

(Company number 3142272)

**TRL Limited**  
**Reports and Financial Statements**  
30 June 2018

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COMPANIES HOUSE

## **Corporate Information**

### **Directors**

Robert Wallis

Chief Executive

Peter Van Campen

Finance Director

### **Secretary**

Peter Millard

### **Auditor**

RSM UK Audit LLP

Third Floor

One London Square

Cross Lanes

Guildford

Surrey

GU1 1UN

### **Bankers**

Lloyds Bank PLC

10 High Street

Bracknell

Berkshire

RG12 1BT

### **Solicitors**

Coffin Mew LLP

3rd Floor Cumberland House

15-17 Cumberland Place

Southampton

Hampshire

S015 2BG

### **Registered Office**

Crowthorne House

Nine Mile Ride

Wokingham

Berkshire

RG40 3GA

Telephone : +44 (0)1344 773131

Fax : +44 (0) 1344 770356

Email : enquiries@trl.co.uk

Website : www.trl.co.uk

**Registered Number : 3142272**

## STRATEGIC REPORT

### COMPANY PROFILE

TRL Limited (TRL) is a global centre for innovation in transport and mobility. It provides world-leading research, technology and software solutions for surface transport modes and related market segments engaged in intelligent, new mobility innovations. Independent from government, industry and academia, TRL helps organisations create global transport systems that are safe, clean, affordable, liveable and efficient.

Established in 1933 by the British Government as the UK's Transport Research Laboratory, TRL was subsequently privatised in 1996. Today, TRL has more than 1,000 clients across 145 countries, driving positive societal and economic benefit worldwide.

### TRADING HIGHLIGHTS

I am very pleased to report a year of solid business performance in 2017/18, consolidating a 5-year transformation of the Company during my time as CEO.

My multi-year transformational agenda has been to gradually cease business activities (over 1/3<sup>d</sup> of the Company's annual income of £30.4m in 2013) that are no longer relevant to the Company's future market opportunity, or contributing short-term value. Over time, these activities have been replaced with new, commercially valuable income streams that are more strongly aligned to the large, fast-growing and disruptive markets around new, intelligent mobility. Despite the withdrawal from certain activities, this shift in focus has also achieved cumulative turnover growth over 5 years, while increasing the enterprise value of the Company.

In 2017/18 specifically, the table (Fig 1) evidences a strong financial performance, underpinned by a very positive year in executing the Company's strategy for future sustainability and value creation. For clarity, the challenging prior year (2016/17) results primarily reflect exceptional costs for a major re-structuring of the Company's UK Headquarters property lease and associated services, crystallising substantial cost savings across the coming 10 years and beyond. Prior periods since 2013 were profitable/cash-generative at an operating level.

	30 <sup>th</sup> June 2018	30 <sup>th</sup> June 2017
Sales/New Contracts	£40.4m	£31.1m
Turnover	£32.6m	£31.2m
Gross Profit	£14.4m	£15.1m
Gross Profit Margin	44.0%	48.6%
Profit/(Loss) Before Interest, Tax, Depreciation & Amortisation	£1.7m	£(1.0)m
Profit/(Loss) Before Interest & Tax	£1.1m	£(3.5)m
Cash	£4.4m	£2.4m

*Fig 1: Extracts from audited accounting periods of 2017/18 and 2016/17.*

The Company achieved a record sales performance, competitively winning over £40m in new contracts, a scale not seen in its history since privatisation in 1996. The mix of these contracts is also far more aligned to future market needs, with new projects (by example) in vehicle platooning, ride-sharing services, vehicle electrification and artificial intelligence validation, all positioning the Company more strategically and competitively.

## STRATEGIC REPORT (CONTINUED)

Turnover increased by 4.6%, although taking account of a strategic decision to scale back local Middle-East based activities, the adjusted, underlying turnover growth across the wider business equates to 11.5%.

Profitability and cash generation were materially higher than the prior year, even when taking account of prior year exceptional costs that diluted underlying performance. 2017/18 includes over £0.8m of strategic investments/one-off costs, while adjusted, underlying PBIT performance was otherwise £1.9m (5.8% margin).

The business continued its strategic investment programme, including development of critical skills and knowledge areas, software product development (traffic, safety, environmental and asset management systems) and market development (particularly India). The multi-year investment strategy is evidencing returns by achieving a record order book of new contracts for 2018/19 and beyond, both in volume and quality, underpinning TRL's global brand positioning.

The Company continues to focus on creating an increasingly diversified and resilient business, achieved from public and private sector clients in the UK, with a continued international focus centred on Europe, India, Africa & Middle East, supported by strategic collaborations in North America and Asia Pacific.

Despite intentional and sizeable cash out-flows in the prior year, the business positively managed its working capital in the period, almost doubling its cash overall. The business did not utilise its overdraft or revolving credit facilities, which remain in place with the continued backing of the Company's banking relationship with Lloyds.

## STRATEGY

The senior leadership team, with input from clients, stakeholders and employees, further developed and updated the Company strategy. This validated existing plans, while specifically focusing on key industry segments and carefully selected international territories.

- **Our vision** for TRL reflects our ambition to be a "world leader in creating the future of transport and mobility, using evidence-based solutions and innovative thinking".
- **Our mission** in support of this is to "challenge and influence our chosen markets, driving sustained reductions (ultimately to zero) in:
  - fatalities and serious injuries (Safe)
  - harmful emissions (Clean)
  - cost inefficiencies (Affordable)
  - barriers to inclusive mobility (Liveable)
  - unforeseen delays (Efficient)

enabling world-class transport and mobility solutions that underpin the needs of tomorrow's economy and society."

The strategy includes the development of innovative, repeatable propositions based on TRL's world-leading knowledge and expertise, including new, thought-leading areas associated with future transport and mobility.

## STRATEGIC REPORT (CONTINUED)

### THOUGHT LEADERSHIP

Through the TRL Academy, the Company's in-house research institute, TRL has materially increased its external market engagement and participation in thought-provoking topics. In many instances, TRL is a leading voice in these debates through its deep and long-established credentials as an evidence-based research organisation that provides pragmatic and safe ways to deploy new, innovative thinking for transport and mobility solutions.

Today, the Company is strategically investing and delivering projects linked to:

- Connected & self-driving vehicles
- Ultra-low emission technologies
- Shared mobility services
- Intelligent asset information
- Big data, machine learning and artificial intelligence.

By example, TRL has been instrumental in publishing world-leading opinions and papers on autonomous and driverless cars; a research area that TRL has been engaged in since the 1950's. This practical experience culminated in TRL securing a leading or strategic role in more than £60m of projects for Connected & Autonomous Vehicles (CAV) since 2016. In addition, TRL has been leading the creation of the Smart Mobility Living Lab (SMLL) in London, having successfully secured c£20m of government and private sector funding. The SMLL presents an innovative means of undertaking CAV research in a truly immersive live environment, now already hosting multiple projects.

In relation to ultra-low emission vehicles, TRL leads some of the latest thinking in their adoption, and is undertaking multiple projects evaluating the implications of electric vehicle usage and their associated charging solutions. These projects range from the practical robustness of static wireless power transfer solutions for charging fully electric buses in eleven major cities across Europe through to the implications on consumers of purchasing electric vehicles and the effect on energy supply and how market structures are likely to change.

For smart cities and shared mobility, TRL is increasingly participating in the growing revolution of how people consume their mobility needs. The traditional purchase of the motor car is being challenged by smart urban solutions – be they highly integrated and efficient public transit solutions, or the increasing popularity of mobility-as-a-service (MAAS) through the introduction of technology-led, on-demand services. A paradigm shift is now evident in the automotive industry, involving multi-billion investments, towards smart mobility services.

In considering tomorrow's transport and mobility infrastructure, it is more than just about capacity and availability, but also having a level of real-time intelligence and connectivity. TRL continues to work on new innovative research into integrated sensor technologies embedded within asset infrastructure, and the evolving needs for intelligent remote condition monitoring and control. This work is increasingly linked to activities in Vehicle to Vehicle (V2V) and Vehicle to Infrastructure (V2I) technological advances being developed in conjunction with major automotive companies and leading global government stakeholders.

Underpinning much of the new thought leadership activities at TRL is the increasing proliferation of information in the form of Big Data, Machine Learning and the use of Artificial Intelligence (AI). So much data is being captured by today's transport and mobility solutions, although few services fully leverage the opportunities provided by aggregation of such data, (notwithstanding the implications on data privacy and cyber security). TRL is actively engaged on projects to inform governments and industry on how to navigate this complex area.

## STRATEGIC REPORT

(CONTINUED)

### UK MARKET ENGAGEMENT

As an internationally designated Research & Technology Organisation (RTO) and a commercial limited company business, TRL continued its role as an independent organisation in support of its major UK Government clients, providing thought-leading insight to underpin strategic, operational and policy decisions. Examples include:

- Major new programmes into connected and autonomous vehicles, ultra-low emission vehicle technologies and intelligent asset infrastructure, including associated big-data and deep learning initiatives.
- Safety initiatives and investigations, delivering reduced fatalities and serious injuries, covering road, rail, cycling and pedestrian travel modes – for travellers and transport workers in hazardous environments.
- Independent policy advice relating to air quality, carbon and nitrous oxide emissions – in particular relating to vehicle pollutants from private motor cars and heavy truck supply-chain/logistical operations.
- Research into physical driving disabilities and specific conditions such as diabetes, dementia, head injury and stroke as well as the impact of mental health and cognitive decline - especially in older drivers.
- Reducing congestion and journey times within urban and inter-urban environments using smart, adaptive traffic control technologies and software solutions, linking with new connected-vehicle innovations.
- Optimising investments into asset design, maintenance and operation, while improving the traveller experiences across multiple surface transport operations, especially strategic and local roads.

TRL also delivers valuable services to its private sector client portfolio, especially with leading automotive, motorsport, insurance and energy organisations. Examples include:

- Behavioural research helping vehicle manufacturers better understand the ergonomic and cognitive implications of its driver-assist initiatives, with the ever-increasing complexity of in-vehicle technologies.
- Forensic investigations into vehicle incidents involving death or serious injuries, providing insurers with independent expert evidence. This supports liability disputes while identifying preventative interventions.
- Evidence-based assessments into the changing energy demands of society with the uptake and usage of alternative propulsion systems for vehicles, particularly electric vehicles and their charging requirements.
- Research and guidance, including technology roadmaps, considering adoption of connected and autonomous vehicle technologies and associated smart infrastructure standards.

In addition to hosting visits by UK ministers, senior civil servants and senior executives from private sector companies, there were further delegations coming to TRL from around the world, wanting to learn about its expertise and innovative ideas for surface transport; these included delegations from countries in Europe, Middle East & Africa, plus Israel and Australia.

### INTERNATIONAL

TRL's international engagement is broad geographically, and diverse in its content. TRL's activities in the period relate to organisations located across 145 countries, gaining value through the use of TRL's products and services. The international dimension to TRL's business enables it to transfer valuable knowledge and experience to other countries, promoting the excellence of 'UK Plc', while also learning from the cultural, environmental and jurisdictional differences that occur in other countries, enabling TRL to bring that tangible experience to its UK and other international clients.

## STRATEGIC REPORT (CONTINUED)

Participation in major research programmes in Europe continued to be a focus. TRL continued to influence the European agenda through its direct work on varying research programmes, coupled with its membership of relevant European industry bodies that are at the forefront of innovation in surface transport initiatives. BREXIT creates some uncertainty, although TRL expects to continue engaging positively with Europe post-BREXIT.

Through its offices in the Middle East (Qatar and United Arab Emirates), TRL continued to maintain a presence in the region, although the Company is actively changing the nature of its activities in the region and shifting to a partnering model. TRL completed a range of research, consulting and software projects in areas of road safety, vehicle safety, incident investigation, asset maintenance and sustainability, air quality and highway standards.

TRL's focus on Africa continued to provide new opportunities and interesting projects, including Ethiopia, Gambia, Ghana, Kenya, Mozambique, Nigeria and Tanzania. These programmes are typically focused on asset maintenance or road safety initiatives, secured through the UK's Department for International Development (DFID), or in region with public sector entities, funded by development bank organisations.

Having recently established operations (legal entity) in India as part of its strategy, new contracts have been secured and delivered successfully for national and regional government clients, especially relating to road safety, asset maintenance and traffic management programmes. There continues to be an increasing pipeline of market opportunity, particularly relating to smart cities and vehicle electrification.

TRL continues to support the World Health Organisation and the United Nations in their 'Decade of Action for Road Safety' with a variety of tangible, evidenced initiatives that have reduced deaths and serious injuries in many countries around the world. Linked to this important work, TRL was again recognised within the International Road Safety Awards programme, hosted by Prince Michael of Kent, Patron of the Commission for Global Road Safety. TRL continues to be the 'most awarded' research organisation in the 30-year history of this prestigious and globally impactful charity.

TRL's software portfolio continues to play a small, but strategically valuable role for the Company. New business and sustainable profits from the portfolio were strong, but this business activity is also undergoing a major investment programme to further position itself for future market growth. In particular, the transformation of its traffic software portfolio, coupled with its accident management & investigations software was particularly successful, especially in the Middle East and India. The portfolio of TRL's asset management software, focused on local and rural road segments, continued to deliver sustained value to clients and create increasing international opportunities for growth.

## PEOPLE

Many of the core competencies of TRL reside in its people. The depth and breadth of the scientific and technical expertise are regularly cited on an international basis by TRL's clients, partners and industry stakeholders.

TRL's policies and practices towards people have been assessed and accredited under the Investors in People scheme for 17 years and is currently recognised at Silver level. In addition, the business undertakes an in-depth employee engagement survey every two years, linked to a continuous improvement regime.

A critical focus in the period has been the continued emphasis on attracting, retaining and developing the core assets of the Company, its people. Although the business has seen an increase in voluntary staff turnover in the period, this has remained within industry norms.

## STRATEGIC REPORT (CONTINUED)

Substantive investments and personal coaching have been made to deepen the functional disciplines of leadership, business development/commercial, project management and programme delivery; in many cases linked to industry-recognised standards.

A key factor in building the scientific and engineering competencies of TRL is the extent to which its people can engage and share knowledge with other industry-leading experts. As such, TRL is represented in international research associations, managed through the framework of the TRL Academy, which has a particular focus in:

- Building strong and truly collaborative relationships with key university departments in order to maximise funding opportunities through partnerships.
- Managing the Company's programme of re-investment (of its commercial profits) back into developing expertise in its people. This investment is targeted at 'emerging areas' where TRL seeks to develop new, thought-leading areas of innovation for industry.
- Investing in specific people pursuing PhDs at several universities, including the use of TRL's Open University 'Affiliated Research Centre' status.

Overall, TRL recognises that, although much of its heritage from its inception in 1933 (while originally part of the UK Government) has involved substantial investments in the creation of sophisticated testing facilities and research laboratories, TRL remains, at its heart, a knowledge business. Continuously investing in people to build deeper and broader knowledge and expertise, ensuring TRL continues to create the future of transport and mobility, remains the critical focus.

## PRINCIPAL RISKS AND UNCERTAINTIES

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, securing business from a combination of public and private sector clients in the UK, coupled with a broad international profile of clients across many countries. Despite the success of this diversification, a material downturn in the UK economy could pose a risk to Company performance.
- **Framework Contracts:** Despite substantial success in diversifying its business in the last few years, the Company is somewhat reliant on certain major UK public sector clients for contracts awarded under framework agreements, which are subject to periodic competitive tender. The Company is seeking to better position itself to ensure it is well placed to win future UK public sector contracts, while continuing to diversify into private and international markets.
- **Pension Deficit:** The Company continues to have a defined benefit pension scheme deficit, details of which are contained within [note 16](#). The directors have agreed with the scheme trustees an on-going plan to deal with this deficit. The Company's strategic plan, already evidencing signs of value creation, seeks to insulate the Company from negative variations to the pension scheme 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.

## STRATEGIC REPORT

(CONTINUED)

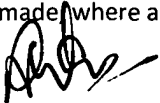
The directors maintain a Company risk register that identifies and evaluates risks as soon as possible, while co-ordinating the implementation of suitable measures to mitigate such risks. The risk register is reviewed at least every 3 months, with each identified risk having a 'risk-owner' within the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

## OUTLOOK

Following investments and restructuring decisions made throughout the last 5 years, coupled with the strong trading in the period, including record order book levels and an increasing cash balance, the Company is confident in the foundations it has now set. During 2018/19, the business is anticipating a further upturn in turnover and profitability, assuming no material negative impact from the final BREXIT arrangements.

Trading will continue to focus on the Company's public and private sector clients in the UK, linked with further deepening of its international activities in Europe, India, Africa & Middle East markets. The Company's industry focus will continue to be core surface transport sectors (e.g. strategic & local roads, cities & urban, government policy & standards), linked with relevant areas of automotive, motorsport, insurance and energy sectors around the 'new mobility' agenda.

The Company's current banking arrangements with Lloyds Bank plc, include multi-million financing facilities that are supplementary to the Company's own cash reserves; these further enable acquisitive investments and ventures to be made where appropriate.



Rob Wallis

CEO

19 September 2018

## DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 30 June 2018.

### 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:

R Wallis  
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 a Senior 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 weekly number of employees for the year ended 30 June 2018 was 312 (2017: 341).

### 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 borrowings in place to fund acquisitions, capital expenditure and bonding requirements. The Transport Research Foundation Group, which includes the Company, had £4.15m (2017: £4.15m) of undrawn committed facilities as at 30 June 2018.

The Company has a pension scheme deficit that, measured under Financial Reporting Standard (FRS) 102, was £19.5m (2017: £26.3m) at the end of June 2018. 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, 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.

## **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. 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 consideration is given to applications of employment from disabled persons. If an employee becomes disabled, reasonable adjustments will be made to retain an employee in employment.

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](http://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](http://www.trl.co.uk/about-us/assurance-independent-certification).

## **DIRECTORS' REPORT**

(Continued)

### **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.

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.

### **CERTIFICATIONS**

The Company is currently certified to the following standards:

- ISO 9001:2015 – Quality Management System Requirements
- ISO 14001:2015 – Environmental Management System
- OHSAS 18001:2007 – Health & Safety Management System
- ISO 27001:2013 – Specification for Information Security
- ISO/IEC 17025:2005 – Testing Laboratory Management System Requirements

In addition to its formal certifications, the Company'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 (2017: £nil).

### **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' REPORT

(Continued)

### 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;



R Wallis  
Chief Executive  
19 September 2018



P Van Campen  
Finance Director  
19 September 2018

## **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 2018 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 2018 and of its profit 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 12, 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

20 September 2018

## Income Statement

for the year ended 30 June 2018

	Notes	2018 Total £000	2017 Total £000
<b>Turnover</b>	3	<b>32,601</b>	31,160
Cost of sales		<b>(18,244)</b>	(16,015)
Gross profit		<b>14,357</b>	15,145
Administrative expenses - excluding depreciation and amortisation		<b>(12,705)</b>	(14,373)
Administrative expenses - exceptional costs	4	-	(1,739)
		<b>(12,705)</b>	(16,112)
<b>Profit/(loss) before interest, tax, depreciation &amp; amortisation</b>		<b>1,652</b>	(967)
Depreciation and amortisation		<b>(558)</b>	(1,447)
Depreciation and amortisation - exceptional costs	4	-	(1,086)
		<b>(558)</b>	(2,533)
<b>Operating profit/(loss)</b>	5	<b>1,094</b>	(3,500)
<b>Profit/(loss) before interest &amp; taxation</b>		<b>1,094</b>	(3,500)
Interest payable and similar expenses	6	<b>(705)</b>	(570)
<b>Profit/(loss) before taxation</b>		<b>389</b>	(4,070)
Tax (charge)/credit on profit/(loss)	8	<b>(131)</b>	602
<b>Profit/(loss) for the financial year</b>		<b>258</b>	<b>(3,468)</b>

All activities of the Company are continuing operations

## Statement of Comprehensive Income

for the year ended 30 June 2018

		<b>2018</b>	2017
		<b>£000</b>	£000
Profit/(loss) for the financial year		<b>258</b>	(3,468)
Remeasurement loss recognised on defined benefit pension scheme	16	<b>6,956</b>	(7,870)
Movement on deferred tax relating to pension liability	8(c)	<u><b>(1,183)</b></u>	<u>1,154</u>
Total comprehensive profit/(loss) for the year		<u><b>6,031</b></u>	<u>(10,184)</u>

**Statement of Changes in Equity**  
for the year ended 30 June 2018

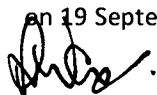
	Share Premium Account £000	Profit and loss Account £000	Total Shareholders' Funds £000
At 1 July 2016	16,800	(17,911)	(1,111)
Loss for the year	-	(3,468)	(3,468)
Net increase in pension liability	-	<u>(6,716)</u>	<u>(6,716)</u>
Total comprehensive loss for the year	-	<u>(10,184)</u>	<u>(10,184)</u>
At 30 June 2017	16,800	(28,095)	(11,295)
Profit for the year	-	258	258
Net decrease in pension liability	-	<u>5,773</u>	<u>5,773</u>
Total comprehensive loss for the year	-	<u>6,031</u>	<u>6,031</u>
At 30 June 2018	<u>16,800</u>	<u>(22,064)</u>	<u>(5,264)</u>

## Statement of Financial Position

at 30 June 2018

	Notes	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	9	726	501
Tangible assets	10	2,253	1,634
Investments	11	<u>1,057</u>	<u>1,057</u>
		<u>4,036</u>	<u>3,192</u>
<b>Current assets</b>			
Stocks		34	107
Debtors : amounts falling due within one year	12	11,159	12,635
Debtors : amounts falling due in more than one year	12	6,913	8,100
Cash at bank and in hand		<u>4,365</u>	<u>2,407</u>
		<u>22,471</u>	<u>23,249</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(11,809)</u>	<u>(11,008)</u>
<b>Net current assets</b>		<u>10,661</u>	<u>12,241</u>
<b>Total assets less current liabilities</b>		<u>14,698</u>	<u>15,433</u>
<b>Provisions for liabilities and charges</b>	15	453	453
<b>Defined benefit pension liability</b>	16	19,509	26,275
<b>Capital and reserves</b>			
Share premium account	23	16,800	16,800
Profit and loss account	24	<u>(22,064)</u>	<u>(28,095)</u>
		<u>(5,264)</u>	<u>(11,295)</u>
		<u>14,698</u>	<u>15,433</u>

The financial statements on pages 16 to 41 were approved by the Board of Directors and authorised for issue on 19 September 2018 and are signed on its behalf by;



Rob Wallis  
Chief Executive  
19 September 2018

## Notes to the Financial Statements

At 30 June 2018

### 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 2018.

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
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts for financial instruments measured at amortised cost or cost less impairment; interest income/expense and net gains/losses for financial instruments measured at amortised cost; loan defaults or breaches, and descriptions of hedging relationships.

#### BASIS OF CONSOLIDATION

The Company has five wholly-owned subsidiaries as at 30 June 2018; TRL International Limited, Appia Infrastructure Solutions Limited, Transport and Travel Research Limited. TRL Software Limited and RHJ Software 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.

## Notes to the Financial Statements

At 30 June 2018

### 1. Accounting policies (continued)

#### GOING CONCERN

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from time of approval. Thus the directors continue to adopt the going concern basis of accounting in preparing the 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 – 3 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.

#### 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.

## Notes to the Financial Statements

At 30 June 2018

### 1. Accounting policies (continued)

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 budgeted total costs, this is then applied to the budgeted 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.

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 other operating income.

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.

## Notes to the Financial Statements

At 30 June 2018

### 1. Accounting policies (continued)

#### 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 compare 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 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.

#### 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.

## Notes to the Financial Statements

At 30 June 2018

### 1. Accounting policies (continued)

#### 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 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.

## Notes to the Financial Statements

At 30 June 2018

### 1. Accounting policies (continued)

#### 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 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 nominal 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)

### 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.

## Notes to the Financial Statements

At 30 June 2018

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

#### Development expenditure

Development expenditure is capitalised in accordance with the accounting policy outlined in section 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.

#### Exceptional costs

Management exercise judgement in determining the adjustments which provide additional useful information on the underlying trends, performance and position of the Company.

This assessment covers the nature of the item, cause of the occurrence and the scale of the impact of that item on reported performance. A breakdown of the exceptional items included in the Income Statement for the prior year period is disclosed in note 4.

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 16. The sensitivities associated with each of the key financial assumptions are as follows;

- An increase of 0.1% in the discount rate would reduce the liability by 2.2%;
- An 0.1% increase in RPI (and associated assumptions for pension increases) would increase the liability by 1.7%;
- A 1 year decrease in the life expectancy of scheme members' would reduce the liability by 3.8%.

#### - 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 2018

### 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;

	2018	2017
	£000	£000
UK	27,478	25,499
Europe	2,321	2,200
Middle East	649	2,270
Africa	1,033	840
Other	1,120	351
	<u>32,601</u>	<u>31,160</u>

### 4. Exceptional Items

The loss for the year ended 30 June 2017 included the following exceptional items;

	£000
Crowthorne House	1,717
Staff restructuring costs	1,015
TTR integration	68
Overseas legal advice	25
	<u>2,825</u>

## Notes to the Financial Statements

At 30 June 2018

### 5. Operating profit/(loss)

This is stated after charging/(crediting):	2018	2017
	£000	£000
Depreciation	469	2,007
Impairment of software development	-	509
Amortisation of software development	91	35
Profit on disposal of tangible fixed assets	-	(21)
Research and development expenditure expensed	246	257
Research and development tax credit	(512)	(600)
Auditor's remuneration :		
- Audit Services	38	36
- Audit Services (Overseas affiliates)	34	-
- Non-audit services (Overseas affiliates): taxation	5	-
Operating lease rentals expense	1,320	2,082
Operating lease rentals income	-	(579)
Foreign exchange gain/(loss)	78	(34)

### 6. Interest payable and similar expenses

	2018	2017
	£000	£000
Other interest payable	2	-
Interest on net defined benefit pension liability	703	570
	<u>705</u>	<u>570</u>

## Notes to the Financial Statements

At 30 June 2018

### 7. Staff costs

a) Staff costs	<b>2018</b>	2,017
	<b>£000</b>	£000
Salaries and wages	<b>12,129</b>	13,885
Social security costs	<b>1,306</b>	1,363
Other pension costs	<b>1,366</b>	1,429
	<b>14,801</b>	16,677

The average weekly number of people employed (including executive directors) during the year was:

	<b>2018</b>	2017
Research and technical	<b>252</b>	260
Managerial, business development and administrative	<b>60</b>	81
	<b>312</b>	341

b) Directors' remuneration	<b>2018</b>	2017
	<b>£000</b>	£000
Salary, annual performance bonuses & benefits in kind	<b>469</b>	424
Defined contribution pension scheme payments	<b>15</b>	14
	<b>484</b>	438

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:

	<b>2018</b>	2017
	<b>£000</b>	£000
Salary, annual performance bonuses & benefits in kind	<b>275</b>	252
Defined contribution pension scheme payments	-	-
	<b>275</b>	252

## Notes to the Financial Statements

At 30 June 2018

### 8. Tax on profit/(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 £6,913,000 (2017: £8,100,000) in the Company statement of financial position as at 30 June 2018.

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 profit/(loss)

The tax charge/(credit) is made up as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
Current tax:		
UK Corporation Tax at 19% (2017: 19.75%)	<b>97</b>	118
Tax under provided in previous years	<b>30</b>	-
Total current tax charge	<b>127</b>	118
Deferred tax:		
Origination and reversal of timing differences	<b>4</b>	(902)
Adjustments in respect of prior periods	-	36
Effect of decreased tax rate on opening asset	-	146
Deferred tax charge/(credit)	<b>4</b>	(720)
Tax charge/(credit) on profit/(loss) (note 8b)	<b>131</b>	(602)

## Notes to the Financial Statements

At 30 June 2018

### 8. Tax on profit/(loss) (continued)

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

The tax assessed on the profit for the year is higher (2017: higher) than the effective rate of Corporation Tax in the UK of 19% (2017: 19.75%). The differences are reconciled below:

	2018 £000	2017 £000
Profit/(loss) before tax	<u>389</u>	<u>(4,070)</u>
Profit/(loss) multiplied by standard rate of Corporation Tax in the UK of 19% (2017: 19.75%)	74	(804)
Expenses not deductible for tax purposes	26	65
Effect of decreased tax rate	34	132
Pension cost	-	(4)
Research & development tax credit	(33)	(1)
Other tax adjustments, reliefs and transfers	-	(26)
Adjustments in respect of prior periods	<u>30</u>	<u>36</u>
Total tax charge/(credit)	<u>131</u>	<u>(602)</u>

#### (c) Tax included in the statement of total other comprehensive income

The tax charge/(credit) is made up as follows:

	2018 £000	2017 £000
Deferred tax:		
Actuarial gain/(loss) on pension scheme in the year	1,183	(1,338)
Effect of decreased tax rate on opening balance	<u>-</u>	<u>184</u>
Total tax charge/(credit)	<u>1,183</u>	<u>(1,154)</u>

A change to reduce the main rate of UK corporation tax to 17% from 1 April 2020 was announced in the Chancellors Budget on 16 March 2016.

Therefore, the deferred tax asset as at 30 June 2018 has been calculated accordingly at 17%.

## Notes to the Financial Statements

At 30 June 2018

### 9. Intangible assets

	Software development expenditure £000
<b>Cost</b>	
At 1 July 2017	1,048
Additions during the year	<u>316</u>
<b>At 30 June 2018</b>	<b><u>1,364</u></b>
<b>Amortisation</b>	
At 1 July 2017	547
Provided during the year	<u>91</u>
<b>At 30 June 2018</b>	<b><u>638</u></b>
<b>Net book value</b>	
<b>At 30 June 2018</b>	<b><u>726</u></b>
At 30 June 2017	<u>501</u>

### 10. Tangible assets

	Major test facilities £000	Other research equipment £000	Computers & office equipment £000	Vehicles £000	Leasehold improvements £000	Total £000
<b>Cost</b>						
At 1 July 2017	2,244	1,225	5,856	329	2,109	11,763
Additions	221	-	99	-	768	1,088
Disposals	-	-	(23)	-	-	(23)
<b>At 30 June 2018</b>	<b><u>2,465</u></b>	<b><u>1,225</u></b>	<b><u>5,932</u></b>	<b><u>329</u></b>	<b><u>2,877</u></b>	<b><u>12,828</u></b>
<b>Depreciation</b>						
At 1 July 2017	2,017	1,168	5,413	271	1,260	10,129
Provided during the year	69	42	178	24	156	469
Disposals	-	-	(23)	-	-	(23)
<b>At 30 June 2018</b>	<b><u>2,086</u></b>	<b><u>1,210</u></b>	<b><u>5,568</u></b>	<b><u>295</u></b>	<b><u>1,416</u></b>	<b><u>10,575</u></b>
<b>Net book value</b>						
<b>At 30 June 2018</b>	<b><u>379</u></b>	<b><u>15</u></b>	<b><u>364</u></b>	<b><u>34</u></b>	<b><u>1,461</u></b>	<b><u>2,253</u></b>
At 30 June 2017	<u>227</u>	<u>57</u>	<u>443</u>	<u>58</u>	<u>849</u>	<u>1,634</u>

## Notes to the Financial Statements

At 30 June 2018

### 11. Investments

#### Shares in subsidiary undertakings

Cost:

£

At 1 July 2017 and 30 June 2018

1,057,000

#### 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
RHJ Software Limited	England	Ordinary	100

TRL International Limited is a Partner of TRL Professional & Software Solutions (India) LLP, a Limited Liability Partnership incorporated on 9 December 2016 in India. The Company has 100% of the rights to the net profits of the LLP.

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.

## Notes to the Financial Statements

At 30 June 2018

### 12. Debtors

	2018	2017
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	5,315	5,538
Amounts recoverable on contracts	4,132	4,581
Amounts due from Group undertakings	23	322
Research and development tax credit debtor	868	1,349
Other debtors	8	49
Prepayments and accrued income	813	796
	<u>11,159</u>	<u>12,635</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:

	2018	2017
	£000	£000
Decelerated capital allowances	1,681	2,048
Pension costs	3,317	4,467
Tax losses carried forward	1,442	1,200
Research and Development tax credit	473	385
	<u>6,913</u>	<u>8,100</u>
		£000
At 1 July 2017		8,100
Deferred tax charge in income statement		(4)
Amount charged in the statement of comprehensive income		<u>(1,183)</u>
<b>At 30 June 2018</b>		<u><b>6,913</b></u>

### 13. Creditors

	2018	2017
	£000	£000
Payments on account	1,877	1,788
Trade creditors	3,591	3,130
Amounts due to Group undertakings	591	654
Other taxation and social security	1,401	948
Other creditors	158	413
Accruals and deferred income	4,191	4,075
	<u>11,809</u>	<u>11,008</u>

## Notes to the Financial Statements

At 30 June 2018

### 14. Obligations under operating leases

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

	Land & Buildings		Other	
	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	887	637	21	21
In two to five years	4,406	3,995	22	10
In over five years	4,107	5,203	-	-
	<u>9,400</u>	<u>9,835</u>	<u>43</u>	<u>31</u>

### 15. Provisions for liabilities and charges

	2018 £000	2017 £000
At 1 July 2017	453	-
Additions	-	453
<b>At 30 June 2018</b>	<u>453</u>	<u>453</u>

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

## Notes to the Financial Statements

At 30 June 2018

### 16. 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 2018, amounted to £1,366,000 (2017: £1,429,000). Of these contributions received in the year to 30 June 2018, £739,000 (2017: £752,000) 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 2018 by a qualified independent actuary. The analysis was based on the full actuarial valuation as at 5 April 2015.

#### Assumptions used to determine benefit obligations at:

	2018	2017
Interest rate for discounting liabilities	2.90%	2.70%
Retail price inflation	3.00%	3.10%
Consumer price inflation	1.90%	2.00%
Rate of pension increases, LPI 5%	2.90%	2.95%
Rate of pension increases, LPI 2.5%	2.00%	2.05%
Mortality	S2NXA, CMI 2017, 1% long term improvement	S1NXA, CMI 2015, 1% long term improvement

#### Life expectancy on post-retirement mortality table:

	2018		2017	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.5	23.5	22.1	24.1
Member age 45 (life expectancy at age 65)	22.5	24.7	23.2	25.3

## Notes to the Financial Statements

At 30 June 2018

### 16. Pensions and other post-retirement benefits (continued)

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

	2018	2017
	£000	£000
Fair value of scheme assets	68,670	68,957
Present value of scheme liabilities	(88,179)	(95,232)
Deficit	(19,509)	(26,275)
Related deferred tax asset	3,317	4,467
Net liability	(16,192)	(21,808)

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

	2018	2017
	£000	£000
<b>Operating cost</b>		
Administrative expenses	554	519
<b>Finance cost</b>		
Interest cost	2,539	2,594
Interest income	(1,836)	(2,024)
Subtotal for finance cost	703	570
<b>Total pension cost in the Income Statement</b>	<b>1,257</b>	<b>1,089</b>

## Notes to the Financial Statements

At 30 June 2018

### 16. Pensions and other post-retirement benefits (continued)

#### Reconciliation of the assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 July 2017	68,957	(95,232)	(26,275)
Current service costs	-	-	-
Benefits paid	(2,412)	2,412	-
Employer contributions	1,067	-	1,067
Expenses paid	(554)	-	(554)
Interest income/(expense)	1,836	(2,539)	(703)
Remeasurement gains/(losses)			
- Actuarial losses	-	7,180	7,180
- Return on plan assets excluding interest income	(224)	-	(224)
<b>At 30 June 2018</b>	<b><u>68,670</u></b>	<b><u>(88,179)</u></b>	<b><u>(19,509)</u></b>
Actual return on assets over the period to 30 June 2018	<u>1,612</u>		

Amounts included in the fair value of scheme assets for:	2018 £000	2017 £000
Equities	7,252	7,169
Bonds	11,147	10,263
Other	50,271	51,525
<b>Total</b>	<b><u>68,670</u></b>	<b><u>68,957</u></b>

#### Contributions

The Company expects to contribute approximately £1,471,000 to its defined benefit pension scheme in the year to 30 June 2019.

#### Balance Sheet reconciliation, excluding any related deferred tax

	2018 £000	2017 £000
Liability at beginning of year	26,275	18,376
Amounts recognised in the Income Statement in the year	1,257	1,089
Actuarial losses recognised in the year	(6,956)	7,870
Employer contributions made in the year	(1,067)	(1,060)
Liability at end of year	<u>19,509</u>	<u>26,275</u>

## Notes to the Financial Statements

At 30 June 2018

### 17. Financial Instruments

The Company's financial instruments may be analysed as follows;

	2018	2017
	£000	£000
<b>Financial Assets</b>		
Financial Assets measured at historical cost		
- Trade debtors	5,315	5,298
- Amounts recoverable on contracts	4,132	4,132
- Other debtors	31	653
<b>Total Financial Assets</b>	<u>9,478</u>	<u>10,084</u>
<b>Financial Liabilities</b>		
Financial liabilities measured at historical cost		
- Trade creditors	3,591	3,583
- Payments on account	1,877	1,877
- Other creditors	749	912
- Accruals	4,191	3,344
<b>Total Financial Liabilities</b>	<u>10,408</u>	<u>13,792</u>

Financial assets measured at amortised cost comprise trade debtors, amounts recoverable on contracts and other debtors.

Financial Liabilities measured at amortised cost comprise trade creditors, payments on account, other creditors and accruals.

## Notes to the Financial Statements

At 30 June 2018

### 18. Related party transactions

As a wholly owned subsidiary undertaking of a parent undertaking whose financial statements are publicly available (see note 21), 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 Senior Leadership team.

Total compensation of key management personnel in the year amounted to £826k (2017: £863k)

National Insurance contributions paid on behalf of Senior Leadership team were £90k (2017 £94k).

### 19. Capital Commitments

	2018	2017
	£000	£000
Commitments contracted but not provided for	<u>-</u>	<u>609</u>

The capital commitments as at 30 June 2017 related to the refurbishment of Crowthorne House.

### 20. 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.

### 21. 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.

## Notes to the Financial Statements

At 30 June 2018

### 22. Share Capital

	2018 Number	2017 Number	2018 £	2017 £
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.

### 23. Reserves

#### Share premium account

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

### 24. Profit and loss account

Cumulative profit and loss net of distributions to owners.