977)	10,704	4,727	229,150
Funds brought forward		16,703	212,447	229,150	—
Funds carried forward		10,726	223,151	233,877	229,150

All of the Company's income derived from continuing activities. There are no recognised gains or losses for the year other than those shown above.

FOUNDATION INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	2014 £000	2013 £000
Gross income	11,991	25,112
Total expenditure	(17,968)	(8,454)
Net (loss) / income for the year before investment asset disposals	<u>(5,977)</u>	<u>16,658</u>
Realised gain on disposal of fixed asset investments	-	45
Net (expense) / income for the year	<u>(5,977)</u>	<u>16,703</u>

FOUNDATION BALANCE SHEET

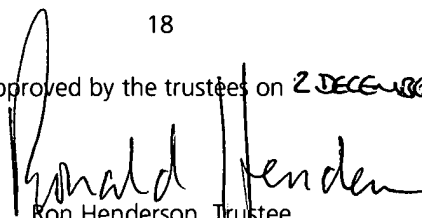
AS AT 30 JUNE 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investments	12	<u>234,827</u>	<u>219,332</u>
		<u>234,827</u>	<u>219,332</u>
Current assets			
Debtors	14	3,964	—
Short term deposits		25,000	33,500
Cash at bank and in hand		<u>2,568</u>	<u>60</u>
		<u>31,532</u>	<u>33,560</u>
Creditors: amounts falling due within one year	15	<u>(10,123)</u>	<u>(10,431)</u>
Net current assets		<u>21,409</u>	<u>23,129</u>
Total assets less current liabilities		256,236	242,461
Creditors: amounts falling due after one year	16	(22,359)	(13,311)
Net assets		<u>233,877</u>	<u>229,150</u>
Funds and reserves			
General fund		<u>10,726</u>	<u>16,703</u>
Total unrestricted funds		<u>10,726</u>	<u>16,703</u>
Endowment funds		222,180	208,883
Revaluation reserve	19	971	3,564
Total endowment funds		<u>223,151</u>	<u>212,447</u>
Total funds	18	<u>233,877</u>	<u>229,150</u>

The financial statements on pages 36 to 46 were approved by the trustees on ~~2 DECEMBER~~ 2014 and signed on their behalf by:



Thomas Thune Andersen, Chairman



Ron Henderson, Trustee

Lloyd's Register Foundation

Company registration number 07905861

FOUNDATION CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 £000	2013 £000
Net cash (outflow) / inflow from operating activities	21	(10,093)	33,602
Returns on investments	22	7,991	6,203
Capital expenditure and financial investments	22	(3,890)	(6,195)
Acquisition and disposal of subsidiaries	22	—	(50)
Management of liquid resources		8,500	(33,500)
Increase in cash		<u>2,508</u>	<u>60</u>

FOUNDATION RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £000	2013 £000
Increase in cash	2,508	60
(Decrease) / increase in short term deposits	<u>(8,500)</u>	<u>33,500</u>
Movement in net funds	(5,992)	33,560
Net funds at 1 July / incorporation	<u>33,560</u>	<u>—</u>
Net funds at 30 June	<u>27,568</u>	<u>33,560</u>

NOTES TO THE FOUNDATION FINANCIAL STATEMENTS

1. Basis of accounting

These financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of certain fixed asset investments. They comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" as revised in 2008 ("the SORP"), together with the reporting requirements of the Companies Act 2006 and applicable accounting standards in the United Kingdom. The charitable company has adapted the Companies Act formats to reflect the Charities SORP. The financial statements have been prepared on a going concern basis as discussed in the trustees' report on page 25. The prior period represents the period from incorporation on 11 January 2012 to 30 June 2013.

2. Accounting policies

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

a. Incoming resources

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

b. Resources expended

Expenditure is accounted for on an accruals basis.

Costs of generating funds are costs associated with generating incoming resources from investment management.

Resources expended on charitable activities comprise all the resources applied by the Foundation in undertaking its work to meet its charitable objectives as opposed to the cost of raising the funds to finance these activities and governance costs. Charitable activities are all the resources expended by the charity in the delivery of goods and services, including its programme and project work that is directed at the achievement of its charitable aims and objectives. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken.

Grants awarded are recognised when the Charity formally notifies the recipient of the award following approval by the trustees. The liability recognised is for the full amount of the award, whether payable immediately or across a number of financial years as grants are subject to qualitative review rather than strict performance criteria.

Governance costs are those costs incurred in reviewing the overall strategy of the Foundation, and in ensuring public benefit and in compliance with relevant law and regulation.

Support costs are defined as those costs that are incurred indirectly, and relate to grant making activities that then give the Foundation the capability to carry out its charitable activities. They are allocated to the SORP expenditure headings on the basis of underlying grant expenditure levels.

Irrecoverable VAT is included within the expense line to which it relates.

c. Investments

Listed investments are stated at market value. The statement of financial activities includes realised gains and losses on investments sold in the year and unrealised gains and losses on revaluation of investments.

Investment in the Trading Group is valued at cost less any impairment. In the trustees' opinion, obtaining an external valuation of the Trading Group would have a material impact on the resources available for charitable distribution, and due to the mixed motive nature of the investment, would lack reliability.

d. Cash and short term deposits

Items considered to be cash and short term deposits are those held in hand, in current accounts and on term deposit (where the term is less than one year) with recognised financial institutions.

e. **Taxation and Value Added Tax**

The Foundation is a UK registered charity, and is exempt from Corporation Tax under Chapter 3 of Part 11 to the Corporation Tax Act 2010 or section 236 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

The Foundation is not registered for VAT and therefore suffers irrecoverable VAT. This expense is recorded and disclosed with the cost of the underlying goods or services.

f. **Fund accounting**

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

Endowment funds comprise one expendable endowment fund, a part of the September 2012 donation from the Trading Group. Generally, capital is retained within the fund, with income forming part of the Foundation's general fund. Trustees have the power to convert capital to income should they wish to expend capital subject to the contractual obligations of the initial donation as outlined in note 18.

3. **Investment income**

	General funds £000	Endowment funds £000	Total 2014 £000	Total 2013 £000
Gift aid from Trading Group	4,000	—	4,000	7,803
Interest receivable from Trading Group	351	—	351	—
Listed and other investments				
UK and overseas holdings	7,526	—	7,526	6,276
Bank interest	114	—	114	9
	<u>7,991</u>	<u>—</u>	<u>7,991</u>	<u>6,285</u>
	<u>11,991</u>	<u>—</u>	<u>11,991</u>	<u>14,088</u>

4. **Costs of generating funds**

Costs of generating funds represent investment management costs, which are charged to the endowment fund.

5. **Grants awarded**

Grants are awarded to institutions and fund tuition costs, employment costs or other costs of research. Grants awarded are analysed by institution below.

	Number of grants	Promoting safety and public understanding of risk £000	Advancement of skills and education £000	Supporting excellent scientific research £000	Total 2014 £000
Arkwright Scholarship Trust	1	—	40	—	40
Children's Radio UK	1	—	10	—	10
International Maritime Law Institute	1	—	231	—	231
National Space Centre, UK	1	—	198	—	198
Leamington School	1	—	1	—	1
Smallpeice Trust UK	2	—	451	—	451
The Institute of Marine Engineering, Science and Technology	1	—	10	—	10
The Set Awards	1	—	15	—	15
The Welding Institute	1	—	—	15,000	15,000
The Worshipful Company of Shipwrights	1	—	600	—	600
UK Naval Engineering Science and Technology	1	—	96	—	96
Warwick Engineering Society	1	—	1	—	1
Young Engineers	1	—	170	—	170
RINA	1	—	21	—	21
Clawbacks	—	(14)	(329)	(205)	(548)
	<u>15</u>	<u>(14)</u>	<u>1,515</u>	<u>14,795</u>	<u>16,296</u>
Support costs allocated (note 8)	—	—	80	788	868
Total	<u>15</u>	<u>(14)</u>	<u>1,595</u>	<u>15,583</u>	<u>17,164</u>

6. Grants awarded but not paid

	Total 2014 £000	Total 2013 £000
At 1 July	22,452	—
Lloyd's Register Educational Trust: transfer of commitments	—	16,957
Awarded in the period	16,844	8,033
Clawbacks in the period	(548)	(2)
Paid in the period	(6,750)	(2,536)
At 30 June	<u>31,998</u>	<u>22,452</u>
Of which:		
Falling due within one year	9,639	9,141
Falling due after one year	<u>22,359</u>	<u>13,311</u>
	<u>31,998</u>	<u>22,452</u>

7. Governance costs

	General funds £000	Endowment funds £000	Total 2014 £000	Total 2013 £000
Foundation				
Audit fees (refer to note 11 of the consolidated accounts)	35	—	35	46
Professional fees	87	—	87	84
	<u>122</u>	<u>—</u>	<u>122</u>	<u>130</u>

8. Support costs

	2014 £000	2013 £000
Foundation		
Staff costs	344	17
Accommodation costs	32	3
Professional fees	220	—
Other costs	272	61
	<u>868</u>	<u>81</u>

9. Net (outgoing) / incoming resources for the year

This is stated after charging auditor remuneration for the Foundation of £35,000 (2013: £46,000).

10. Employees

	General funds £000	Endowment funds £000	Total 2014 £000	Total 2013 £000
Wages and salaries	484	—	484	13
Social security costs	30	—	30	2
Pension costs	39	—	39	2
	<u>553</u>	<u>—</u>	<u>553</u>	<u>17</u>

The average number of employees engaged in charitable activities was 8 (2013: 2).

Foundation employees are employed by Lloyd's Register Group Services Limited, a member of the Trading Group. They are seconded to the Foundation to whom their employment costs, including contributions to Lloyd's Register Group Services Limited's defined contribution pension scheme, are recharged.

Only two employees had emoluments (including benefits in kind and employer defined contribution pension costs) which exceeded £60,000 - the Foundation's Managing Director who was appointed during the year who received emoluments of £80,000 and another senior individual who received salary in the bracket £80,000 to £90,000.

11.Trustees

The Trustees are the directors of the Foundation. The Trustees do not currently receive remuneration in respect of their duties as trustees. No Trustees received reimbursement for out of pocket expenses (2013: £902 paid to one Trustee).

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

12.Investments

	2014 £000	2013 £000
Listed investments		
UK equities	67,939	12,838
UK gilts and bonds	28,035	113,090
Overseas equities	121,967	89,858
Overseas gilts and bonds	2,882	—
Cash instruments	10,555	698
Cash at investment managers and accrued interest	3,399	2,798
	<u>234,777</u>	<u>219,282</u>
Investment in subsidiaries	50	50
	<u>234,827</u>	<u>219,332</u>

	2014 £000	2013 £000
Listed investments		
At 1 July	216,484	-
Received as donation	—	203,629
Other additions at cost	431,292	114,871
Disposals proceeds	(428,003)	(108,676)
Realised gains on disposals	11,396	3,096
Unrealised gains	209	3,564
At 30 June	<u>231,378</u>	<u>216,484</u>
Cash at investment managers and accrued interest	3,399	2,798
	<u>234,777</u>	<u>219,282</u>

No investment represented more than 5% of the listed portfolio by value.

The historic cost of the Foundation's investments at 30 June 2014 was £233.8m (2013: £215.7m).

Subsidiaries

The Foundation has invested £50,000 in its only immediate subsidiary, Lloyd's Register Group Ltd. The following subsidiaries of Lloyd's Register Group Limited are all 100% controlled by Lloyd's Register Group Ltd. To avoid a statement of excessive length, details of investments which are not significant have been omitted. Consolidated financial information for the Trading Group is presented in note 13.

Company	Country of incorporation and registration	Principal activity
Lloyd's Register Americas Inc	United States of America	Marine inspection and energy technical services
Lloyd's Register Asia	United Kingdom	Marine inspection
Lloyd's Register Central and South America Ltd	United Kingdom	Marine inspection
Lloyd's Register EMEA	United Kingdom	Marine inspection
Lloyd's Register Inspection Ltd	United Kingdom	Marine and engineering inspection
Lloyd's Register Quality Assurance Ltd	United Kingdom	Quality assurance
Lloyd's Register Rail Ltd	United Kingdom	Engineering inspection
Lloyd's Register Drilling Integrity Services International (L) Ltd	Malaysia	Engineering inspection

During the year Lloyd's Register Group Limited acquired 55% of the voting rights of LR Senergy Limited which is incorporated in the United Kingdom and whose principal activity is Energy technical services.

13. Trading Group

The Foundation has a direct mixed motive investment in one trading subsidiary, Lloyd's Register Group Limited which has its own global group of trading companies (the Trading Group). The Foundation owns 100% of the issued share capital of Lloyd's Register Group Limited. The Trading Group's principal activities are the provision of independent inspection and compliance services to clients in capital intensive industries, in particular transportation and energy industries.

The summarised financial information of the consolidated Trading Group is provided below, as per the Trading Group's consolidated financial statements for the year ended 30 June 2014.

	2014 £000	2013 £000
Turnover	1,028,374	919,935
Cost of sales	(721,579)	(680,329)
Gross profit	306,795	239,606
Administrative expenses	(267,845)	(199,538)
Administrative expenses before exceptional items	(233,135)	(168,817)
Operating profit before exceptional items	73,660	70,789
Restructuring costs	(34,710)	(30,721)
Operating profit	38,950	40,068
Loss on disposal of fixed assets	(320)	(883)
Share of results of joint ventures	(1,752)	(2,879)
Profit on ordinary activities before finance charges	36,878	36,306
Net investment income	13,205	16,918
Other finance costs	1,047	(3,586)
Profit on ordinary activities before taxation	51,130	49,638
Taxation	(22,842)	(12,847)
Profit on ordinary activities after taxation	28,288	36,791
Equity minority interests	(1,455)	—
Profit for the financial year	26,833	36,791

	2014 £000	2013 £000
Assets	754,913	706,771
Liabilities	(458,548)	(402,275)
Net assets	296,365	304,496
Shareholder's funds	333,628	304,496
Acquisition put option	(46,531)	—
Minority interests	9,268	—
	296,365	304,496

14. Debtors

	2014 £000	2013 £000
Amounts due from Trading Group	3,964	—

15. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Amounts due to Trading Group	123	1,063
Grants payable	9,639	9,141
Accruals and deferred income	361	227
	10,123	10,431

16. Creditors: amounts falling due after one year

	2014 £000	2013 £000
Grants payable	22,359	13,311
	<u>22,359</u>	<u>13,311</u>

Of amounts falling due after one year, £5,920,000 (2013: £5,554,000) falls due within 1-2 years, £8,939,000 (2013: £7,757,000) within 2-5 years and £7,500,000 (2013: nil) between years six and 10.

17. Contingent liabilities

The Foundation has a contractual obligation until 2017 to transfer up to £100 million of the investment assets received from the Trading Group in September 2012 to the Lloyd's Register Superannuation Fund Association in the event of an insolvency of Lloyds Register Group Limited. The Trustees consider the risk of insolvency, and therefore the risk of payment of the contingent liability, to be minimal.

18. Funds

	Brought forward £000	Incoming resources £000	Resources expended £000	Other movements £000	Total 2014 £000
General funds	16,703	11,991	(17,968)	—	10,726
Endowment funds:					
Expendable endowment	212,447	—	(901)	11,605	223,151
	<u>229,150</u>	<u>11,991</u>	<u>(18,869)</u>	<u>11,605</u>	<u>233,877</u>

Other movements include realised and unrealised gains and losses on investment assets.

In September 2012, the Trading Group transferred a portfolio of investments to the Foundation, with a market value of £206.4 million. The transfer was made as a gift of an expendable endowment. The gift also contained a condition that the Foundation must agree to keep £100.0m of that sum as a contingent asset of the Trading Group's UK pension scheme until June 2017. During that period the monies can only be transferred to the Pension Scheme in the event of an insolvency.

A donation of £4.0m (2013: £7.8m) was also made from the Trading Group to the Foundation during the year.

19. Revaluation reserve

	Brought forward £000	Unrealised gains arising in year £000	Released from revaluation reserve in year £000	Carried forward 2014 £000
Endowment funds:				
Expendable endowment	3,564	209	(2,802)	971
	<u>3,564</u>	<u>209</u>	<u>(2,802)</u>	<u>971</u>

20. Analysis of net assets between funds

	General funds £000	Endowment funds £000	Total 2014 £000	Total 2013 £000
Fixed assets	11,676	223,151	234,827	219,332
Current assets	31,532	—	31,532	33,560
Creditors: amounts falling due within one year	(10,123)	—	(10,123)	(10,431)
Creditors: amounts falling due after one year	(22,359)	—	(22,359)	(13,311)
	<u>10,726</u>	<u>223,151</u>	<u>233,877</u>	<u>229,150</u>

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

	2014 £000	2013 £000
Net (outgoing) / incoming resources and other recognised gains and losses	(6,878)	222,491
Receipt of investment portfolio from subsidiary	—	(206,403)
Increase in debtors	(3,964)	—
Increase in creditors	8,740	23,742
Investment income	(7,991)	(6,285)
Other non-cash adjustments	—	57
Net cash (outflow) / inflow from operating activities	<u>(10,093)</u>	<u>33,602</u>

22.Analysis of cash flows for headings netted in the cash flow statement

	2014 £000	2013 £000
Returns on investment and servicing of finance		
Investment income received	<u>7,991</u>	<u>6,203</u>
Capital expenditure and financial investment		
Net purchase of investments	<u>(3,890)</u>	<u>(6,195)</u>
Net cash outflow for capital expenditure and financial investment	<u>(3,890)</u>	<u>(6,195)</u>
Acquisition and disposal of subsidiaries		
Investment in subsidiaries	<u>—</u>	<u>(50)</u>
	<u>—</u>	<u>(50)</u>

23.Analysis of net funds

	At 1 July 2013 £000	Cash flow £000	At 30 June 2014 £000
Bank balances	60	2,508	2,568
Short term deposits	<u>33,500</u>	<u>(8,500)</u>	<u>25,000</u>
Total cash and net funds	<u>33,560</u>	<u>(5,992)</u>	<u>27,568</u>

24.Related parties

The Foundation has taken advantage of the exemption in Financial Reporting Standard 8, whereby transactions with subsidiary companies ultimately 100% owned by the same parent are not required to be disclosed.

In accordance with the provisions of Financial Reporting Standard 8, Related Party Disclosures, the related party transaction entered into by the charity is detailed below. The transaction that arose was in the normal course of business.

The charity awarded a grant of £600,000 to the Worshipful Company of Shipwrights where Lambros Varnavides serves as a member of the Finance Committee. The interest was disclosed before the grant was made and Mr Varnavides did not participate in the grant making decision. Of the grant awarded, £600,000 was outstanding as at 30 June 2014.

FINANCIAL REVIEW OF LLOYD'S REGISTER FOUNDATION GROUP

Strategic report of the Foundation

The Foundation has a direct mixed motive investment in one trading subsidiary, Lloyd's Register Group Limited which has its own global group of trading companies (the Trading Group). The Foundation owns 100% of the issued share capital of Lloyd's Register Group Limited. The Trading Group's principal activities are the provision of independent inspection and compliance services to clients in capital intensive industries, in particular the transportation and energy industries.

The Foundation's consolidated total incoming resources of £1,048.1 million (2013: £951.4 million) relates to the income recognised by the trading group (£1,040.5 million - including turnover of £1,028.4 million and £12.1 million of investment income) and investment income by the Foundation.

The Foundation's consolidated total resources expended of £1,029.3 million (2013: £905.3 million) relates principally to the trading group (£1,010.5 million) with the remainder relating to the activities of the charitable entity.

Consolidated net assets for the Foundation at 30 June 2014 are £584.3 million (30 June 2013: £571.8 million), an increase of £12.5 million from the prior year.

In September 2013 Lloyd's Register Group Limited made its largest ever investment in energy services company Senergy to expand its range of technical assurance services to the oil and gas sector. The 55% acquisition of Senergy Group Limited gave rise to £43.0 million of goodwill, a minority interest and the acquisition put option to purchase the remainder.

Net consolidated funds (cash and short term deposits) for the Foundation at 30 June 2014 are £150.5 million (30 June 2013: £164.5 million), a decrease of £14.0 million from the prior year.

The performance of the Charitable entity is discussed on pages 24 to 25, and the results of the Trading Group below.

Results of the Trading Group

This financial review of the Trading Group forms part of the strategic report.

The summarised financial information of the consolidated Trading Group is provided in note 17 to the consolidated financial statements, as per the Trading Group's consolidated financial statements for the year ended 30 June 2014.

Turnover of £1.03bn was 11.8% above the prior year, (2013: £919.9 million) and includes the consolidated results of the Senergy group for the first time. Turnover excluding acquisitions increased to £931.1m, an increase over the prior year, on a constant currency basis, of 3.9%.

Operating profit before exceptional items of £73.7 million was 4.1% higher than the prior year (2013: £70.8 million). Excluding the Senergy business, which joined the Trading Group in September 2013 and exceptional restructuring costs of £34.7 million, operating profit from existing operations decreased marginally to £68.8 million, due principally to the impact of exchange rates as a result of the strength of Sterling during the year. Statutory operating profit, including acquisitions and net of restructuring costs was £39.0 million (2013: £40.1 million).

In 2013, Lloyd's Register Group Limited implemented a new business-led operating model based around its four business streams. To support this new structure the Trading Group incurred a further £34.7 million of exceptional costs during the year. Exceptional expenditure has included the relocation of Marine staff from London to Southampton in preparation for the opening of a new Global Technology Centre and, in some cases, rationalisation of our workforce as back-office processes throughout Europe are transferred to our Shared Service Centre. In addition, we have made good progress in the continuing development and integration of our financial and operating systems.

Financial position of the Trading Group

Net funds for the Trading Group at 30 June 2014 are £350.4 million (30 June 2013: £342.7 million), an increase of £7.7 million from the prior year.

Branches of the Group

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

Financial risk management policies and objectives

The Group is exposed to certain financial risks as a result of its operations and the activities that it carries out. These financial risks include litigation, foreign exchange risk, credit risk, and interest rate risk.

Litigation

In the normal course of business, Lloyd's Register Group Limited and other group entities may receive claims for compensation from clients. Although substantial insurance cover is carried to mitigate this risk, as the results of litigation can be uncertain the Group remains exposed to a potential shortfall in this cover.

Foreign exchange risk

The Group monitors the impact of foreign exchange on a regular basis. The Group accepts that foreign exchange exposure is an expected risk of operating across a number of geographies. To the fullest extent possible, the company uses natural hedges (offsetting costs incurred in a particular currency against revenues earned in that currency) that arise from its normal operating activities to manage its foreign exchange exposures. Residual foreign exchange exposure is constantly monitored and is considered tolerable. The Group does not currently use financial instruments to hedge foreign exchange risk.

Liquidity risk

The consolidated Foundation group does not have any significant borrowings as at the year-end and has net funds of £150.5 million (2013: £164.5 million). In addition, the Group holds listed investments of £406.7 million (2013: £377.4 million).

The directors consider that the funds held by the Group, together with its listed investments, are sufficient to address the Group's liquidity requirements, both in the near and longer term.

Credit risk

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

Further details of the Trading Group

Further details of the financial performance of the Trading Group is included within the Lloyd's Register Group Limited's statutory accounts.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2014

	Note	Trading funds £000	General funds £000	Endowment funds £000	Total funds 2014 £000	Total funds 2013 £000
Incoming resources						
Incoming resources from generated funds						
Voluntary income	3	—	—	—	—	11,024
Investment income:	3					
· Listed investments		7,450	7,526	—	14,976	15,349
· Property		3,800	—	—	3,800	3,638
· Other		838	114	—	952	1,446
Activities for generating funds - continuing	4	931,102	—	—	931,102	919,935
Activities for generating funds - acquired	4	97,272	—	—	97,272	—
Total incoming resources		1,040,462	7,640	—	1,048,102	951,392
Resources expended						
Costs of generating funds						
Investment management costs	5	143	—	901	1,044	981
Cost of activities for generating funds - continuing		896,037	—	—	896,037	878,924
Cost of activities for generating funds - acquired		92,415	—	—	92,415	—
FRS 17 financing (income) / charge		(1,429)	—	—	(1,429)	2,959
Other		451	—	—	451	883
Total costs of generating funds		987,617	—	901	988,518	883,747
Net incoming / (outgoing) resources available for charitable application		52,845	7,640	(901)	59,584	67,645
Charitable activities						
Grants:	6,7					
· Promoting safety and public understanding of risk		—	(14)	—	(14)	—
· Advancement of skills and education		—	1,595	—	1,595	7,917
· Supporting excellent scientific research		—	15,583	—	15,583	197
Total grants		—	17,164	—	17,164	8,114
Direct costs:						
· Promoting safety and public understanding of risk		—	682	—	682	460
Total charitable expenditure		—	17,846	—	17,846	8,574
Governance	8	—	122	—	122	130
Taxation	10	22,842	—	—	22,842	12,847
Total resources expended		1,010,459	17,968	901	1,029,328	905,298
Net incoming / (outgoing) resources before transfers and other recognised gains and losses	11	30,003	(10,328)	(901)	18,774	46,094
Net interest in the results for the year in joint ventures		(1,752)	—	—	(1,752)	(2,879)
Transfers between funds		(4,351)	4,351	—	—	—
Other recognised gains / (losses):						
Realised (losses) / gains on disposal of investments		(133)	—	11,396	11,263	5,531
Unrealised gains on investments		16,437	—	209	16,646	8,003
Foreign exchange differences on translation of net assets of overseas operations		(7,142)	—	—	(7,142)	12,496
Net actuarial movements on defined benefit pension schemes	23	13,439	—	—	13,439	(40,256)
Equity minority interests		(1,455)	—	—	(1,455)	—
Net movement in funds excluding minority interests		45,046	(5,977)	10,704	49,773	28,989
Funds excluding minority interests brought forward		342,660	16,653	212,447	571,760	542,771
Funds excluding minority interests carried forward		387,706	10,676	223,151	621,533	571,760

There are no recognised gains or losses for the year other than those shown above.

CONSOLIDATED HISTORICAL COST NET MOVEMENT IN FUNDS FOR THE YEAR ENDED 30 JUNE 2014

	2014 £000	2013 £000
Net movement in funds excluding minority interest	49,773	28,989
Unrealised gains on listed investments	(6,650)	(8,003)
Unrealised gains on investment property	(9,996)	—
Difference between historic cost realised gains and actual realised gains calculated on revalued amounts	18,959	2,308
Historical cost net movement in funds excluding minority interest	<u>52,086</u>	<u>23,294</u>

SUMMARY CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2014

	2014 £000	2013 £000
Gross income	1,048,102	951,392
Total expenditure	(1,028,427)	(904,728)
Joint ventures	(1,752)	(2,879)
Net income for the year before investment asset disposals	<u>17,923</u>	<u>43,785</u>
Realised (loss) / gain on disposal of fixed asset investments	(133)	2,481
Net income for the year	<u>17,790</u>	<u>46,266</u>

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Note	Group	
		2014 £000	2013 £000
Fixed assets			
Intangible fixed assets	14	140,244	112,200
Tangible fixed assets	15	60,030	60,003
Investments	16	466,382	426,585
Interests in joint ventures:	16		
Share of gross assets		2,179	1,846
Share of gross liabilities		(1,651)	(995)
		<u>667,184</u>	<u>599,639</u>
Current assets			
Work in progress	18	22,471	11,774
Debtors	19	231,116	220,845
Short term deposits		36,035	107,697
Cash at bank and in hand		<u>114,421</u>	<u>56,757</u>
		<u>404,043</u>	<u>397,073</u>
Creditors: amounts falling due within one year	20	<u>(166,613)</u>	<u>(124,058)</u>
Net current assets		<u>237,430</u>	<u>273,015</u>
Total assets less current liabilities		<u>904,614</u>	<u>872,654</u>
Creditors: amounts falling due after one year	21	<u>(22,359)</u>	<u>(13,311)</u>
Provisions for liabilities	22	<u>(79,634)</u>	<u>(30,562)</u>
Net assets excluding pension liability		<u>802,621</u>	<u>828,781</u>
Pension liability	23	<u>(218,351)</u>	<u>(257,021)</u>
Net assets including pension liability		<u>584,270</u>	<u>571,760</u>
Funds and reserves	26,28		
Non charitable trading funds		580,894	588,895
Revaluation reserve	27	25,163	10,786
General fund		<u>10,676</u>	<u>16,653</u>
Unrestricted funds excluding pension liability		<u>616,733</u>	<u>616,334</u>
Pension reserve		<u>(218,351)</u>	<u>(257,021)</u>
Total unrestricted funds		<u>398,382</u>	<u>359,313</u>
Endowment funds		222,180	194,786
Revaluation reserve	27	971	17,661
Total endowment funds		<u>223,151</u>	<u>212,447</u>
Total funds excluding minority interests and acquisition put option		<u>621,533</u>	<u>571,760</u>
Acquisition put option	1p	(46,531)	—
Minority interests		<u>9,268</u>	<u>—</u>
Total funds		<u>584,270</u>	<u>571,760</u>

The financial statements on pages 51 to 75. were approved by the trustees on ~~2 December~~ 2014 and signed on their behalf by:



Thomas Thune Andersen, Chairman



Ron Henderson, Trustee

Lloyd's Register Foundation
Company registration number 07905861

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	29	46,031	40,972
Returns on investments	30	20,090	20,766
Taxation		(15,052)	(16,459)
Capital expenditure and financial investments	30	(32,621)	(28,672)
Acquisition and disposal of subsidiaries and associates	30	(32,446)	(13,098)
Management of liquid resources	31	71,662	(13,989)
Increase / (decrease) in cash		<u>57,664</u>	<u>(10,480)</u>

CONSOLIDATED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £000	2013 £000
Increase / (decrease) in cash	57,664	(10,480)
(Decrease) / increase in short term deposits	<u>(71,662)</u>	<u>13,989</u>
Movement in net funds	(13,998)	3,509
Net funds at 1 July	<u>164,454</u>	<u>160,945</u>
Net funds at 30 June	<u>150,456</u>	<u>164,454</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Basis of accounting and consolidation

The Group financial statements consolidate the financial statements of the Foundation and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

These consolidated financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of certain fixed asset investments. They comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" as revised in 2008 ("the SORP"), together with the reporting requirements of the Companies Act 2006 and applicable accounting standards in the United Kingdom. The charitable company has adapted the Companies Act formats to reflect the Charities SORP. The principal accounting policies applied in the preparation of these financial statements are set out in note 2 below.

2. Accounting policies

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

a. Incoming resources

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

Trading income from surveys and inspection, which are the main activities of the Trading Group, is recorded when service performance is complete and is recognised on the basis of invoices rendered or, in the case of long-term contracts, as work is carried out if the final outcome can be assessed with reasonable certainty. All income is recorded net of VAT and similar sales taxes.

b. Resources expended

Expenditure is accounted for on an accruals basis.

Costs of generating funds are costs associated with generating incoming resources and investment management.

Resources expended on charitable activities comprise all the resources applied by the Foundation in undertaking its work to meet its charitable objectives as opposed to the cost of raising the funds to finance these activities and governance costs. Charitable activities are all the resources expended by the charity in the delivery of goods and services, including its programme and project work that is directed at the achievement of its charitable aims and objectives. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken.

Grants awarded are recognised when the Group formally notifies the recipient of the award following approval by the trustees. The liability recognised is for the full amount of the award, whether payable immediately or across a number of financial years as grants are subject to qualitative review rather than strict performance criteria.

Governance costs are those costs incurred in reviewing the overall strategy of the Foundation, and in ensuring public benefit and in compliance with relevant law and regulation.

Support costs are defined as those costs that are incurred indirectly, and relate to grant making activities that then give the Foundation the capability to carry out its charitable activities. They are allocated to the SORP expenditure headings on the basis of underlying grant expenditure levels.

Irrecoverable VAT is included within the expense line to which it relates.

Research and development expenditure, other than capital equipment, is charged to the statement of financial activities in the period that it is incurred.

c. Tangible fixed assets

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

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

Motor vehicles	5 years
Office fittings and equipment	8 years
Computer equipment	3 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. Impairment reviews are carried out when there is an indication that the recoverable amount associated with a fixed asset is below its net book value.

d. Intangible fixed assets: goodwill

Depending on the circumstances of each acquisition, goodwill arising on acquisitions made by the Trading Group prior to 30 June 1998 was either set off directly against reserves or amortised through the Statement of Financial Activities over the trustees' estimate of its useful life. Goodwill previously eliminated against reserves of £6,787,000 has not been reinstated on implementation of FRS 10, 'Goodwill and Intangible Fixed Assets' as a matter of accounting policy. Should the associated businesses subsequently be disposed of, the eliminated goodwill will be charged or credited to the profit and loss account.

Goodwill arises on the acquisition of subsidiary undertaking 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 arising on acquisitions is capitalised and amortised on a straight line basis over its estimated useful economic life up to a presumed maximum of 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

e. Intangible fixed assets

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 assumed to be 10 years.

f. Investments

Listed investments are stated at market value. Unlisted investments are stated at a trustees' valuation. The statement of financial activities includes realised gains and losses on investments sold in the year and unrealised gains and losses on revaluation of investments.

Investment in the Trading Group is valued at cost. In the trustees' opinion, obtaining an external valuation of the Trading Group would have a material impact on the resources available for charitable distribution, and due to the mixed motive nature of the investment, would lack reliability.

Investment property includes one property that is in mixed functional and investment use. Areas of the building occupied by third party tenants are deemed to be in investment use and are held at market value. A valuation of the building is pro-rated according to the floor space occupied by third party tenants. The valuation is carried out on a vacant possession basis by a surveyor holding a relevant qualification (via an independent property company).

g. **Work in progress**

Work in progress (being services delivered by the Group to clients) is capitalised and valued at the lower of cost and net realisable value. Cost is calculated by reference to both direct costs and overheads directly attributable to work carried out.

h. **Cash and short term deposits**

Items considered to be cash and short term deposits are those held in hand, in current accounts and on term deposit with recognised financial institutions.

i. **Taxation and Value Added Tax**

The Foundation is a UK registered charity, and is exempt from Corporation Tax under Chapter 3 of Part 11 to the Corporation Tax Act 2010 or section 236 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

The Trading Group includes companies and branches that operate overseas and that are subject to foreign tax. Direct tax relating to those entities is included within the consolidated financial statements as a trading cost, and analysed in note 10 to the financial statements.

The Foundation is not registered for VAT and therefore suffers irrecoverable VAT. This expense is recorded and disclosed with the cost of the underlying goods or services.

j. **Deferred tax**

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

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

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

k. **Fund accounting**

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

Non-charitable trading funds represent the accumulated surpluses and deficits retained within the Trading Group.

Endowment funds comprise one expendable endowment fund, a part of the September 2012 donation from the Trading Group. Generally, capital is retained within the fund, with income forming part of the Foundation's general fund. Trustees have the power to convert capital to income should they wish to expend capital subject to the contractual obligations of the initial donation as outlined in note 26.

l. **Foreign currencies**

Foreign currencies are dealt with as follows:

- i. Overseas assets and liabilities of the Group are translated at the rate of exchange ruling at the balance sheet date.
- ii. Incoming resources and resources expended are translated at the appropriate rates prevailing during the year, updated on a monthly basis.
- iii. Exchange differences are shown as part of income and expenditure in the statement of financial activities. Those arising from the timing of the settlement of third party monetary assets and liabilities are shown as part of foreign exchange differences on overseas assets and liabilities. This category includes differences on intra-group funding loans treated as part of the net investment in the relevant operations.

m. **Leases**

The cost of operating lease rentals is charged to income and expenditure on a straight line basis.

n. **Pensions**

The Group operates various pension schemes of both the defined benefit and defined contribution type, which are established in accordance with local conditions and practices in the countries concerned. Lloyd's Register Foundation reports on these schemes in accordance with the principles of FRS 17 ("Retirement Benefits").

The assets of defined benefit schemes are measured at fair value. The liabilities are measured on an actuarial basis using the projected unit method and discounted at the current rate of return on a high quality corporate or government bond of equivalent term and currency to the liabilities. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to costs of activities for generating funds. The expected return on the schemes' assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in FRS 17 finance income / charge. Actuarial gains and losses are recognised in the statement of financial activities as unrealised items.

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

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

o. **Provisions**

Provision is made on a case-by-case basis in respect of the cost of defending claims and where appropriate, the estimated cost of settling claims.

p. **Written put options**

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options are required to be physically settled by the exchange of shares paid for by cash or another financial asset. A gross obligation is recognised at an amount equal to amount that the Group expects to be paid to the counterparty.

A corresponding charge to equity is recognised for the amount that may become payable under the option on exercise. The charge to equity is recognised in a separate acquisition reserve adjacent to minority interests in the net assets of consolidated subsidiaries. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

3. Investment and voluntary income

	Trading funds £000	General funds £000	Endowment funds £000	Total funds 2014 £000	Total funds 2013 £000
Listed investments	7,450	7,526	—	14,976	15,349
Income from UK investment property	3,800	—	—	3,800	3,638
Bank interest receivable	658	114	—	772	1,337
Other investment income	180	—	—	180	109
	<u>12,088</u>	<u>7,640</u>	<u>—</u>	<u>19,728</u>	<u>20,433</u>

In the prior year the Foundation received voluntary income of £11,024,000, representing the transfer of net assets from the Lloyd's Register Educational Trust following the decision of the trustees of that charity to transfer their activities to the Foundation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

4. Activities for generating funds

Activities for generating funds include the trading activities of the Trading Group.

Segmental analysis

Turnover by business segment of the trading group:	2014 £000	2013 £000
Marine	348,784	353,654
Energy	366,385	348,348
Management Systems	169,789	176,191
Transportation	46,144	41,742
Activities for generating funds - continuing	931,102	919,935
Energy	97,272	—
Activities for generating funds - acquired	97,272	—
Activities for generating funds - total	1,028,374	919,935

The acquisition of a controlling interest in LR Senergy Limited has been allocated to the Energy business segment.

Further segmental information showing segment result by class of business, segmental net assets and turnover by geographical region is not included since, in the opinion of the Trustees, such an analysis would be seriously prejudicial to the Group's interests.

5. Costs of generating funds

Costs of generating funds include investment management costs and all expenses of the Trading Group including those attributable to public benefit activities but excluding any charitable donations made directly by the Trading Group.

6. Grants awarded

Grants are awarded to institutions and fund tuition costs, employment costs or other costs of research. Grants awarded are analysed by institution below.

	Number of grants	Promoting safety and public understanding of risk £000	Advancement of skills and education £000	Supporting excellent scientific research £000	Total 2014 £000
Arkwright Scholarship Trust	1	—	40	—	40
Children's Radio UK	1	—	10	—	10
International Maritime Law Institute	1	—	231	—	231
National Space Centre, UK	1	—	198	—	198
Leamington School	1	—	1	—	1
Smallpeice Trust UK	2	—	451	—	451
The Institute of Marine Engineering, Science and Technology	1	—	10	—	10
The Set Awards	1	—	15	—	15
The Welding Institute	1	—	—	15,000	15,000
The Worshipful Company of Shipwrights	1	—	600	—	600
UK Naval Engineering Science and Technology	1	—	96	—	96
Warwick Engineering Society	1	—	1	—	1
Young Engineers	1	—	170	—	170
RINA	1	—	21	—	21
Clawbacks	—	(14)	(329)	(205)	(548)
	15	(14)	1,515	14,795	16,296
Support costs allocated (note 9)	—	—	80	788	868
Total	15	(14)	1,595	15,583	17,164

7. Grants awarded but not paid

	Total 2014 £000	Total 2013 £000
Outstanding at 1 July	22,452	—
Lloyd's Register Educational Trust: transfer of commitments	—	16,957
Awarded in the period	16,844	8,033
Clawbacks in the period	(548)	(2)
Paid in the period	(6,750)	(2,536)
Outstanding at 30 June	<u>31,998</u>	<u>22,452</u>
Of which:		
Falling due within one year	9,639	9,141
Falling due after one year	<u>22,359</u>	<u>13,311</u>
	<u>31,998</u>	<u>22,452</u>

8. Governance costs

	General funds £000	Endowment funds £000	Total 2014 £000	Total 2013 £000
Audit fees (note 11)	35	—	35	46
Professional fees	87	—	87	84
	<u>122</u>	<u>—</u>	<u>122</u>	<u>130</u>

9. Support costs

	Total 2014 £000	Total 2013 £000
Staff costs	344	17
Accommodation costs	32	3
Professional fees	220	—
Other costs	272	61
	<u>868</u>	<u>81</u>

10. Taxation

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

Many companies and branches within the Trading Group are in jurisdictions where there is no such exemption, and so the overall Group is subject to tax.

Current tax

	2014 £000	2013 £000
United Kingdom corporation tax	—	—
Foreign tax	18,861	15,725
Adjustment in respect of prior periods	4,041	(2,707)
Total current tax	<u>22,902</u>	<u>13,018</u>
Deferred tax	(60)	(171)
Total tax	<u>22,842</u>	<u>12,847</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Factors affecting the charge for the year

	2014 £000	2013 £000
Net incoming resources before transfers and other recognised gains	18,774	46,094
Taxation	<u>22,842</u>	<u>12,847</u>
Net incoming resources before taxation	41,616	58,941
Taxation implied by standard rate of United Kingdom corporation tax of 22.5% (2013: 23.75%)	9,364	13,998
Effects of:		
Tax exempt deficit / (surplus)	1,507	(10,290)
Overseas rate differences	926	(162)
Expenses not deductible for tax	1,650	3,012
Unprovided timing differences	3,463	5,450
Other taxes	1,951	3,717
Prior period adjustments (as above)	<u>4,041</u>	<u>(2,707)</u>
	<u>22,902</u>	<u>13,018</u>

Deferred tax

	2014 £000	2013 £000
At 1 July	360	581
Credited to income and expenditure in the period	(60)	(171)
Foreign exchange differences	<u>—</u>	<u>(50)</u>
At 30 June	<u>300</u>	<u>360</u>

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 can be recovered in the foreseeable future. Deferred tax assets not recognised amount to £45.5 million (2013: £44.2 million). Unrecognised assets will potentially become recoverable against future profits generated in the relevant overseas operations.

11. Net incoming /(outgoing) resources

This is stated after charging / (crediting):

	2014 £000	2013 £000
Staff costs	548,447	516,453
Charge for bad and doubtful debts	4,114	1,208
Charitable reliefs on domestic rates	(1,577)	(1,565)
Research and development costs	10,118	9,251
Depreciation	12,711	10,972
Amortisation	22,538	18,233
Impairment of intangible fixed assets	2,327	—
Rentals payable under operating leases:		
Land and buildings	25,553	23,896
Vehicles and equipment	16,356	15,494
Auditor's remuneration:		
Audit of parent	35	46
Audit of subsidiaries	1,219	1,003
Audit related assurance services	86	96
Tax compliance services	189	156
Foreign exchange differences	2,636	2,417

12. Employees

Group	Trading funds £000	General funds £000	Total funds 2014 £000	Total funds 2013 £000
Wages and salaries	455,732	484	456,216	431,108
Social security costs	50,703	30	50,733	46,707
Pension costs (note 23)	41,459	39	41,498	38,638
	<u>547,894</u>	<u>553</u>	<u>548,447</u>	<u>516,453</u>

The average number of employees, analysed by function was:

	2014	2013
Charitable activities	8	2
Trading activities - continuing	8,261	8,190
Trading activities - acquired	657	—
	<u>8,926</u>	<u>8,192</u>

The Trading Group has over 8,900 employees working globally. Due to the high number of qualified and skilled staff the SORP's requirement to disclose the number of all Group employees who received emoluments over £60,000 is commercially sensitive to the operations of that Group and is not made here with the agreement of the Foundation's trustees.

13. Trustees

The Trustees are the directors of the Foundation. The Trustees do not currently receive remuneration in respect of their duties as Trustees. No Trustees received reimbursement for out of pocket expenses (2013: £902 paid to one Trustee).

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

14. Intangible fixed assets

	Goodwill £000	Intellectual property £000	Total £000
Cost			
At 1 July	216,409	—	216,409
Additions	43,041	10,193	53,234
Adjustment of deferred consideration	(325)	—	(325)
At 30 June	259,125	10,193	269,318
Accumulated amortisation and impairments			
At 1 July	104,209	—	104,209
Provided during the period	21,698	840	22,538
Impairments	2,327	—	2,327
At 30 June	128,234	840	129,074
Net book value			
At 1 July	112,200	—	112,200
At 30 June	130,891	9,353	140,244

Adjustment to deferred consideration is in relation to the acquisition of WEST Engineering Group (based in the United States), an acquisition which took place on 30 April 2012.

During the year the Group impaired £2.3m of goodwill to align the carried forward net book value to the forecast income generation of the respective operations.

Additions to goodwill

On 2 September 2013, the Group acquired a 55% shareholding in Senergy Group Limited through its subscription for shares in a new holding company of the Senergy Group, LR Senergy Limited ("LRSL"). Total consideration was £52.6m consisting of £43.9m of cash consideration paid on acquisition, £1.3m of acquisition costs and £7.4m of deferred consideration of which £2.4m was paid during the year.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value, the provisional fair value of assets acquired was £9.5m. The fair value of assets acquired is provisional as certain assets on which revaluation adjustments have been recorded remain subject to finalisation.

The terms of the acquisition include a put option which requires the Group to purchase the remaining 45% shareholding in LRSL in two further acquisitions during LR's 2015/16 and 2016/17 financial years. These balances have been included within acquisition-related provisions on the balance sheet (note 22) and recognised as an acquisition put option adjacent to minority interest. The valuation of the provision represents the amount the Group expects to pay in relation to the purchase of the remaining shareholding as at 30 June 2014. The consideration payable is variable, dependent on the profitability of the LRSL Group during the years ending 30 June 2015 and 30 June 2016 as measured against set performance targets.

	Book value £000	Revaluation adjustment £000	Accounting policy alignment £000	Fair value £000
Intangible fixed assets	489	—	(489)	—
Fixed assets	2,311	220	—	2,531
Deferred tax asset	874	(874)	—	—
Work in progress	7,011	(1,617)	(1,048)	4,346
Current assets	10,289	—	(889)	9,400
Cash	19,740	—	—	19,740
Current liabilities	(25,976)	—	—	(25,976)
Net current tax liabilities	(502)	—	—	(502)
	<u>14,236</u>	<u>(2,271)</u>	<u>(2,426)</u>	<u>9,539</u>
Goodwill arising on acquisition				<u>43,041</u>
Total consideration payable				<u>52,580</u>
Consideration analysed as:				
Provision for deferred consideration				7,448
Cash consideration and acquisition expenses				<u>45,132</u>
Total consideration payable				<u>52,580</u>

Revaluation adjustments made to the acquired book value represent increases in the value of a property to reflect market value at the date of the acquisition, the recognition of additional bad debt provision based on a revised assessment of recoverability and the derecognition of deferred tax assets.

Accounting policy alignment adjustments relate to the write-off of development costs capitalised, for which the group policy is to expense as incurred and the restatement of accrued income as work in progress on a deferred cost basis.

The consolidated statement of financial activities consolidates the results of the Senergy Group, which is presented as acquired operations, and contributed to £97.3m of incoming resources and £92.4m for cost of generating funds resulting in net incoming resources of £4.9m in respect of acquired operations excluding taxation.

15. Tangible fixed assets

Group	Plant and machinery £000	Motor vehicles £000	Computer equipment £000	Office fittings and equipment £000	Land and buildings £000	Total £000
Cost						
At 1 July	2,145	5,478	49,158	28,890	71,945	157,616
Additions	201	401	4,365	3,833	2,605	11,405
On acquisition of subsidiary	764	438	1,384	—	2,017	4,603
Disposals	—	(723)	(1,600)	(1,011)	(842)	(4,176)
Exchange differences	(173)	(555)	(1,463)	(1,763)	(577)	(4,531)
At 30 June	2,937	5,039	51,844	29,949	75,148	164,917
Accumulated depreciation						
At 1 July	1,526	3,036	37,793	18,048	37,210	97,613
Charged in year	204	815	6,644	2,535	2,513	12,711
On disposals	—	(539)	(1,474)	(694)	(284)	(2,991)
Exchange differences	(112)	(307)	(894)	(995)	(138)	(2,446)
At 30 June	1,618	3,005	42,069	18,894	39,301	104,887
Net book value at 30 June	1,319	2,034	9,775	11,055	35,847	60,030
Net book value at 1 July	619	2,442	11,365	10,842	34,735	60,003

Land and buildings comprise:

Group	2014 £000	2013 £000
United Kingdom:	28,341	30,038
Overseas	7,506	4,697
	35,847	34,735

Land and buildings includes freehold property in the United Kingdom with a net book value of £27,834,000 as at 30 June 2014.

16. Investments

	2014 £000	2013 £000
Listed investments		
UK equities	67,939	12,838
UK gilts and bonds	197,045	264,569
Overseas equities	121,967	89,857
Overseas gilts and bonds	2,882	3,537
Cash instruments	10,556	698
Cash at investment managers and accrued interest	6,360	5,891
	406,749	377,390
Unlisted investments		
Long term loans	625	625
Investment properties	452	574
	58,556	47,996
	466,382	426,585
Investments in joint ventures	528	851
	466,910	427,436

No investment represented more than 5% of the listed portfolio by value in the Group. Investment properties comprise the leased parts of the Trading Group London headquarters at 71 Fenchurch Street, London EC3M 4BS. This property is valued using an external valuation carried out as at 30 June 2014 by the commercial property advisory company CBRE, a member of the Royal Institute of Chartered Surveyors. The property is in mixed functional and investment use. A proportion of 45% is deemed as investment, based on floor space let to third party tenants.

Listed investments

	2014 £000	2013 £000
At 1 July	371,499	343,296
Other additions at cost	459,333	167,550
Disposals proceeds	(447,911)	(152,881)
Realised gains on disposals	10,818	5,531
Unrealised gains	6,650	8,003
At 30 June	400,389	371,499
Cash held by investment managers and accrued interest	6,360	5,891
	406,749	377,390

Investment property

	2014 £000	2013 £000
At 1 July	47,996	47,832
Additions	564	164
Unrealised gains	9,996	—
At 30 June	58,556	47,996

The historic cost of the Group's investments at 30 June 2014 was £381.6m (2013: £348.9m).

The principal subsidiaries of the Foundation are set out within note 12 to the Foundation's company only financial statements.

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 Ltd	51%	United Kingdom	Engineering inspection
LR Apave IES Ltd	51%	United Kingdom	Not yet operating
Lloyd's Maritime Information Services Ltd	50%	United Kingdom	Publishing
CCS LR Technical Services Ltd	50%	China	Technical services
Common Structural Rules Software LLC	50%	United States of America	Software development
Nanjing Delta Win Transportation Technology Ltd	45%	China	Transportation technology
Chongqing Transportation Safety Assessment Centre	30%	China	Safety assessment

Lloyd's Register Apave Ltd and LR Apave IES Ltd are treated as joint ventures as the shareholders' agreements that are in place means that Lloyd's Register Group Limited does not have overall control of the company despite the nominal level of ownership.

The following shows the share of net assets recognised by the Group for these entities, and the investments held by Lloyd's Register Group Limited.

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Lloyd's Maritime Information Services Ltd	118	324	100	100
CCS LR Technical Services Limited	163	502	—	—
Lloyd's Register Apave Limited	21	26	—	—
Common Structural Rules Software LLC	—	—	—	—
Nanjing Delta Win Transportation Technology Ltd	212	—	—	—
Chongqing Transportation Safety Assessment Centre	14	—	—	—
	528	852	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

As at 30 June 2014 the Common Structural Rules Software LLC joint venture had net liabilities. The Group's share of the net liabilities amounted to £17,000 (2013: £804,000) and is recognised within other provisions in accordance with the requirements of FRS 9 ('Associated and Joint Ventures').

17. Trading Group

The Foundation has a direct mixed motive investment in one trading subsidiary, Lloyd's Register Group Limited which has its own global group of trading companies (the Trading Group). The Foundation owns 100% of the issued share capital of Lloyd's Register Group Limited. The Trading Group's principal activities are the provision of independent inspection and compliance services to clients in capital intensive industries, in particular transportation and energy industries.

The summarised financial information of the consolidated Trading Group position is provided below, as per the Trading Group consolidated accounts for the year ended 30 June 2014.

	2014 £000	2013 £000
Turnover	1,028,374	919,935
Cost of sales	(721,579)	(680,329)
Gross profit	306,795	239,606
Administration expenses	(267,845)	(199,538)
Administrative expenses before exceptional items	(233,135)	(168,817)
Operating profit before exceptional items	73,660	70,789
Restructuring costs	(34,710)	(30,721)
Operating profit	38,950	40,068
Loss on disposal of fixed assets	(320)	(883)
Share of results of joint ventures	(1,752)	(2,879)
Profit on ordinary activities before finance charges	36,878	36,306
Net investment income	13,205	16,918
Other finance costs	1,047	(3,586)
Profit on ordinary activities before taxation	51,130	49,638
Taxation	(22,842)	(12,847)
Profit on ordinary activities after taxation	28,288	36,791
Equity minority interests	(1,455)	—
Profit for the financial year	26,833	36,791

	2014 £000	2013 £000
Assets	754,913	706,771
Liabilities	(458,548)	(402,275)
Net assets	296,365	304,496
Shareholder's funds	333,628	304,496
Acquisition put option	(46,531)	—
Minority interests	9,268	—
	296,365	304,496

In both the prior and current financial year the Trading Group has incurred exceptional restructuring costs regarding the design and implementation of a new operating model and organisational structure. Associated costs related to: the migration of the Trading Group's back office services to a centralised shared service centre for our Europe, Middle East and Africa region; development of existing operational software into new integrated information systems; and relocation and establishment costs for Global Technology Centres in Singapore and Southampton, UK.

Operating profit includes £34,710,000 of exceptional restructuring costs of which £31,493,000 has been paid in cash.

18. Work in progress

	2014 £000	2013 £000
Work in progress	47,181	39,755
Less: amounts paid on account	<u>(24,710)</u>	<u>(27,981)</u>
	<u>22,471</u>	<u>11,774</u>

19. Debtors

	2014 £000	2013 £000
Trade debtors	194,327	187,724
Other debtors	9,327	12,314
Prepayments and accrued income	<u>27,462</u>	<u>20,807</u>
	<u>231,116</u>	<u>220,845</u>

20. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Payments received on account	6,420	5,329
Trade creditors	29,687	19,101
Grants payable	9,639	9,141
Other creditors	3,052	1,117
Other taxation and social security	24,775	20,326
Corporation tax	15,125	6,363
Accruals and deferred income	<u>77,915</u>	<u>62,681</u>
	<u>166,613</u>	<u>124,058</u>

21. Creditors: amounts falling due after one year

	2014 £000	2013 £000
Grants payable	<u>22,359</u>	<u>13,311</u>
	<u>22,359</u>	<u>13,311</u>

Of amounts falling due after one year, £5,920,000 (2013: £5,554,000) falls due within 1-2 years, £8,939,000 (2013: £7,757,000) within 2-5 years and £7,500,000 (2013: nil) between years six and 10.

22. Provisions for liabilities

Group

	2014 £000	2013 £000
Deferred tax (note 10)	300	360
Other provisions	<u>79,334</u>	<u>30,202</u>
	<u>79,634</u>	<u>30,562</u>

Analysis of other provisions:	Legal claims £000	Acquisition related £000	Employee related £000	Other £000	Total £000
At 1 July	14,543	9,259	4,882	1,518	30,202
Provided during period	3,478	7,448	7,891	376	19,193
Provision for the acquisition of the minority interest of LR Senergy Limited	—	46,531	—	—	46,531
Utilised / released	(4,675)	(7,053)	(2,805)	(1,297)	(15,830)
Unwinding of discount	—	382	—	—	382
Exchange revaluation	—	(973)	(52)	(119)	(1,144)
At 30 June	<u>13,346</u>	<u>55,594</u>	<u>9,916</u>	<u>478</u>	<u>79,334</u>

Legal claims: In the normal course of operations, the Trading Group 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 a number of years.

Acquisition-related: Provisions relating to amounts payable in future periods for acquisitions completed by the balance sheet date and to liabilities relating to acquisition put options. Included within this category is a £46.5m provision in relation to the put option to purchase the remaining 45% shareholding in LR Senergy Limited. Based on current estimates, as described in note 14, £20.8m will be payable in the year to 30 June 2016, £25.7m in the year to 30 June 2017 and the remainder by September 2018.

Employee related: Provision is made for redundancy and relocation costs with respect to the restructuring programmes in addition to certain employee benefits and repatriation of expatriate workers and other employment related costs. Settlement of these provisions is expected within five years.

Other: Provision is made for losses on long-term contracts, share of net liabilities of joint ventures, the future anticipated rent expenses 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, and other project related costs.

23. Retirement benefits

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

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 2013. This showed that the funding position of the scheme had improved from the previous valuation. The funding shortfall was £69m, a decrease from £129m in the previous valuation as at 31 March 2010. Lloyd's Register Group Limited has placed investments with a market value of £130.8m in an escrow account as surety that the shortfall will be funded.

In the year ended 30 June 2014, special contributions of £5.0m (2013: £5.0m) were paid.

The disclosures required under FRS 17 ('Retirement Benefits') 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) as updated to 30 June 2014.

As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.

The financial assumptions used at 30 June 2014 and 2013 for the different areas are summarised below.

	UK ⁽¹⁾		Japan ⁽²⁾		Eurozone ⁽³⁾		Rest of the World ⁽⁴⁾	
	2014	2013	2014	2013	2014	2013	2014 ⁽⁵⁾	2013 ⁽⁵⁾
Liabilities:	%	%	%	%	%	%	%	%
Rate of price inflation	3.2	3.2	1.0	1.0	2.0	2.0	2.0 to 5.0	2.0 to 5.0
Rate of increase in salaries	n/a	n/a	2.0	2.0	2.0	2.0	2.0 to 7.0	2.0 to 8.0
Rate of increase in pensions:								
• In payment	2.2	2.4	0.8	0.8	Nil to 2.0	Nil to 1.6	2.2 to 5.0	2.0 to 5.0
• In deferment	2.2	2.4	0.8	0.8	Nil to 2.0	Nil to 2.0	2.2 to 5.0	2.0 to 5.0
Discount rate	4.3	4.7	1.4	1.5	2.5 to 3.5	2.7 to 3.6	3.5 to 8.8	4.5 to 7.7
Assets: expected returns per annum								
Equities	7.4	7.3	n/a	n/a	5.7 to 9.4	5.7 to 8.4	7.2 to 7.5	7.3 to 7.5
Bonds, gilts and cash	3.7	3.8	n/a	n/a	2.7 to 4.4	2.6 to 4.5	3.7 to 8.5	3.3 to 8.5
Other	6.3	6.9	n/a	n/a	1.8 to 3.3	2.0 to 5.9	2.8 to 4.0	2.8 to 4.6

⁽¹⁾ Main United Kingdom funded scheme.

⁽²⁾ Japanese unfunded liability.

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

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

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

For mortality tables, the Group has used various different tables appropriate to the territory under review. The most significant contribution to the Group pension liability is from the United Kingdom, where tables based on the SAPS light table projected to 2010 have been used, with an allowance for future improvements beyond 2010 based on the CMI 2013 Core Projection model adjusted by 110% for males and 105% for females, with a long term trend of 1.25% per annum.

The expected return on assets assumptions are based on expected returns for underlying equities, bonds, property and cash investments, and on any insurance policies backing the plan liabilities. The overall expected return on assets is derived from the average of the expected returns on the asset allocation of each plan.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Amounts recognised in the consolidated balance sheet:

	United Kingdom		Japan		Eurozone		Rest of the World		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equities	326.9	275.3	—	—	70.1	66.4	22.8	22.1	419.8	363.8
Bonds, gilts and cash	356.0	333.2	—	—	80.2	70.3	23.3	23.2	459.5	426.7
Other	82.6	115.9	—	—	6.8	5.2	10.6	12.6	100.0	133.7
Market value of assets	765.5	724.4	—	—	157.1	141.9	56.7	57.9	979.3	924.2
Present value of scheme liabilities	(809.6)	(787.8)	—	—	(166.7)	(164.2)	(110.3)	(60.9)	(1,086.6)	(1,012.9)
	(44.1)	(63.4)	—	—	(9.6)	(22.3)	(53.6)	(3.0)	(107.3)	(88.7)
Present value of unfunded liabilities	(9.1)*	—	(48.2)	(55.9)	(40.0)	(39.2)	(8.7)	(73.2)	(106.0)	(168.3)
Derecognised surplus	—	—	—	—	—	—	(5.1)	—	(5.1)	—
Net pension liability	(53.2)	(63.4)	(48.2)	(55.9)	(49.6)	(61.5)	(67.4)	(76.2)	(218.4)	(257.0)

* included in Rest of World in 2013.

Amounts recognised within income and expenditure (statement of financial activities):

	2014 £m	2013 £m
Current service cost	14.5	11.9
Gains on settlements and curtailments	(2.9)	(2.9)
Total amount included under staff costs	11.6	9.0
Interest on schemes' liabilities	(49.3)	(46.9)
Expected return on schemes' assets	50.7	43.9
Total amount included under financing expenditure	1.4	(3.0)

In addition, there is a charge in respect of contributions to defined contribution plans of £29.9m (2013: £29.8m).

The actual return on scheme assets was £96.8m (2013: £82.1m).

Amounts recognised in other gains and losses (statement of financial activities):

	2014 £m	2013 £m
Gain on pension scheme assets	46.1	38.2
Experience losses	(4.9)	(27.2)
Change in assumptions	(22.6)	(51.3)
Actuarial gain / (loss)	18.6	(40.3)
Derecognised surplus	(5.1)	—
	13.5	(40.3)

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Financial Activities since the introduction of FRS17 is £274.8m (2013: £288.3m).

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

	2014 £m	2013 £m
Opening defined benefit obligation	(1,181.2)	(1,081.9)
Service cost	(14.5)	(11.9)
Member contributions	(1.0)	(1.0)
Interest cost	(49.3)	(46.9)
Settlement	0.8	1.6
Actuarial gains	(27.5)	(78.4)
Gains on curtailments	2.9	2.9
Transfers from provisions	—	(16.7)
Exchange adjustment	24.7	(0.4)
Benefits and expenses paid	52.5	51.5
Derecognition of unrecoverable surplus	(5.1)	—
Closing defined benefit obligation	<u>(1,197.7)</u>	<u>(1,181.2)</u>

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

	2014 £m	2013 £m
Opening market value of plan assets	924.2	849.7
Expected return on plan assets	50.7	43.9
Benefits and expenses paid	(52.5)	(51.4)
Employer contributions	25.6	24.0
Member contributions	1.0	1.0
Settlement	(0.8)	(1.6)
Actuarial gain on assets	46.1	38.2
Transfers from provisions	—	11.9
Exchange adjustments	(15.0)	8.5
Closing market value of plan assets	<u>979.3</u>	<u>924.2</u>

Amounts for the current and previous four years are as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Defined benefit obligation	(1,197.7)	(1,181.2)	(1,081.9)	(1,029.3)	(1,053.1)
Schemes' assets	<u>979.3</u>	<u>924.2</u>	<u>849.7</u>	<u>831.5</u>	<u>747.6</u>
Deficit	(218.4)	(257.0)	(232.2)	(197.8)	(305.5)
Gain on scheme assets	46.1	38.2	7.0	51.2	69.8
% of assets	4.7%	4.1%	0.8%	6.2%	9.3%
Experience (loss) / gain on scheme liabilities	(4.9)	(27.2)	(15.1)	30.5	(6.2)
% of liabilities	0.4%	2.3%	1.4%	3.0%	0.6%
Total gain / (loss) recognised in Statement of Total Recognised Gains and Losses	18.6	(40.3)	(42.0)	105.1	(47.7)
% of liabilities	1.6%	3.4%	3.9%	10.2%	4.5%

The estimated amounts of contributions expected to be paid to the scheme during the financial year ending 30 June 2015 is £21.9m.

24. Contingent liabilities

	2014 £000	2013 £000
In respect of bank guarantees	5,876	7,124
Other	<u>217,476</u>	<u>220,276</u>
	<u>223,352</u>	<u>227,400</u>

It is not anticipated that claims will arise from bank guarantees given.

Due to the funding shortfall on the main defined benefit scheme in the UK, a portfolio of investments held by the Trading Group was transferred into an escrow account during the year ended 30 June 2011, for which Lloyd's

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Register Superannuation Fund Association is the beneficiary. The market value of that portfolio is now £116.3m. Subject to the results of future pension scheme valuations, amounts may be paid out of this escrow account to make good the deficit in future periods. The escrow arrangement will terminate no later than 30 June 2023, when any remaining balance will revert to the Trading Group unencumbered.

In addition, the Foundation has a contractual obligation until 2017 to transfer up to £100 million of the investment assets received from the Trading Group in September 2012 to the Lloyd's Register Superannuation Fund Association in the event of an insolvency of Lloyds Register Group Limited. The Trustees consider the risk of insolvency, and therefore the risk of payment of the contingent liability to be minimal.

25. Capital commitments

	2014 £000	2013 £000
Authorised capital expenditure:		
Contracted	-	68
	<u>-</u>	<u>68</u>

Operating leases

At 30 June 2014, the Group had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other equipment	
	2014 £000	2013 £000	2014 £000	2013 £000
Operating leases which expire:				
Within one year	4,879	2,982	1,107	2,963
Within two to five years	11,305	10,111	8,361	7,016
Thereafter	3,157	4,561	265	65
	<u>19,341</u>	<u>17,654</u>	<u>9,733</u>	<u>10,044</u>

26. Funds

Trading funds are the retained reserves of the Trading Group, and include that Trading Group's pension deficit.

Group	Brought forward £000	Incoming resources £000	Resources expended £000	Other movements £000	Total 2014 £000
Trading funds	342,660	1,040,462	(1,010,459)	15,043	387,706
General funds	16,653	7,640	(17,968)	4,351	10,676
Endowment funds:					
Expendable endowment	212,447	—	(901)	11,605	223,151
	<u>571,760</u>	<u>1,048,102</u>	<u>(1,029,328)</u>	<u>(15,532)</u>	<u>621,533</u>
Acquisition put option					(46,531)
Minority interests arising on acquisition of subsidiary					7,813
Profit for the financial year attributable to minority interests					1,455
Total funds					<u>584,270</u>

Other movements include realised and unrealised gains and losses on investment assets and also include transfers between funds, foreign exchange differences on the translation of net assets in overseas operations, and actuarial movements relating to defined benefit pension schemes.

Transfers between funds include a gift from the Trading Group to the Foundation.

In September 2012, the Trading Group transferred a portfolio of investments to the Foundation, with a market value of £206.4 million. The transfer was made as a gift of an expendable endowment. The gift also contained a condition

that the Foundation must agree to keep £100.0m of that sum as a contingent asset for the Trading Group's UK pension scheme until June 2017. During that period the monies can only be transferred to the Pension Scheme in the event of an insolvency.

27.Revaluation reserve

	Brought forward £000	Unrealised gains / (losses) arising in period £000	Released from revaluation reserve in period and other movements £000	Carried forward £000
Trading funds – listed investments	10,786	6,441	(2,060)	15,167
Trading funds – investment property	—	9,996	—	9,996
General funds	—	—	—	—
Endowment funds:				
Expendable endowment	17,661	209	(16,899)	971
	<u>28,447</u>	<u>16,646</u>	<u>(18,959)</u>	<u>26,134</u>

28.Fund distribution

	Trading funds £000	General funds £000	Endowment funds £000	Total 2014 £000	Total 2013 £000
Fixed assets	432,407	11,626	223,151	667,184	599,639
Current assets	376,475	27,568	—	404,043	397,073
Creditors: amounts falling due within one year	(156,613)	(10,000)	—	(166,613)	(124,058)
Creditors: amounts falling due after one year	—	(22,359)	—	(22,359)	(13,311)
Provisions	(79,634)	—	—	(79,634)	(30,562)
Pension deficit	(218,351)	—	—	(218,351)	(257,021)
Inter-fund balance	(3,841)	3,841	—	—	—
	<u>350,443</u>	<u>10,676</u>	<u>223,151</u>	<u>584,270</u>	<u>571,760</u>

29.Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £000	2013 £000
Net incoming resources before transfers and other recognised gains and losses	18,774	46,094
Exchange adjustment	(5,771)	4,816
Depreciation	12,711	10,971
Amortisation of intangible fixed assets including goodwill	22,538	18,233
Impairment of goodwill	2,327	—
(Increase) / decrease in work in progress	(2,795)	2,206
Decrease / (increase) in debtors	6,819	(28,831)
Increase in creditors	9,451	10,323
Increase / (decrease) in provisions	3,754	(4,805)
Pension contributions in excess of FRS 17 charge	(20,858)	(9,304)
Gains on settlements and curtailments	(2,944)	(2,852)
FRS 17 financing charge	(1,429)	2,959
Investment income	(19,708)	(20,433)
Taxation charge	22,842	12,847
Loss on disposal of fixed assets	320	883
Other non cash adjustments	—	(2,135)
Net cash inflow from operating activities	<u>46,031</u>	<u>40,972</u>

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30. Analysis of cash flows for headings netted in the cash flow statement

	2014 £000	2013 £000
Returns on investment and servicing of finance		
Investment income received	20,090	20,766
Capital expenditure and financial investment		
Net repayment by staff of loans	119	176
Proceeds of sale of tangible fixed assets	865	1,064
Purchase of tangible fixed assets	(11,405)	(16,237)
Purchase of intangible fixed assets	(10,193)	—
Additions to investment property	(565)	—
Net purchase of investments	(11,442)	(13,675)
Net cash outflow for capital expenditure and financial investment	(32,621)	(28,672)
Acquisition and disposal of subsidiaries and joint ventures		
Additional investment in existing joint ventures	(2,645)	(2,632)
Acquisitions: cash consideration and expenses paid	(45,125)	—
Payment of deferred consideration on acquisitions	(6,728)	(10,466)
Net cash acquired	22,052	—
	(32,446)	(13,098)

31. Analysis of net funds

Group	At 1 July 2013 £000	Cash flow £000	At 30 June 2014 £000
Bank balances	56,757	57,664	114,421
Short term deposits	107,697	(71,662)	36,035
Total cash and net funds	164,454	(13,998)	150,456

32. Related parties

The Foundation has taken advantage of the exemption in Financial Reporting Standard 8, whereby transactions with subsidiary companies ultimately 100% owned by the same parent are not required to be disclosed.

The following transactions took place between the Trading Group and Senergy Group Limited, a subsidiary undertaking in which Lloyd's Register Group Limited holds a 55% interest.

Turnover	£'000 222
Interest receivable on short term loans to Senergy Group Limited	20
Amounts owed by Senergy Group Limited to Lloyd's Register Group Limited at 30 June 2014	1,512

The charity awarded a grant of £600,000 to the Worshipful Company of Shipwrights where Lambros Varnavides serves as a member of the Finance Committee. The interest was disclosed before the grant was made and Mr Varnavides did not participate in the grant making decision. Of the grant awarded, £600,000 was outstanding as at 30 June 2014.

33. Post balance sheet events

Since 30 June 2014, the Group made a further payment of £1,945,227 of deferred consideration and £1,096,517 of contingent deferred consideration with respect to its acquisition of 55% of LR Senergy Limited, the owner of 100% of the share capital of Senergy Group Limited. The acquisition is described in note 14.