

(Company number 3142272)

TRL Limited

Reports and Financial Statements

30 June 2020



Corporate Information

Directors

Paul Campion

Chief Executive

Peter Van Campen

Finance Director

Secretary

Peter Millard

Auditor

RSM UK Audit LLP

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Registered Number : 3142272

STRATEGIC REPORT

COMPANY PROFILE

TRL is a team of expert scientists, engineers and specialists working together with our clients and partners to create the future of transport.

TRL:

- Publishes software that helps the world's largest cities, and many smaller towns too, reduce pollution, carbon footprint and congestion with advanced traffic management, better road design and good asset management.
- Does leading edge research into infrastructure, vehicles and human behaviours which enables safer, cleaner, more efficient transport.
- Delivers detailed incident investigation, structural survey and other high value field services to help clients to improve the service they give their customers.
- Has built, with its partners in government and industry, the Smart Mobility Living Lab: the world's first physical and virtual testbed in a global megacity (London) that lets companies test new mobility products and services safely on live public roads.

Established in 1933 as the UK government's Road Research Laboratory, the renamed TRL was privatised in 1996 and today has more than 1,000 clients in many countries. Our headquarters are in Crowthorne House, near Bracknell, and we have offices in Birmingham, Edinburgh, London, Germany and India.

Trading summary

The Company performance fell short of the budget

	30 th June 2020	30 th June 2019
Turnover	£24.9m	£31.0m
Gross Profit	£11.9m	£14.4m
Gross Profit Margin	48.0%	46.5%
(Loss)/Profit Before Interest, Tax, Depreciation & Amortisation	(£1.9m)	£0.8m
Profit Before Interest & Tax	(£2.6m)	£0.2m
Cash	£1.6m	£3.3m

Extracts from audited accounting periods of 2019/20 and 2018/19.

Context

TRL operates in the market for mobility and transport. This market is a very large and foundational part of the global economy which influences the life of every person, and the operations of every business. It faces major challenges which will fundamentally transform the way it operates over the next few decades.

- Transport as a sector is one of the largest contributors to atmospheric carbon, and it must find ways to reduce emissions of greenhouse gases and other pollutants.
- The need to reduce inequality both within and between countries will also require significant changes to the way that transport outcomes have traditionally been delivered.
- New technology, and in particular the digitalisation of transport, can provide different, and sometimes radically different ways to satisfy transport and mobility needs.

Together these drivers and enablers will require organisations to make significant changes to their operations. This will create the need for significant investment in research as new products and services are developed and new networks emerge. This creates an advantageous context for TRL to operate in.

STRATEGIC REPORT

(CONTINUED)

Strategy

TRL's strategy is to pursue its vision to be an independent world leader in creating the future of transport, using evidence-based research and innovative thinking to develop sustainable solutions for its clients through three business models.

1. Project-based research and consultancy. These are custom projects utilising a broad range of technical disciplines to meet our client's needs typically on fixed price or time-based contracts.
2. Technical services. These are typically highly specialised services that meet specific client requirements with limited customisation.
3. Software. We licence a variety of software products to clients to enable them to design, operate and manage roads safely and efficiently.

Over recent years our investments have been focused on improving TRLs' competitiveness and better positioning the company for the market changes described above.

Performance

The project and services businesses in TRL were re-organised at the end of FY 18/19 to form a single resource pool and a single sales and marketing team to facilitate moving resource to opportunity. The TRL Software and Smart Mobility Living Lab (SMLL) business are operationally distinct units that benefit from the shared service teams of HR, IT and Finance.

The new organisation, which was planned to bed in over several month, had to operate in an extremely challenging external environment throughout the business year 2019-20. The uncertainty surrounding the outcome of the Brexit process meant that many of our regular customers in government were diverted from their normal procurement roles to work on 'No Deal' contingency plans. This significantly slowed the award of new research contracts in the transport sector in the latter six months of 2019.

The COVID-19 pandemic required a very rapid migration of the entire workforce to working from home. Some field services could not be performed and work stopped on some large projects such as the completion of the SMLL build because sub-contractors' teams could not get permission to install on-street equipment. The majority of TRL staff were able to continue to deliver work from home but the letting of new business essentially stopped as clients re-focused their efforts on managing the impact of the pandemic.

The full year financial performance was disappointing with shortfalls in revenue resulting in a loss notwithstanding good expense control and reductions in support service costs. The paucity of work available meant that the sales objective was missed and the backlog of contracted work reduced during the year.

2020 further delayed research based projects for another three to six months.

The Specialist Professional and Technical Services (SPaTS) framework has historically been the largest procurement channel for the company with major clients like Highways England and the Department for Transport using this framework to let most of their work relevant to TRL. This framework ended in the first quarter of this financial year and significant resource was invested in the bid to win a place on its successor ('SPaTS 2') in an innovative Joint Venture structure with partners Arcadis and Pell Frischmann. The JV successfully won a place on the new framework but multiple delays in its introduction contributed to the reduced flow of available work from these clients.

The TRL Software business performed well and clients confirmed that the TRL project delivery quality was significantly improved. TRL's culture and processes made good progress and many client relationships have been strengthened.

Despite the multiple challenges the business positively managed its working capital in the period and did not utilise its overdraft facilities, which remain in place with the continued backing of the Group's banking relationship with Lloyds.

STRATEGIC REPORT

(CONTINUED)

Technical strategy

A review of market trends and the latest research was performed by the Academy Director and the Chief Scientists. As a result of their work and broad consultation with staff, clients and partners TRL will focus its research, development and market engagement around the following themes:

- New Mobility
- Environment and decarbonisation
- Automation in transport
- The digitization of transport
- Transport Safety
- Transport for sustainable development

Suppliers and Customers

TRL operates within an ecosystem of high skill, high value companies providing a wide range of technical and consultancy capabilities to their end customers. TRL's staff possess a wide range of skills and knowledge but a medium sized company cannot meet all the needs that their clients have and so TRL has, and will continue to seek out partnerships and collaborations that will create high value solutions to our client's problems. Examples of this are the innovative 'FUTRAN' joint venture that TRL formed with Arcadis and Pell Frishmann to successfully win a place on the SPaTS2 framework, and the collaboration with the UK Government (represented by the Centre for Connected and Autonomous Vehicles (CCAV)), Innovate UK, Zenzic, Transport for London, the Royal Borough of Greenwich, LLDC, DGCities, Cisco, Cubic and Loughborough University to build the Smart Mobility Living Lab in London.

Building enduring relationships with our actual and potential clients is critical to fully understanding their needs and delivering differentiated high value solutions. During the year TRL has invested to grow its professional account management capabilities and supported that with processes, systems and training for the business as a whole. These investments will deliver improved efficiency and effectiveness in winning business and greater client satisfaction from solutions that better fit their needs.

Community

TRL scientists and engineers engage with the wider community of stakeholders in transport in numerous ways.

1. TRL publishes as many of its research outputs as it can, and makes them freely available for download from the TRL website.
2. TRL actively encourages its staff to publish and disseminate TRL science (from contract research and self-funded work) in peer-reviewed publications (journals and conference proceedings) and in wider settings such as media engagement, blogging, webinars (hosted by TRL and contribution to others) and industry workshops and publications.
3. TRL scientists and engineers sit on numerous working groups and expert committees, including government advisory panels, EU and UN transport groups, and peer-review boards for research funding bodies and journals, at national and international level, meaning their expertise is used to determine the direction of scientific investment. This is in-line with the TRL mission to create clean, efficient transport that is safe, reliable and accessible for everyone.

TRL's wider networking activities ensure that TRF Group members are also given opportunities to feed into such activities.

People

TRL is a people based business. In the first few months of the financial year the voluntary attrition was at the upper end of the acceptable range as the organisation digested rapid organisational and process change and challenging external circumstances. Attrition significantly dropped later in the year and at no time has the organisation struggled to attract very high calibre candidates to fill vacancies.

STRATEGIC REPORT

(CONTINUED)

As well as the continued high investment in the professional and technical development of its people a company-wide cultural change programme was run during the year, including training provided to every employee on effective 'task-oriented' personal and inter-personal skills. The first cohort of graduate entry researchers joined during the year and have demonstrated the value of the programme with their enthusiasm and their inclusive, diverse and vibrant contribution. More graduate entry cohorts are planned in the future.

Principal risks

There are a range of risks and uncertainties facing the Company. The examples below are not intended to be exhaustive, but comprise the principal risks that the Directors believe could have a significant impact on the Company's performance:

- **Macro-Economic Conditions:** The Company continues to operate a diversified portfolio, however a large proportion of TRL's activity is focused in the UK and, a material downturn in the UK economy could pose a risk to Company performance.
- **Framework Contracts:** The Company is reliant on certain major UK public sector clients for contracts awarded under framework agreements, which are subject to periodic competitive tender.
- **Pension Deficit:** The Company continues to have a defined benefit pension scheme deficit, details of which are contained within note 15. The directors have agreed with the scheme trustees an on-going plan to deal with this deficit.
- **Employees:** The Company's continued competitive and reputational success depends on having sufficient employees with appropriate knowledge and expertise. TRL is essentially a knowledge business, with employees as its major asset. There is the risk that if the Company loses, or fails to attract, employees of the requisite calibre, this could adversely impact the business. The Company seeks to mitigate this risk by investing in appropriate professional development, remuneration incentives and focused recruitment.

The Directors maintain a Company risk register that identifies and evaluates risks as soon as possible, while co-ordinating the implementation of suitable measures to mitigate such risks. The risk register is reviewed at least every 3 months, with each identified risk having a 'risk-owner' within the senior leadership team.

Directors' Duties

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 summarised as follows;

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to;

- The likely consequences of any decisions in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company

As part of their induction, Directors are briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary from an independent advisor.

STRATEGIC REPORT

(CONTINUED)

The Directors' fulfil their duties as follows:

Risk Management

For details of our principal risks and uncertainties, and how we manage our risk environment, please see page 5.

Our People

TRL depends on its people whose knowledge and skill is its principal asset.

For further details on our people, please see page 8.

Business Relationships

For details on how we work with our customers and suppliers, please see page 4.

Community and Environment

TRL scientists and engineers engage with the wider community of stakeholders in transport in numerous ways. For further details on how we interact with communities and the environment, please see pages 4, 8 and 9.

Business Conduct

For details of the certifications and accreditations that have been achieved by TRL, please see page 9.

Members

For further details on how we engage with our members, please see page 4.

Outlook

Although the environment continues to be challenging with the continuing pandemic, the associated economic decline and recession and the uncertainties associated with the end of the UK's transition period following its exit from the EU as particular concerns, the business has significantly upgraded its ability to win and perform work during FY 2019/20. The directors remain confident that TRL will grow turnover and profitability in FY 2020/21.



P Campion
Director
26 November 2020

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company encompass a range of research, technology and software solutions for surface transport modes and related markets of automotive, motorsport, insurance and energy.

RESEARCH AND DEVELOPMENT

As well as performing research projects for its customers, the Company also funds its own programme of innovative research, managed through the TRL Academy, which is mainly delivered internally by the Company's personnel.

DIRECTORS OF THE COMPANY

The Directors who served during the year were as follows:

P Campion (appointed 11 July 2019)

R Wallis (resigned 8 July 2019)

P Van Campen

No Director has had any interests in the share capital of the company or its subsidiaries.

The Board ensures that the Company operates with effective systems and controls. These ensure that both authority and accountability are clearly defined. They also ensure that risks are appropriately managed.

The Company has an Executive Leadership Team. It is this team's responsibility to ensure that the Board has timely, accurate and relevant information to enable it to carry out its responsibilities.

EMPLOYEES

The average monthly number of employees for the year ended 30 June 2020 was 270 (2019: 304).

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, and the financial position of the Company are set out in the Strategic Report. The Company uses cash flow forecasts derived from the budget and medium-term planning to identify future funding requirements. The Company meets its day to day working capital requirements through operating cash flow, with facilities available to meet bonding and capital expenditure requirements. The Transport Research Foundation Group, which includes the Company, had £1.11m (2019: £1.11m) of undrawn facilities as at 30 June 2020.

The Company has a pension scheme deficit that, measured under Financial Reporting Standard (FRS) 102, was £22.4m (2019: £19.8m) at the end of June 2019. This liability is due to unwind over a long period of time and scheme payments by the Company are pre-set every three years as part of a triennial funding review.

The Company's forecasts and projections, including stress testing taking account of reasonable changes in trading performance, confirm that the Company should be able to operate within the level of its banking facility and pension funding commitments. The Company has also continued to seek efficiencies within its cost base, which has included temporary salary reductions and recruitment freezes.

DIRECTORS' REPORT

(Continued)

After making enquiries and having evaluated the on-going trading of the business, the Directors have reasonable expectations that the Company has adequate resources to continue to operate for a period considered to be at least 12 months from the date of this report. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Company's Annual Reports and Financial Statements.

FUTURE DEVELOPMENTS

The Company will continue to seek opportunities to develop its new business through diversification into new geographies and services as well as ensure that its existing valuable customer base remains fully satisfied with its current provision of research, technology and software solutions. On 1 July 2020, the trade and assets of the Software Division within TRL Limited were transferred to a fellow Group subsidiary, TRL Software Limited.

The Company continues to have Branch locations in Abu Dhabi, Dubai and Qatar.

In addition, the Directors will continue to look for appropriate acquisitions to add to the Company.

EMPLOYEE INVOLVEMENT

The employment policies of the Company embody the principles of equal opportunity and the Company does not discriminate against anyone on any grounds. Employment arrangements are intended to be fair, equitable and consistent with the skills and abilities of the employee and the needs of the business. It is Company policy to comply with all applicable laws governing employment practices. The Company ensures that every individual is given equal opportunity in employment, training and development regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation, thereby building a diverse and inclusive workforce.

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees and Regulations 2004. The Company keeps employees informed via the Company's SharePoint intranet site and by periodic "Town Hall" meetings and internal announcements, and takes account of any comments and feedback provided directly by employees, or through the Employee Council, in the formulation of its policies and procedures.

The Board would like to thank all employees of the Company for the valuable contribution that they made during the year.

GENDER PAY GAP

Our people are key to our competitive advantage and it is, therefore, essential that we are able to recruit and retain staff from the widest possible talent pools. To support this, we are committed to being recognised as an employer of choice, creating an inclusive working environment in which all staff feel valued and respected, where opportunities are accessible to all, and where diversity and flexibility in our working and employment practices is embraced. The full Gender Pay Gap statement is available in full on our website via www.trl.co.uk/about-us/assurance-independent-certification.

MODERN SLAVERY POLICY STATEMENT

We take responsibility for our impact on society, and our Modern Slavery Policy Statement sets out the steps TRL has taken to ensure that slavery and human trafficking is not taking place in our supply chains or in any part of our business. The statement is available in full on our website via www.trl.co.uk/about-us/assurance-independent-certification.

ENVIRONMENTAL POLICY

The Company is committed, by means of target setting, monitoring and periodic audits, to ensure that environmental issues are considered in planning our business and managing our operations and to comply with the requirements of environmental legislation, regulations and codes of practice.

DIRECTORS' REPORT

(Continued)

Energy and Carbon reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 'regulations') require all large companies to report on their greenhouse gas (GHG) emissions, which are classified as either direct or indirect and which are divided between Scope 1, Scope 2 and Scope 3 emissions. TRL Limited is a wholly owned subsidiary of Transport Research Foundation, and as such the related Carbon reporting for the Company is included within the Consolidated Financial Statements of Transport Research Foundation.

The Company continues to encourage our employees to minimise their use of resources, reduce unnecessary travel, paper and energy consumption and recycle materials, wherever possible.

Examples include encouraging our employees to use public transport and participate in our Cycle to Work Scheme. The Group has also invested further in our online meeting technology, which will further reduce the impact of working across different office locations. COVID19 has had a significant impact on our energy usage figures this year with all employees moving to remote working at the end of March 2020 resulting in a significant fall in all scopes for April – June.

This is the first year that the Company has prepared these figures for publication and we have prepared these figures following the principles laid out in the GHG Protocol Corporate Accounting and Reporting Standard. The Company will continue to monitor and look for further ways to improve our carbon footprint this will include expanding our measurement and monitoring within the Scope 3 options to provide a more accurate representation of our true impact over and above the mandatory reporting requirements.

The Company will minimise pollution, reduce waste, reduce the consumption of natural resources, and promote recycling and re-use and assist contractors, suppliers and clients to develop a similar approach to protection of the environment. It will also promote green travel, seek to continually improve its environmental performance and provide the necessary training and support to its staff to ensure that they are able to fulfil these commitments. Our vision, mission, brand and behaviours align with and support many of the UN Sustainability Development Goals with particular focus around goal 11 – Sustainable Cities and Communities.

CERTIFICATIONS

On behalf of the wider Group, TRL Limited is currently certified to the following standards:

- ISO 9001:2015 – Quality Management System Requirements
- ISO 14001:2015 – Environmental Management System
- ISO 45001:2018 – Health & Safety Management System
- ISO 27001:2013 – Specification for Information Security
- ISO/IEC 17025:2017 – Testing Laboratory Management System Requirements
- Cyber Essentials

In addition to its formal certifications, the Group's Anti-Bribery policy adopts some of the principles established in other Standards such as BS 22301 (Business Continuity), ISO 44001 (Collaborative Relationships) and BS 10500 (Anti-Bribery) as appropriate for the business.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company purchased and maintained liability insurance for its Directors and officers as permitted by section 234 of the Companies Act 2006.

DIVIDEND

The Directors' do not recommend the payment of a dividend (2019: £nil).

DIRECTORS' REPORT

(Continued)

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RE-APPOINTMENT OF AUDITOR

In accordance with s485 of the companies Act 2006, a resolution is to be proposed for re-appointment of RSM UK Audit LLP as auditor of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make adjustments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Approved by the Board of Directors and signed on its behalf by;



P Van Campen

Director

26 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRL LIMITED

Opinion

We have audited the financial statements of TRL Limited (the 'company') for the year ended 30 June 2020 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRL LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to Report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRL LIMITED (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Christopher Hurren FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP
Chartered Accountants
One London Square
Cross Lanes
Guildford
GU1 1UN

16 December 2020

Income Statement

for the year ended 30 June 2020

		2020	2019
	Notes	£000	£000
Turnover	3	24,854	30,934
Cost of sales		(12,920)	(16,547)
Gross profit		<u>11,934</u>	<u>14,387</u>
Administrative expenses - excluding depreciation and amortisation		(13,867)	(14,121)
Administrative expenses - profit on disposal of fixed assets	4	<u>31</u>	<u>573</u>
		<u>(13,836)</u>	<u>(13,548)</u>
(Loss)/profit before interest, tax, depreciation & amortisation		<u>(1,902)</u>	<u>839</u>
Depreciation and amortisation		(701)	(673)
Operating (loss)/profit	4	<u>(2,603)</u>	<u>166</u>
(Loss)/profit before interest & taxation		<u>(2,603)</u>	<u>166</u>
Interest payable and similar expenses	5	(502)	(542)
Loss before taxation		<u>(3,105)</u>	<u>(376)</u>
Tax credit/(charge) on loss	7	833	(10)
Loss for the financial year		<u>(2,272)</u>	<u>(386)</u>

Statement of Comprehensive Income

for the year ended 30 June 2020

		2020	2019
		£000	£000
Loss for the financial year		(2,272)	(386)
Remeasurement loss recognised on defined benefit pension scheme	15	(2,441)	(1,085)
Movement on deferred tax relating to pension liability	7(c)	464	184
Effect of increased tax rate on opening deferred tax asset	7(c)	396	-
		<hr/>	<hr/>
Total comprehensive loss for the year		(3,853)	(1,287)
		<hr/>	<hr/>

Statement of Changes in Equity

for the year ended 30 June 2020

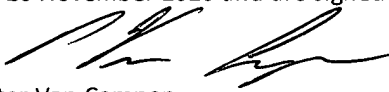
	Share Premium Account £000	Profit and loss Account £000	Total Shareholders' Funds £000
At 1 July 2018	16,800	(22,064)	(5,264)
Loss for the year	-	(386)	(386)
Net increase in pension liability	-	(901)	(901)
Total comprehensive loss for the year	-	(1,287)	(1,287)
At 30 June 2019	16,800	(23,351)	(6,551)
Loss for the year	-	(2,272)	(2,272)
Net increase in pension liability	-	(1,581)	(1,581)
Total comprehensive loss for the year	-	(3,853)	(3,853)
At 30 June 2020	16,800	(27,204)	(10,404)

Statement of Financial Position

at 30 June 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	1,933	1,283
Tangible assets	9	1,755	2,008
Investments	10	<u>1,057</u>	<u>1,057</u>
		<u>4,745</u>	<u>4,348</u>
Current assets			
Stocks		50	67
Debtors : amounts falling due within one year	11	6,133	9,725
Debtors : amounts falling due in more than one year	11	9,134	7,253
Cash at bank and in hand		<u>1,575</u>	<u>3,277</u>
		<u>16,892</u>	<u>20,322</u>
Creditors: amounts falling due within one year	12	<u>(9,142)</u>	<u>(10,988)</u>
Net current assets		<u>7,750</u>	<u>9,334</u>
Total assets less current liabilities		<u>12,495</u>	<u>13,682</u>
Provisions for liabilities and charges			
	14	453	453
Defined benefit pension liability	15	22,446	19,780
Capital and reserves			
Share premium account	21	16,800	16,800
Profit and loss account	22	<u>(27,204)</u>	<u>(23,351)</u>
Total equity		<u>(10,404)</u>	<u>(6,551)</u>
		<u>12,495</u>	<u>13,682</u>

The financial statements on pages 14 to 38 were approved by the Board of Directors and authorised for issue on 26 November 2020 and are signed on its behalf by;


Peter Van Campen
Director
26 November 2020

Notes to the Financial Statements

At 30 June 2020

1. Accounting policies

STATEMENT OF COMPLIANCE

TRL Limited is a private limited liability company incorporated in England. The Registered Office is Crowthorne House, Nine Mile Ride, Wokingham, Berkshire, RG40 3GA.

PRINCIPAL ACTIVITIES

The principal activities of the Company encompass a range of research, technology and software solutions for surface transport modes and related markets of automotive, motorsport, insurance and energy.

BASIS OF PREPARATION

The Company's financial statements have been prepared in compliance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as it applies to the financial statements of the Company for the year ended 30 June 2020.

The financial statements have been prepared in accordance with applicable accounting standards.

These financial statements have been prepared in accordance with FRS 102 and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

REDUCED DISCLOSURES

The Company has taken advantage of the exemption from disclosing the following information in its Company only accounts, as permitted by the reduced disclosure regime within FRS 102:-

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.

BASIS OF CONSOLIDATION

The Company has five wholly-owned subsidiaries as at 30 June 2020; TRL International Limited, Appia Infrastructure Solutions Limited, Transport and Travel Research Limited. TRL Software Limited and SMLL Limited. The financial statements of these subsidiaries have not been consolidated into the financial statements of the Company as permitted by s400 of the Companies Act 2006.

GOING CONCERN

The Company uses cash flow forecasts derived from the budget and medium-term planning to identify headroom and any future funding requirements. The Company meets its day to day working capital requirements through operating cash flow, with facilities available to meet bonding and capital expenditure requirements. This facility has recently been renewed until 30 September 2021. The facility was not used during the financial year 30 June 2020 and the Company had £1.1m of undrawn facilities as at 30 June 2020. Cash at bank on the same date was £1.6m.

The Directors recognise that the economic impacts of COVID-19 are risks to the achievability of the Company's forecasted sales and the timing of cash flows. The Company has utilised the Coronavirus Job Retention scheme and has agreed deferrals PAYE and VAT with HMRC. The Company has also continued to seek efficiencies within its cost base, which has included temporary salary reductions and recruitment freezes.

Notes to the Financial Statements

At 30 June 2020

1. Accounting policies (continued)

The Directors have prepared projected cash flows for the period ending 12 months from the approval of these financial statements (the 'Projections'). The Company's forecasts and projections including stress testing show that the Company is capable of operating within facilities currently available and complies with the facility requirement for the full term covered by the Projections.

Therefore the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the next twelve months from the date of signing the financial statements and for the foreseeable future thereafter. Accordingly, they continue to adopt the going concern basis in preparing the Strategic and Directors Report and financial statements.

INTANGIBLE FIXED ASSETS

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Research costs are expensed as incurred. Development expenditure (including directly attributable staff costs) on an individual project is recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and
- The ability to use the intangible asset generated.

The useful economic lives of intangible assets are as follows:

Software development costs – 2 to 5 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit are accounted for as a change in accounting estimate.

Notes to the Financial Statements

At 30 June 2020

1. Accounting policies (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Income Statement unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease

An impairment loss recognised for all assets, except for goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

FIXED ASSET INVESTMENTS

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life, as follows:

Major test facilities	4 to 11 years
Other research equipment	3 to 20 years
Leasehold improvements	Over the shorter of the lease term and 15 years
Computers and office equipment	2 to 10 years
Vehicles	3 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

REVENUE RECOGNITION

Profit is assessed on a contract-by-contract basis and is reflected in the income statement by recording turnover and related costs as the contract progresses.

Fixed price contract revenue on each contract is calculated using the percentage of completion method. The actual costs incurred to date are divided by the forecasted total costs, this is then applied to the forecasted revenue which gives the percentage of revenue to be recognised on the contract. Turnover earned to date on cost-plus contracts is calculated in line with the actual charges contractually agreed with the customer for each unit of activity. Provision is made for all known losses and expected losses as soon as they are foreseen. Gross profit is calculated as the turnover earned to date less total costs incurred to date and any provisions for charges.

Where it is determined that a contract will be loss making, the entire value of the expected loss is recognised immediately.

Notes to the Financial Statements

At 30 June 2020

1. Accounting policies (continued)

Any turnover to be recognised but not yet billed is shown as amounts recoverable on contracts.

GOVERNMENT GRANTS

Income from government grants is presented within administrative expenses.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

PROVISION FOR LIABILITIES

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

TAXATION

The tax expense included in the Company's Income Statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the Statement of Financial Position date. The expense is recognised in the Company Income statement except to the extent that it relates to items recognised in the Company Statement of Comprehensive Income, in which case it is recognised directly in the Company's Statement of Comprehensive Income.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those which they are recognised in the financial statements except that:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the Statement of Financial Position date, dividends have been accrued or received;
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/ (asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the period which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Notes to the Financial Statements

At 30 June 2020

1. Accounting policies (continued)

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

DERIVATIVE INSTRUMENTS

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the Income Statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

SHORT-TERM DEBTORS AND CREDITORS

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement in administrative expenses.

PENSION COSTS

Defined Benefit Scheme

The Company operates a funded defined benefit pension scheme. With effect from 1 January 2011, with the agreement of all active members, the scheme was closed to future accrual. An alternative defined contribution pension scheme arrangement was made available to the employees, who had been active members of the defined benefit scheme.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

The net interest cost or income is determined by multiplying the net defined benefit liability by the discount rate at the start of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the Income Statement as interest payable.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in the net interest) are recognised immediately in Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to the Income Statement in subsequent

Notes to the Financial Statements

At 30 June 2020

1. Accounting policies (continued)

periods. The defined benefit net pension asset or liability in the Company Statement of Financial Position comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Defined Contribution Scheme

The Company also operates a defined contribution pension scheme which is open to all new joiners under auto enrolment. Contributions are recognised in the Income Statement in the year in which they become payable in accordance with the rules of the scheme.

Employees who are members of the defined contribution pension scheme have the option to sacrifice salary up to the value of their nominated employee pension scheme deductions. The employer contributions are then increased by the same figure to ensure that total contributions are unaffected by any salary sacrificed.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are shown as liabilities in the Statement of Financial Position. The interest elements of the rental obligations are charged in the Income Statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

EMPLOYEE BENEFITS

The best estimate of expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employee or to provide termination benefits.

AUDIT EXEMPT SUBSIDIARIES

Audits will not be performed on the wholly owned subsidiaries listed below, as permitted under s479A of the Companies Act 2006:

TRL International Limited	(Company registration number 6816625)
Appia Infrastructure Solutions Limited	(Company registration number 6653143)
Transport and Travel Research Limited	(Company registration number 2667976)
SMLL Limited	(Company registration number 11099379)

An audit will not be performed on the wholly owned subsidiary listed below, as permitted under s480 of the Companies Act 2006:

TRL Software Limited	(Company registration number 11099346)
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Notes to the Financial Statements

At 30 June 2020

2. Judgement and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements

- Development expenditure

Development expenditure is capitalised in accordance with the accounting policy outlined in note 1. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

The following are the key sources of estimation uncertainty;

- Pension and other post employment benefits

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount factors, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to uncertainty. In determining the appropriate discount rate, management receives guidance from its actuarial advisors. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details on these assumptions are given in note 15. The sensitivities associated with each of the key financial assumptions are as follows;

- A decrease of 0.5% in the discount rate would increase the scheme liabilities by 9.7%;
- A 0.5% increase in RPI (and associated assumptions for pensions increases) would increase the scheme liabilities by 8.6%;
- A 1 year decrease in the life expectancy of scheme members' would reduce the scheme liabilities by 4.9%.

- Revenue recognition

Contract accounting requires estimates to be made for contract costs and income. In a number of cases these may span more than one financial period. Management bases their judgement of costs and income and its assessment of the expected outcome of each contractual obligation on the latest information available, which includes forecasts of the costs to complete. Project managers meet with senior finance officials to review stage of completion estimates and determine whether any projects are forecast to be loss making.

Notes to the Financial Statements

At 30 June 2020

2. Judgement and Key Sources of Estimation Uncertainty (continued)

- Goodwill and intangible assets

The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

- Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

3. Turnover

Turnover on contracts is calculated on the basis set out in note 1. Turnover from other activities represents the values of goods and services provided. Turnover is stated net of VAT and trade discounts. Turnover is almost entirely from the Company's principal activity of research, testing, software sales and consultancy, with a small percentage earned from the provision of training courses, library services and software royalties.

Turnover by geographic region;

	2020	2019
	£000	£000
UK	21,358	26,580
Europe	1,694	1,644
Africa	1,149	1,633
Other	653	1,077
	<u>24,854</u>	<u>30,934</u>

Notes to the Financial Statements

At 30 June 2020

4. Operating loss

This is stated after charging/(crediting):	2020	2019
	£000	£000
Depreciation	399	457
Amortisation of software development	302	216
Profit on disposal of tangible fixed assets	(31)	(573)
Research and development expenditure expensed	169	97
Research and development tax credit	(990)	(874)
Auditor's remuneration :		
- Audit services	47	40
- Other services	5	15
- Audit services (Overseas affiliates)	11	12
- Non-audit services (Overseas affiliates): taxation	2	-
Operating lease rentals expense	1,126	1,134
Foreign exchange gain	(20)	(34)
Government grant income	185	-

5. Interest payable and similar expenses

	2020	2019
	£000	£000
Other interest payable	1	2
Interest on net defined benefit pension liability	501	703
	<u>502</u>	<u>705</u>

Notes to the Financial Statements

At 30 June 2020

6. Staff costs

a) Staff costs	2020	2019
	£000	£000
Salaries and wages	11,930	12,842
Social security costs	1,295	1,336
Other pension costs	1,443	1,456
	<u>14,668</u>	<u>15,634</u>

The average monthly number of people employed (including Directors) during the year was:

	2020	2019
Research and technical	228	257
Managerial, business development and administrative	42	47
	<u>270</u>	<u>304</u>

b) Directors' remuneration	2020	2019
	£000	£000
Salary, annual performance bonuses & benefits in kind	584	573
Defined contribution pension scheme payments	-	14
	<u>584</u>	<u>587</u>

All Directors were members of a defined contribution pension scheme, or received a salary supplement in lieu of pension payments, for the full duration of their directorship.

The remuneration of the highest paid Director in the period compared to that of the previous period, was as follows:

	2020	2019
	£000	£000
Salary, annual performance bonuses & benefits in kind	<u>311</u>	<u>371</u>

Notes to the Financial Statements

At 30 June 2020

7. Tax on loss

On the element of eligible R&D expenditure that is self-funded, the Company continues to claim an enhanced R&D deduction. However, on the remaining eligible R&D expenditure, the Company is continuing to claim an R&D expenditure credit, rather than an enhanced R&D deduction. As a result, the Company anticipates that sufficient taxable profits will be generated in the future accounting periods and has therefore, fully recognised the closing deferred tax asset of £9,134,000 (2019: £7,253,000) in the Company statement of financial position as at 30 June 2020.

Following the recognition of the deferred tax asset, movements in the value of the deferred tax asset result in either a deferred tax charge or credit which is recognised in either the Income Statement or Statement of Comprehensive Income.

(a) Tax on loss

The tax charge is made up as follows:

	2020	2019
	£000	£000
Current tax:		
UK corporation tax at 19% (2019: 19%)	142	116
Tax under provided in previous years	<u>46</u>	<u>50</u>
Total current tax charge	<u>188</u>	<u>166</u>
Deferred tax:		
Origination and reversal of timing differences	(709)	(254)
Effect of change in tax status	146	98
Effect of increased tax rate on opening asset	<u>(458)</u>	<u>-</u>
Deferred tax credit	<u>(1,021)</u>	<u>(156)</u>
Tax (credit)/charge on loss (note 7b)	<u>(833)</u>	<u>10</u>

Notes to the Financial Statements

At 30 June 2020

7. Tax on loss (continued)

(b) Factors affecting the total tax charge/(credit)

The tax assessed on the profit for the year is higher (2019: higher) than the effective rate of Corporation Tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £000	2019 £000
Loss before tax	<u>(3,105)</u>	<u>(376)</u>
Loss multiplied by standard rate of Corporation Tax in the UK of 19% (2019: 19%)	(590)	(71)
Expenses not deductible for tax purposes	64	24
Effect of (increased)/decreased tax rate	(458)	7
Group relief to subsidiary entities	-	17
Research & development tax credit	(41)	(17)
Adjustments in respect of prior periods	<u>192</u>	<u>50</u>
Total tax (credit)/charge	<u>(833)</u>	<u>10</u>

(c) Tax included in the Statement of total other Comprehensive Income

The tax credit is made up as follows:

	2020 £000	2019 £000
Deferred tax:		
Relating to an actuarial loss on pension scheme in the year	(464)	(184)
Effect of increased tax rate on opening deferred tax asset	<u>(396)</u>	<u>-</u>
Total tax credit	<u>(860)</u>	<u>(184)</u>

It was announced in the Chancellor Budget on 11 March 2020 that the main rate of UK corporation tax would be maintained at 19% rather than reducing it to 17% from 1 April 2020. The main rate was also set at 19% for the tax year beginning 1 April 2021.

Therefore, the deferred tax asset as at 30 June 2020 has been calculated accordingly at 19%.

Notes to the Financial Statements

At 30 June 2020

8. Intangible assets

	Software development expenditure
	£000
Cost	
At 1 July 2019	2,137
Additions during the year	952
At 30 June 2020	<u>3,089</u>
Amortisation	
At 1 July 2019	854
Provided during the year	302
At 30 June 2020	<u>1,156</u>
Net book value	
At 30 June 2020	<u>1,933</u>
At 30 June 2019	<u>1,283</u>

9. Tangible assets

	Major test facilities	Other research equipment	Computers & office equipment	Vehicles	Leasehold improvements	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 July 2019	1,409	944	2,555	167	2,115	7,190
Additions	-	-	149	-	-	149
Disposals	(783)	(253)	(682)	(75)	(69)	(1,862)
At 30 June 2020	<u>626</u>	<u>691</u>	<u>2,022</u>	<u>92</u>	<u>2,046</u>	<u>5,477</u>
Depreciation						
At 1 July 2019	1,123	919	2,288	136	716	5,182
Provided during the year	36	14	149	15	185	399
Disposals	(783)	(252)	(680)	(75)	(69)	(1,859)
At 30 June 2020	<u>376</u>	<u>681</u>	<u>1,757</u>	<u>76</u>	<u>832</u>	<u>3,722</u>
Net book value						
At 30 June 2020	<u>250</u>	<u>10</u>	<u>265</u>	<u>16</u>	<u>1,214</u>	<u>1,755</u>
At 30 June 2019	<u>286</u>	<u>25</u>	<u>267</u>	<u>31</u>	<u>1,399</u>	<u>2,008</u>

Notes to the Financial Statements

At 30 June 2020

10. Investments

	Shares in subsidiary undertakings
Cost:	£
At 1 July 2019 and 30 June 2020	<u>1,057,000</u>

Holdings of more than 20%:

The Company holds more than 20% of the share capital of the following companies;

Company	Country of registration or incorporation	Shares held	
		Class	%
TRL International Limited	England	Ordinary	100
Appia Infrastructure Solutions Limited	England	+ Ordinary	100
Transport and Travel Research Limited	England	Ordinary	100
TRL Software Limited	England	+ Ordinary	100
SMLL Limited (formerly RHJ Software Limited)	England	Ordinary	100

+ Company was dormant during the financial year

The financial statements of these subsidiaries have been treated as investments at cost, and have not been consolidated into the financial statements of the Company, as permitted by s400 of the Companies Act 2006. The Company's immediate and ultimate parent undertaking is the Transport Research Foundation, a company limited by guarantee and having no share capital, registered in England and Wales. It has included the Company and its subsidiaries in its consolidation of the Group financial statements.

The registered office for all of these entities is Crowthorne House, Nine Mile Ride, Wokingham, Berkshire, RG40 3GA.

TRL International Limited is a Partner of TRL Professional & Software Services (India) LLP, a Limited Liability Partnership incorporated on 9 December 2016 in India. TRL International Limited has 100% of the rights to the net profits of the LLP. The registered office for the LLP is E-277, Greater Kailash-1, New Delhi 110048, India.

Notes to the Financial Statements

At 30 June 2020

11. Debtors

	2020	2019
Amounts falling due within one year:	£000	£000
Trade debtors	3,161	4,411
Amounts recoverable on contracts	1,155	3,153
Amounts due from Group undertakings	190	-
Research and development tax credit debtor	608	1,123
Other debtors	157	-
Prepayments and accrued income	862	1,038
	<u>6,133</u>	<u>9,725</u>

Amounts falling due after one year:

The deferred tax asset in the Statement of Financial Position is analysed as follows and is the sole debtor within amounts falling due in more than one year:

	2020	2019
	£000	£000
Decelerated capital allowances	1,746	1,778
Pension costs	4,265	3,363
Tax losses carried forward	2,237	1,370
Research and development tax credit	794	617
Timing differences	92	125
	<u>9,134</u>	<u>7,253</u>

	£000
At 1 July 2019	7,253
Deferred tax credit in income statement	1,021
Amount credited in the statement of comprehensive income	860
At 30 June 2020	<u>9,134</u>

Notes to the Financial Statements

At 30 June 2020

12. Creditors

	2020	2019
	£000	£000
Payments on account	1,958	3,145
Trade creditors	1,454	2,569
Amounts due to Group undertakings	992	1,548
Other taxation and social security	2,197	594
Other creditors	28	21
Accruals and deferred income	2,513	3,111
	<u>9,142</u>	<u>10,988</u>

13. Obligations under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows :

	Land & Buildings		Other	
	2020	2019	2020	2019
	£000	£000	£000	£000
Within one year	1,141	1,253	10	13
In two to five years	4,383	4,428	-	17
In over five years	1,912	3,008	-	-
	<u>7,436</u>	<u>8,689</u>	<u>10</u>	<u>30</u>

14. Provisions for liabilities and charges

	2020	2019
	£000	£000
At 1 July 2019 and 30 June 2020	<u>453</u>	<u>453</u>

Provision relates to dilapidations provision in respect of leased property, where outflows are expected when the lease expires in 2027.

Notes to the Financial Statements

At 30 June 2020-

15. Pensions and other post-retirement benefits

The Company operates both a defined benefit pension scheme providing benefits based on final pensionable pay, which is closed to new entrants and further accruals, and a defined contribution pension scheme.

The assets of these schemes are separately administered.

The pension cost charge for the defined contribution scheme represents contributions payable by the Company to the fund. This scheme commenced on 1 March 2002. Employer contributions received in the year to 30 June 2020, amounted to £1,443,000 (2019: £1,456,000). Of these contributions received in the year to 30 June 2020, £825,000 (2019: £827,000) were paid by the employer on behalf of employees who had sacrificed the equivalent contributions from their salary.

The remainder of this note refers to the defined benefit scheme.

An analysis of the financial position of the defined benefit pension scheme was carried out as at 30 June 2020 by a qualified independent actuary. The analysis was based on the full actuarial valuation as at 5 April 2018.

Assumptions used to determine benefit obligations at:

	2020	2019
Interest rate for discounting liabilities	1.70%	2.55%
Retail price inflation	2.70%	3.10%
Consumer price inflation	1.80%	2.20%
Rate of pension increases, LPI 5%	2.65%	3.00%
Rate of pension increases, LPI 2.5%	1.90%	2.05%
Mortality	S2NXA, CMI 2019, 1% long term improvement	S2NXA, CMI 2018, 1% long term improvement

Life expectancy on post-retirement mortality table:

	2020		2019	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.6	23.7	21.4	23.4
Member age 45 (life expectancy at age 65)	22.6	24.9	22.3	24.6

Notes to the Financial Statements

At 30 June 2020

15. Pensions and other post-retirement benefits (continued)

The amounts recognised in the Statement of Financial Position are as follows

	2020	2019
	£000	£000
Fair value of scheme assets	79,080	72,107
Present value of scheme liabilities	(101,526)	(91,887)
Deficit	(22,446)	(19,780)
Related deferred tax asset	4,265	3,363
Net liability	(18,181)	(16,417)

Pension cost recognised in the Income Statement for the period ending 30 June

	2020	2019
	£000	£000
Operating cost		
Administrative expenses	815	834
Past service costs	-	90
Subtotal for operating cost	815	924
Finance cost		
Interest cost	2,311	2,527
Interest income	(1,810)	(1,980)
Subtotal for finance cost	501	547
Total pension cost in the Income Statement	1,316	1,471

Notes to the Financial Statements

At 30 June 2020

15. Pensions and other post-retirement benefits (continued)

Reconciliation of the assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 July 2019	72,107	(91,887)	(19,780)
Benefits paid	(2,525)	2,525	-
Employer contributions	1,091	-	1,091
Expenses paid	(815)	-	(815)
Interest income/(expense)	1,810	(2,311)	(501)
Remeasurement gains/(losses)			
- Actuarial losses	-	(9,853)	(9,853)
- Return on plan assets excluding interest income	7,412	-	7,412
At 30 June 2019	79,080	(101,526)	(22,446)
	£000		
Actual return on assets over the period to 30 June 2020	9,222		

Amounts included in the fair value of scheme assets for:	2020 £000	2019 £000
Bonds	21,200	18,056
Other	57,880	54,051
Total	79,080	72,107

Contributions

The Company expects to contribute approximately £1,706,000 to its defined benefit pension scheme in the year to 30 June 2021.

Balance Sheet reconciliation, excluding any related deferred tax

	2020 £000	2019 £000
Liability at beginning of year	19,780	19,509
Amounts recognised in the Income Statement in the year	1,316	1,471
Actuarial losses recognised in the year	2,441	1,085
Employer contributions made in the year	(1,091)	(2,285)
Liability at end of year	22,446	19,780

Notes to the Financial Statements

At 30 June 2020

16. Related party transactions

As a wholly owned subsidiary undertaking of a parent undertaking whose financial statements are publicly available (see note 19), the Company has taken advantage of the exemption available under s33 of FRS102, Related Party Disclosures, and has not disclosed transactions with its parent company or its subsidiaries.

Transactions with key management personnel

Key management personnel are defined as the Executive Leadership team.

Total compensation of the Senior Leadership team in the year amounted to £904k (2019: £1,068k)

National Insurance contributions paid on behalf of the Executive Leadership team were £82k (2019: £110k).

No other transactions with key management personnel.

17. Guarantees

The Transport Research Foundation, TRL Limited and TRL Professional & Software Services (India) LLP are parties to cross guarantees in favour of the Group's bankers and lenders. The potential exposure under these arrangements for TRL Limited is £312k at 30 June 2020.

18. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is the Transport Research Foundation, a company limited by guarantee and having no share capital, registered in England and Wales. It has included the Company in its consolidation of the Group financial statements, copies of which are available from its registered office at Crowthorne House, Nine Mile Ride, Wokingham, Berkshire, RG40 3GA.

19. Share Capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary shares £1 each:				
Allotted, called up and fully paid	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

20. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Notes to the Financial Statements

At 30 June 2020

21. Profit and loss account

Cumulative profit and loss net of distributions to owners, including the net defined benefit pension obligation.

22. Post balance sheet events

On 1 July 2020, the trade and assets of the Software Division within TRL Limited were transferred to a fellow Group subsidiary, TRL Software Limited. Net assets of approximately £1.6m were transferred at Net Book Value.