(Company number 3011746)

Transport Research Foundation
Reports and Financial Statements

30 June 2021

Corporate Information

Directors

Charles Rice	Chairman
Paul Campion	Chief Executive
Alan Hardy	Chief Financial Officer
Christopher Lodge	Non-Executive Director (employee appointed)
Stephen Parker	Non-Executive Director
Peter Millard	Non Executive Director

Secretary

Peter Millard

Auditor

RSM UK Audit LLP
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Solicitors

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Registered Number : 3011746

STRATEGIC REPORT

GROUP PROFILE

The 'TRL' group of companies is owned by the Transport Research Foundation: a non-profit distributing company that enables our experts to give independent advice without influence from shareholders or finance companies.

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 is relied on by governments, public bodies and organisations across the industry to enable safer, cleaner, more efficient transport.
- Delivers detailed incident investigation, structural survey, environmental data collection and analysis 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, and operates 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 Group aimed to break even in the year and to make operational improvements to prepare for improved trading conditions in the next financial year. These goals were achieved.

	30th June 2021	**30th June 2020**
Turnover	**£20.9m**	**£25.3m**
Gross profit	**£12.5m**	**£12.3m**
Gross profit margin	**60%**	**48%**
Profit/(loss) before interest, tax, depreciation & amortisation (EBITDA)	**£0.7m**	**(£1.8m)**
EBITDA margin	**3.4%**	**(7.1%)**
Profit/(loss) before interest & taxation (EBIT)	**£0.03m**	**(£2.5m)**
Cash at bank and in hand	**£2.6m**	**£2.1m**

Extracts from audited accounting periods of 2020/21 and 2019/20.

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 but which faces major challenges that require fundamental change 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.

STRATEGIC REPORT

(CONTINUED)

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.

During the financial year 2020-21 the transport sector was impacted very severely by the COVID-19 pandemic. Most of TRL's customers focused exclusively on making their operations safe for their employees and users and on dealing with the financial and other impacts of the behavioural changes and dynamic regulatory changes that occurred. This meant that spending on traditional and existing projects was significantly reduced and, in some cases, paused entirely. TRL was able to help some of its clients with dealing with the emergency but these short-term projects were small in comparison with the work that was reduced or paused.

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 various business models.

1. Project-based research and consultancy. These are custom projects utilising a broad range of technical disciplines to meet our clients' 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.

In Autumn 2020 TRL launched the Smart Mobility Living Lab (SMLL) in London as a fourth line of business.

> TRL, with the UK Government and industry partners such as Cisco, Cubic, Transport for London, the Royal Borough of Greenwich, the London Legacy Development Corporation, DGCities and Loughborough University invested £23m to build a globally unique public road testbed in Europe's megacity London. It is an advanced facility that enables customers to test and develop mobility products and services first in a simulated 'digital twin' of the testbed and to validate those tests in the real-world environment in Woolwich and the Queen Elizabeth Olympic Park. It forms part of "CAM Testbed UK" which offers global customers a broad range of test and development facilities so that they can benefit from the UK's strong capabilities in Connected and Automated Mobility.

The launch of SMLL is an example of the investments we have made to improve TRL's competitiveness and market positioning so that the group can exploit the market changes described above.

Performance

The reductions in work available described above continued and exacerbated a trend of reduced work that had started at the end of the preceding financial year (FY 19-20). The business adopted a budget that aimed to eliminate the losses that had been incurred in FY 19-20, but to continue investments that would enable increased work winning and better financial performance when the upturn came.

The business achieved these goals, delivering a small positive EBIT in the year and ending the year with increased cash. Although the upturn in sales was delayed by a second and third lockdowns, which had not been anticipated at the time when plans were set, a strengthened sales and marketing team, plus improved delivery quality and bid processes delivered a sales performance in the final quarter which was nearly double the next best quarter's sales in the preceding two years. In addition, a strong future pipeline of sales was built that will enable greater revenue and EBIT and the rebuilding of the backlog of contracted work.

The company's subsidiary in India was refocused onto software where early successes with the local partner, Experion, have confirmed the growth potential of this approach.

STRATEGIC REPORT

(CONTINUED)

The Group partnered with a company in Germany (fka GmbH) to enable it to continue to bid for and deliver work to the European Commission and other EU bodies after the UK left the EU. Following the UK's exit, TRL successfully won EC business with this partner.

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 Lloyds Bank.

The Group made use of the UK Government's Job Retention Scheme and tax deferment schemes to mitigate the effects on our employees of the reduction in available work as well as implementing a temporary pay reduction for all but the lowest paid employees. As a result, no redundancies or other workforce reduction measures were taken in FY 20-21 and TRL will be able to benefit from the skills of its entire team to service the new business opportunities that are emerging.

Governance

Mr. Peter van Campen retired from the company which he had served as Director and CFO for six years. He was replaced in both roles by Mr. Alan Hardy.

Technical strategy

The Academy Director appointed technical heads for each of the six themes within our technical strategy:

- New mobility
- Environment and decarbonisation
- Automation in transport
- The digitisation of transport
- Transport safety
- Transport for sustainable development

White papers and other materials that discuss the drivers and implications of these themes, and TRLs work to drive them forward, and to support our customers to exploit them are being published.

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 Group cannot meet all the needs that their clients have and so TRL has, and will continue to seek out, partnerships and collaborations that can create high value solutions to our client's problems. An example is the innovative 'FUTRAN' joint venture that TRL formed with Arcadis and Pell Frischmann to work together on the Highways England/DfT SPaTS2 framework and which has successfully won a number of work packages.

Building enduring relationships with our actual and potential clients is critical to fully understanding their needs and delivering differentiated high value solutions. The account management function was fully staffed during the year and the improved relationships that it has built have resulted in an increase in the rate of work winning and a strong pipeline of future sales opportunities that will support the growth of the business.

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.

STRATEGIC REPORT

(CONTINUED)

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 members are also given opportunities to feed into such activities.

People

TRL is a people-based business. The very challenging trading conditions meant that many team members lacked sufficient chargeable work to do and the continuing pandemic meant that very few were able to safely work away from their own home or to meet customers, partners, suppliers or colleagues in person. The decision to avoid any redundancy or other workforce reduction measures was positively received. The Group's measures to protect its employees meant that no-one caught or was suspected of having caught COVID-19 at work. Attrition remained at or below traditional levels and the Group committed to its future vitality and growth by employing a second cohort of graduates and making offers to a third cohort who will start in the following financial year. At no time has the organisation struggled to attract very high calibre candidates to fill vacancies. The Group is grateful to all its employees for the commitment and support they have shown during challenging times.

Principal risks

There are a range of risks and uncertainties facing the Group. 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 Group's performance:

- Macro-Economic Conditions: The Group 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 Group performance.
- Framework Contracts: The Group 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 Group continues to have a defined benefit pension scheme deficit, details of which are contained within note 17. The directors have agreed with the scheme trustees an on-going plan to deal with this deficit.
- Employees: The Group'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 Group loses, or fails to attract, employees of the requisite calibre, this could adversely impact the business. The Group seeks to mitigate this risk by investing in appropriate professional development, remuneration incentives and focused recruitment.

The Directors maintain a Group 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 three months, with each identified risk having a 'risk-owner' within the senior leadership team.

STRATEGIC REPORT

(CONTINUED)

Directors' Duties

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 and 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 group and company's employees;
- The need to foster the group and company's business relationships with suppliers, customers and others;
- The impact of the group and company's operations on the community and environment;
- The desirability of the group and 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, a Director is 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.

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 are its principal assets.
For further details on our people, please see pages 8 and 9.

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, 9 and 10.

Business Conduct
For details of the certifications and accreditations that have been achieved by TRL, please see page 11.

Members
For further details on how we engage with our members, please see pages 4 and 5.

Outlook
Although the environment continues to be uncertain with the continuing pandemic, and the economic rebalancing following the UK's exit from the EU as particular concerns, the business has demonstrated an improved ability to win and perform work during FY 20/21. The Directors remain confident that TRL will grow turnover and profitability in FY 21/22.

P Campion
Director
17 September 2021

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group 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 Group also funds its own programme of innovative research, managed through the TRL Academy, which is mainly delivered internally by the Group's personnel. Outcomes of this research are commonly disseminated on behalf of the Group through TRL's website, www.trl.co.uk. As a result, TRF has Scientific Research Association status under s469 of the Income and Corporation Taxes Act 2010, which it has maintained since incorporation.

DIRECTORS OF THE COMPANY

The Directors who served during the year were as follows:

C J Rice *	Chairman
P J Campion	
A Hardy	(appointed on 25 February 2021)
C Lodge *	
P Millard *	
S Parker *	
P Van Campen	(resigned on 28 February 2021)

* Non-executive director

Mr P Millard retires by rotation and, being eligible, offers himself for re-election.

The Board ensures that the Group 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 Board generally meets at least eight times per year, although additional meetings may be held when required.

The Group 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.

The Transport Research Foundation is a company limited by guarantee, and as such there is no share capital in the Company. No Director had any interests in the share capital of the Company's subsidiaries.

EMPLOYEES

The average monthly number of employees for the year ended 30 June 2021 was 284 (2020: 281).

DIRECTORS' REPORT

(CONTINUED)

RATIOS

Annualised turnover generated per employee for the year ended 30 June 2021 was £74,000, as compared to £90,000 for the year ended 30 June 2020.

The current ratio (current assets as a ratio of current liabilities) as at 30 June 2021 was 2.22, compared to 1.92 at 30 June 2020.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, and the financial position of the Group are set out in the Strategic Report on pages 2 to 6.

The Group uses cash flow forecasts derived from the budget and medium-term planning to identify headroom and any future funding requirements. The Group meets its day to day working capital requirements through operating cash flow, with facilities available to meet bonding and capital expenditure requirements. The Group had £1.1m (2020: £1.1m) of undrawn facilities as at 30 June 2021.

The Group has a pension scheme deficit that, measured under FRS 102, was £21.0m (2020: £22.4m) at the end of June 2021. This liability is due to unwind over a long period of time and scheme payments by TRL are pre-set every three years as part of a triennial funding review.

The Group's forecasts and projections, including stress testing taking account of reasonable changes in trading performance, confirm that the Group should be able to operate within the level of its banking facility and pension funding commitments. The Group has also continued to seek efficiencies within its cost base, which has included temporary salary reductions and recruitment freezes. After making enquiries and having evaluated the on-going trading of the business, the Directors have reasonable expectations that the Group 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 Annual Reports and Financial Statements.

FINANCIAL INSTRUMENTS RISKS

Exposure to credit, liquidity and interest rate risks arise in the normal course of business. These are monitored by the Board of Directors and were not considered to be significant at the Statement of Financial Position date. The risks are mitigated by the Group's financial management policies below;

- Credit risk – The Group assesses new and current customers for their creditworthiness. Trade debtor balances are monitored on an ongoing basis.
- Liquidity risk – The Group manages liquidity risk through forecasting cash flows and monitoring funds on a daily basis.
- Interest rate risk – The Group has limited external borrowings and manages cashflows as not to require additional facilities. As such, the Group have a low level of interest charges from our existing banking facilities.

FUTURE DEVELOPMENTS

The Group 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. Examples of this include setting up a new subsidiary in Germany to pursue future opportunities in Europe and also a new subsidiary in India to develop business further in India, the Middle East and Africa.

On 1 July 2020, the trade and assets of the Software Division within TRL Limited were transferred to a new Group subsidiary, TRL Software Limited.

DIRECTORS' REPORT

(CONTINUED)

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

EMPLOYEE INVOLVEMENT

The employment policies of the Group embody the principles of equal opportunity and the Group 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 Group policy to comply with all applicable laws governing employment practices. The Group 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 Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees and Regulations 2004. The Group keeps employees informed via internal electronic communications 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. A member of staff is appointed by employees to serve as a non-executive Director.

The Board would like to thank all employees of the Group 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 the Group 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 Group 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.

Energy and Carbon reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 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.

DIRECTORS' REPORT

(CONTINUED)

Direct GHG emissions (Scope 1) are emissions from sources that are owned or controlled by the Group, specifically vehicle use. Indirect GHG emissions (Scope 2 and 3) are emissions that are a consequence of the activities of the Group, but that occur at sources owned or controlled by other entities. Our scope 2 figures for leased energy usage are estimated as none of our landlords provide sub metering at leased locations. Our Scope 3 usage is also estimated. We have assumed that the grey fleet (being a vehicle owned and driven by an employee for business purposes) is petrol and have used the average mpg given for the UK to identify the likely energy usage.

Emissions have also been calculated using an 'intensity metric', which will enable the Group to monitor how well we are controlling emissions on an annual basis, independent of fluctuations in the levels of their activity. As the Group is a 'people' business, the most suitable metric is 'Emissions per Employee', based on the average number of Full Time Employee equivalents (FTE) during the year.

The Group's emissions per employees are shown in the table below;

Scope	Description	Current Reporting Year 2020 - 2021	Comparison Reporting Year 2019-2020
Total Energy use KwH	**All energy use recorded**	625,818	1,022,393
Scope 1 **Kg CO2e (1)**	Vehicle use in owned/ managed vehicles	13,665	84,591
Scope 2 **Kg CO2e (1)**	Electricity used (leased locations)	87,585	163,315
Scope 3 **Kg CO2e (1)**	Vehicles used but not owned	11,700	18,320
Total		112,950	266,226
Total (Scopes 1 and 2 only)		101,250	247,906
GHG per FTE (Kg CO2e)		**387.9**	**939.0**

(1) UK emission factors have been used for all data. All emission factors have been selected from the emissions conversion factors published annually (www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020)

The significant drop in carbon per employee is in no small part due to the ongoing impacts of the pandemic on the way we have carried out our business. We have carried out extensive consultation with our staff about their working patterns and intend to maximise the opportunity to permanently reduce our carbon emissions by adopting a hybrid working pattern allowing employees to only travel when it is genuinely necessary for business and at other times to work from their homes.

We continue to encourage employees to minimise their use of resources, reduce unnecessary travel, paper and energy consumption and recycle materials, wherever possible. We are exploring ensuring our reports and other information is accessible to all regardless of any impairment which will support our ambition to move to a paperless operation. We have shifted much of our computer storage and servers from on-prem to cloud-based solutions which reduces our direct electricity consumption. The use of cloud solutions is inherently more efficient in terms of resource use and emissions due to the scale of the activities.

We continue to monitor and look for further ways to improve our carbon footprint. We are preparing a decarbonisation plan for the business (in line with PPN06/21) which will look at our processes systematically and identify possible areas of improvement. We intend to expand our measurement and monitoring within the Scope 3 optional measurements to provide a more accurate representation of our true impact over and above the mandatory reporting requirements.

We have prepared these figures following the principles laid out in the GHG Protocol Corporate Accounting and Reporting Standard and using current government figures such as the annually published conversion factors, fuel consumption figures and the environmental reporting guidelines.

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.

AUDIT AND REMUNERATION COMMITTEES

The Audit Committee comprises Mr. Charles Rice (Chairman) and Mr. Stephen Parker. The Chief Executive, The Chief Financial Officer and external auditor are also present as required. The Committee meets at least once a year to review and monitor such matters as the Group's external financial reporting process and audit activities.

The Remuneration Committee comprises the same members as the Audit Committee. The Committee meets at least once a year to decide all the elements of the remuneration and benefits of the executive Directors.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group'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 Group's auditor is aware of that information.

DIRECTORS' REPORT

(CONTINUED)

RE-APPOINTMENT OF AUDITOR

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting 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 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 Group and the Company and of the profit or loss of the Group. 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 Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of Sch. 7.11B (1) and (2) (how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others).

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

A Hardy
Chief Financial Officer
17 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSPORT RESEARCH FOUNDATION

Opinion

We have audited the financial statements of Transport Research Foundation (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise Group Income Statement, Group Statement of Comprehensive Income, Statement of Changes in Equity (Group and Company), Group Statements of Financial Position, Parent Company Statement of Financial Position, Group Statement of Cash Flows and notes to the financial statements, including 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 Group's and of the Parent Company's affairs as at 30 June and of the Group's 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 Group and Parent 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 by the Parent Company, or returns adequate for our audit have not been received from Branches not visited by us; or
- the Parent Company 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 Group's and the Parent 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 Group or the Parent 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and Parent Company operate in and how the Group and Parent Company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, tax compliance regulations and pension law. We have performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, evaluating advice received from internal tax advisors and confirmed that the Group continues to make pension contributions in line with the funding agreement.

The audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and reviewing managements stage of completion calculations on a sample of contacts at the balance sheet date.

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.

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

Date: 24 September 2021

GROUP INCOME STATEMENT
for the year ended 30 June 2021

	Notes	2021 £000	2020 £000
TURNOVER	3	**20,874**	25,342
Cost of sales		**(8,337)**	(13,066)
Gross profit		**12,537**	12,276
Administrative expenses - excluding depreciation and amortisation		**(12,473)**	(14,296)
Administrative expenses - government income - CJRS		**644**	185
Administrative expenses - profit on disposal of fixed assets	4	**-**	31
		(11,829)	(14,080)
Profit/(loss) before interest, tax, depreciation & amortisation		**708**	(1,804)
Depreciation and amortisation		**(683)**	(743)
GROUP OPERATING PROFIT/(LOSS)	4	**25**	(2,547)
PROFIT/(LOSS) BEFORE INTEREST & TAXATION		**25**	(2,547)
Interest payable and similar expenses	7	**(383)**	(503)
LOSS BEFORE TAXATION		**(358)**	(3,050)
Tax credit on loss	8	**858**	847
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**500**	(2,203)

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2021

		2021	2020
		£000	£000
Profit/(Loss) for the financial year		**500**	(2,203)
Remeasurement gain/(loss) recognised on defined benefit pension scheme	17	**1,949**	(2,441)
Movement on deferred tax relating to pension liability	8(c)	**(370)**	464
Effect of increased tax rate on deferred tax asset	8(c)	**1,262**	396
Currency translation differences		**51**	-
Total comprehensive profit/(loss) for the year		**3,392**	(3,784)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

GROUP

	Profit and loss account
	£000
At 1 July 2019	(6,779)
Loss for the year	(2,203)
Net increase in pension liability	(1,581)
Total comprehensive loss for the year	(3,784)
At 30 June 2020	(10,563)
Profit for the year	500
Net decrease in pension liability	2,841
Currency translation differences	51
Total comprehensive profit for the year	3,392
At 30 June 2021	**(7,171)**

PARENT COMPANY	Profit and loss account
	£000
At 1 July 2019	16,808
Loss for the year	(6)
At 30 June 2020	16,802
Loss for the year	(6)
At 30 June 2021	**16,796**

GROUP STATEMENT OF FINANCIAL POSITION
at 30 June 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	9	**2,813**	2,050
Tangible assets	10	**1,442**	1,755
		4,255	3,805
Current assets			
Stocks		**97**	50
Debtors : amounts falling due within one year	11	**4,565**	6,502
Debtors : amounts falling due in more than one year	11	**11,073**	9,141
Cash at bank and in hand		**2,621**	2,130
		18,356	17,823
Creditors: amounts falling due within one year	13	**(8,284)**	(9,292)
Net current assets		**10,072**	8,531
Total assets less current liabilities		**14,327**	12,336
Provisions for liabilities and charges	16	**453**	453
Defined benefit pension liability	17	**21,045**	22,446
Total equity & profit and loss account		**(7,171)**	(10,563)
		14,327	12,336

The financial statements on pages 16 to 46 were approved by the Board of Directors and authorised for issue on 17 September 2021 and are signed on its behalf by;

C J Rice
Chairman
17 September 2021

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
at 30 June 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Investments	14	**16,800**	16,800
Current assets			
Debtors : amounts falling due within one year	11	**54**	48
Cash at bank and in hand		**1**	1
		55	49
Creditors: amounts falling due within one year	13	**(59)**	(47)
Net current assets		**(4)**	2
Total assets less current liabilities		**16,796**	16,802
Capital and reserves			
Called up share capital		**-**	-
Profit and loss account		**16,796**	16,802
		16,796	16,802

The loss for the Company for the year ended 30 June 2021 was £6k (2020: Loss of £6k)

The financial statements on pages 16 to 46 were approved by the Board of Directors and authorised for issue on 17 September 2021 and are signed on its behalf by;

C. P. Rice

C J Rice
Chairman
17 September 2021

GROUP STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	Notes	**2021** £000	2020 £000
Net cash inflow/(outflow) from operating activities	12 (a)	**793**	(1,581)
Taxation			
Research and development tax credit		**831**	1,320
Investing activities			
Payment to acquire tangible fixed assets		**(63)**	(149)
Payment to acquire intangible fixed assets		**(1,070)**	(952)
Receipts from disposals of fixed assets		**-**	384
Net cash outflow from investing activities		**(1,133)**	(717)
Increase/(Decrease) in cash in the year		**491**	(978)
Cash and cash equivalents at 1 July		**2,130**	3,108
Cash and cash equivalents at 30 June		**2,621**	2,130

Notes to the Financial Statements

At 30 June 2021

1. Accounting Policies

GENERAL INFORMATION

Transport Research Foundation is a limited by guarantee company incorporated in England. The Registered Office is Crowthorne House, Nine Mile Ride, Wokingham, Berkshire, RG40 3GA.

PRINCIPAL ACTIVITIES

The principal activities of the Group 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 Group'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 Group for the year ended 30 June 2021.

The financial statements have been prepared in accordance with applicable UK 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 Group and rounded to the nearest £'000.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Transport Research Foundation and all of its subsidiary undertakings drawn up to 30 June each year.

No Income Statement is presented for the Transport Research Foundation as permitted by s408 of the Companies Act 2006. The Company individual Statement of Financial Position shows the Company loss for the financial year.

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 Company Statement of Cash Flow and related notes and disclosures

GOING CONCERN

The Group uses cash flow forecasts derived from the budget and medium-term planning to identify headroom and any future funding requirements. The Group 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 31 August 2022. The facility was not used during the financial year 30 June 2021 and the Group had £1.1m of undrawn facilities as at 30 June 2021. Cash at bank on the same date was £2.6m.

1. Accounting Policies (continued)

The Directors recognise that the economic impacts of COVID-19 are risks to the achievability of the Group's forecasted sales and the timing of cash flows. The Group have utilised the Coronavirus Job Retention scheme and have agreed deferrals of PAYE and VAT payments with HMRC, which will be fully repaid by February 2022. The Group has also continued to seek efficiencies within its cost base, which has included temporary salary reductions and recruitment freezes.

The Directors have prepared projected cash flows for the period ending 12 months from the approval of these financial statements (the 'Projections'). The Group's forecasts and projections including stress testing show that the Group 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 and the Group 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 Report, Directors Report and financial statements.

GOODWILL

Positive goodwill acquired on each business combination is capitalised and classified as an asset on the Statement of Financial Position. It is initially recognised at cost and subsequently measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight line basis over its useful life up to a presumed maximum of 20 years. If a subsidiary is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the Income Statement is taken into account in determining the profit or loss on sale or discontinuance.

Amortisation period for goodwill arising on acquisition of Appia Infrastructure Solutions Limited is 10 years.

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 is it incurred.

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 Group 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.

Notes to the Financial Statements
at 30 June 2021

1. Accounting Policies (continued)

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation 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.*

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.

FIXED ASSET INVESTMENTS

In the Statement of Financial Position of the Company, 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 the Income Statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group 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.

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

Notes to the Financial Statements
at 30 June 2021

1. Accounting Policies (continued)

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.

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 Group 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 Group 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 Group

1. Accounting Policies (continued)

Income Statement except to the extent that it relates to items recognised in the Group Statement of Comprehensive Income, in which case it is recognised directly in the Group 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 Group 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 further 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 Group 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.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the Directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

DERIVATIVE INSTRUMENTS

The Group 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.

1. Accounting Policies (continued)

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 Group 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. For the purpose of the Group Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding overdrafts.

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 Group 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 Group 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 2021

1. Accounting Policies (continued)

Defined Contribution Scheme

The Group also operates a defined contribution pension scheme which is open to all new joiners under auto enrolment. Employer 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 level of 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 Group, and hire purchase contracts are capitalised in the Group 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 Group 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 Group 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)
TRL Software Limited	(Company registration number 11099346)

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

TRL Academy	(Company registration number 3664805)
Transport Research Laboratory Limited	(Company registration number 3562621)

Notes to the Financial Statements
at 30 June 2021

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 Group 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 Group's 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 17. 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 9.3%;
  - A 0.5% increase in RPI (and associated assumptions for pensions increases) would increase the scheme liabilities by 6.9%;
  - A 1 year decrease in the life expectancy of scheme members' would reduce the scheme liabilities by 4.6%.

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

- 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.

- Goodwill and intangible assets

  The Group 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 Group 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 Group'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;

	2021	2020
	£000	£000
UK	**18,326**	22,654
Europe	**1,596**	1,744
Africa	**381**	348
Other	**571**	596
	20,874	25,342

Notes to the Financial Statements
at 30 June 2021

4. Group Operating Profit/(Loss)

This is stated after charging/(crediting):	**2021**	2020
	£000	£000
Depreciation	**376**	399
Amortisation of goodwill	**43**	42
Amortisation of software development	**264**	302
Profit on disposal of tangible fixed assets	**-**	(31)
Research and development expensed	**138**	175
Research and development credit	**(954)**	(1,004)
Operating lease rentals expense	**1,014**	1,126
Foreign exchange loss/(gain)	**74**	(18)
Government income - Coronavirus Job Retention Scheme (CJRS)	**644**	185

5. Auditor's Remuneration

The remuneration of the auditor is analysed as follows:

	2021	2020
	£000	£000
Audit of the financial statements	**39**	36
Audit of the subsidiaries	**15**	11
Other services	**-**	5
	54	52
Amounts payable to auditor's overseas affiliates		
Audit of the subsidiaries	**13**	16
Taxation compliance services	**2**	2
Other non-audit services	**1**	-
	16	18
Total	**70**	70

Notes to the Financial Statements

at 30 June 2021

6. Group Staff Costs

a) Staff costs

	2021	2020
	£000	£000
Salaries and wages	**10,927**	12,079
Social security costs	**1,157**	1,295
Other pension costs	**1,406**	1,443
	13,490	14,817

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

	2021	2020
Research and technical	**233**	237
Managerial, business development and administrative	**51**	44
	284	281

b) Directors' remuneration	**2021**	2020
	£000	£000
Fees	**86**	103
Salary, annual performance bonuses & benefits in kind	**396**	584
Defined contribution pension scheme payments	**-**	-
	482	687

All executive 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.

Notes to the Financial Statements
at 30 June 2021

6. Group Staff Costs (continued)

b) Directors' remuneration (continued)

The remuneration of the highest paid Director in the period compared to that of the previous as follows;

	2021	2020
	£000	£000
Salary, annual performance bonuses & benefits in kind	**231**	311
	231	311

Transport Foundation entity has no employees other than Directors, who are remunerated through other Group companies.

7. Net Interest Payable and Similar Charges

	2021	2020
	£000	£000
Bank interest payable	-	2
Expected return on pension scheme assets	**(1,322)**	(1,810)
Interest on pension scheme liabilities	**1,705**	2,311
Net cost	**383**	503

Notes to the Financial Statements
at 30 June 2021

8. Tax on loss

No corporation tax is provided in these financial statements for the Company on the basis that the Transport Research Foundation (TRF) will claim Scientific Research Association (SRA) status for the year ended 30 June 2021 when the tax computation for the year is submitted. With SRA status, any profits generated by TRF will not be chargeable to corporation tax.

On the element of eligible R&D expenditure that is self-funded by TRF, the Group continues to claim an enhanced R&D deduction. However, on the remaining eligible R&D expenditure, the Group is continuing to claim an R&D expenditure credit, rather than an enhanced R&D deduction. As a result, the Group anticipates that sufficient taxable profits will be generated in the future accounting periods and has therefore, fully recognised the closing deferred tax asset of £11,073,000 (2020: £9,141,000) in the Group Statement of Financial Position as at 30 June 2021.

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 (credit)/charge is made up as follows:

	2021	2020
	£000	£000
Current tax:		
UK corporation tax at 19% (2020: 19%)	**142**	128
Tax under provided in previous years	**40**	46
Total current tax charge	**182**	174
Deferred tax:		
Origination and reversal of timing differences	**197**	(709)
Effect of change in tax status	**158**	146
Effect of increased tax rate on closing asset	**(1,395)**	(458)
Group deferred tax credit	**(1,040)**	(1,021)
Tax credit on loss (note 8b)	**(858)**	(847)

Notes to the Financial Statements
at 30 June 2021

8. Tax on loss (continued)

(b) Factors affecting the total tax credit

The tax assessed on the loss for the year is lower (2020: lower) than the effective rate of corporation tax in the UK of 19% (2020: 19 %). The differences are reconciled below:

	2021	2020
	£000	£000
Loss before tax	(358)	(3,050)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020:19%)	(68)	(579)
Expenses not deductible for tax purposes	185	75
Effect of changes in tax rates	(1,395)	(458)
Utilisation of tax losses	370	-
Difference arising on transfer of assets	91	-
Research & development tax credit	(255)	(76)
Adjustments in respect of prior periods	214	191
Total tax credit	(858)	(847)

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

The tax credit is made up as follows:

	2021	2020
	£000	£000
Deferred tax:		
Relating to an actuarial gain/(loss) on pension scheme in the year	370	(464)
Effect of increased tax rate on deferred tax asset	(1,262)	(396)
Total tax credit	(892)	(860)

It was announced in the Chancellor Budget on 24 May 2021 that the main rate of UK corporation tax would be increased to 25% from 1 April 2023 from the existing 19% rate.

Therefore, the deferred tax asset as at 30 June 2020 has been calculated accordingly at 25%.

9. Group intangible assets

	Software development expenditure	Goodwill		Total
		Appia Infrastructure Solutions Limited	Transport and Travel Research Limited	
Cost:	£000	£000	£000	£000
At 1 July 2020	3,087	424	15	3,526
Additions	1,070	-	-	1,070
Disposals	(547)	-	-	(547)
At 30 June 2021	**3,610**	**424**	**15**	**4,049**
Amortisation:				
At 1 July 2020	1,154	307	15	1,476
Provided during the year	264	43	-	307
Disposals	(547)	-	-	(547)
At 30 June 2021	**871**	**350**	**15**	**1,236**
Net book value				
At 30 June 2021	**2,739**	**74**	**-**	**2,813**
At 30 June 2020	1,933	117	-	2,050

10. Group 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 2020	626	690	2,076	93	2,043	5,528
Additions	-	-	53	-	10	63
Disposals	-	-	(849)	-	-	(849)
At 30 June 2021	**626**	**690**	**1,280**	**93**	**2,053**	**4,742**
Depreciation						
At 1 July 2020	375	680	1,810	75	833	3,773
Provided during the year	30	10	143	11	182	376
Disposals	-	-	(849)	-	-	(849)
At 30 June 2021	**405**	**690**	**1,104**	**86**	**1,015**	**3,300**
Net book value						
At 30 June 2021	**221**	**-**	**176**	**7**	**1,038**	**1,442**
At 30 June 2020	251	10	266	18	1,210	1,755

11. Debtors

Amounts falling due within one year:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	**2,523**	3,289	**-**	-
Amounts recoverable on contracts	**782**	1,423	**-**	-
Research and development tax debtor	**697**	622	**-**	-
Other debtors	**70**	256	**54**	48
Prepayments and accrued income	**493**	912	**-**	-
	4,565	6,502	**54**	48

Amounts falling due after one year:

The deferred tax asset in the Group statement of financial position is analysed as follows and is the sole debtor within amounts falling due in more than one year

	2021 £000	2020 £000
Decelerated capital allowances	**2,099**	1,746
Pension costs	**5,261**	4,265
Tax losses carried forward	**2,794**	2,237
Research and development tax credit	**875**	794
Other timing differences	**44**	99
	11,073	9,141

	£000
At 1 July 2020	**9,141**
Deferred tax credit in Group Income Statement	**1,040**
Amount credited to other comprehensive income	**892**
At 30 June 2021	**11,073**

Notes to the Financial Statements
at 30 June 2021

12. Group Statement of Cash Flows

(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities.	**2021** **£000**	2020 £000
Group profit/(loss) for the year	**500**	(2,203)
Taxation	**(858)**	(847)
Finance costs	**383**	503
Depreciation and impairment of tangible fixed assets	**376**	399
Profit on disposal of fixed assets	**-**	(31)
Amortisation of development expenditure	**264**	302
Amortisation of goodwill	**43**	42
Difference between pension charge and cash contributions	**165**	(276)
Decrease in debtors	**1,058**	1,957
(Increase)/decrease in stocks	**(47)**	17
Decrease in creditors	**(1,091)**	(1,444)
	293	622
Net cash inflow/(outflow) from operating activities	**793**	(1,581)

(b) Analysis of changes in net debt

	At 1 July 2020	**Cashflows**	**Other non cash changes**	**At 30 June 2021**
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	**2,130**	**491**	**-**	**2,621**

13. Creditors	**Group**	Group	**Company**	Company
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Payments on account	**1,580**	2,575	**-**	-
Trade creditors	**2,186**	1,769	**-**	-
Amounts due to Group undertakings	**-**	-	**59**	47
Other taxation and social security	**1,327**	2,221	**-**	-
Other creditors	**150**	42	**-**	-
Accruals and deferred income	**3,041**	2,685	**-**	-
	8,284	9,292	**59**	47

Notes to the Financial Statements
at 30 June 2021

14. Investments

	Shares in subsidiary undertakings
Cost:	**£000**
At 1 July 2020 and 30 June 2021	**16,800**

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 Limited	England		Ordinary	100
Transport Research Laboratory Limited	England	+	Ordinary	100
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	England	*	Ordinary	100
TRL Deutschland GmbH	Germany	#	Ordinary	100
TRL Technologies India Private Limited	India	*	Ordinary	70

* These interests are held via TRL Limited
# These interests are held via TRL International Limited
+ Company was dormant during the financial year

The Company is also the sole member of TRL Academy a dormant company limited by guarantee and having no share capital.

The registered office for the UK registered 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.

On 21 October 2020 TRL Deutschland GmbH was incorporated and registered in Germany, with a share capital of €25,000. On the same date TRL International Limited acquired €12,500 of the share capital of TF Deutschland GmbH, which respresents 100% of fhe allotted, called up and paid share capital in the subsidiary.

On 9 June 2021 TRL Technologies India Private Limited was incorporated and registered in India. TRL Limited owns 70% of the share capital of the new entity.

Notes to the Financial Statements
at 30 June 2021

15. Obligations under operating leases

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

	Land & buildings		Other	
	2021	2020	**2021**	2020
Operating leases which expire:	**£000**	£000	**£000**	£000
Not later than one year	**1,180**	1,141	**1**	10
Later than one year and not later than five years	**4,756**	4,383		-
Later than five years	**816**	1,912		-
	6,752	7,436	**1**	10

16. Provisions for liabilities and charges

	Group	Group	**Company**	Company
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
At 1 July 2020 and 30 June 2021	**453**	453	**-**	-

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

17. Pensions and other post-retirement benefits

The Group 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 Group to the fund. This scheme commenced on 1 March 2002. Employer contributions received in the year to 30 June 2021 amounted to £1,410,000 (2020: £1,443,000). Of these contributions received in the year to 30 June 2021, £806,000 (2020: £825,000) 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.

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

An analysis of the financial position of the deferred benefit pension scheme was carried out as at 30 June 2021 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:

	2021	2020
Interest rate for discounting liabilities	**2.00%**	1.70%
Retail price inflation	**3.10%**	2.70%
Consumer price inflation	**2.20%**	1.80%
Rate of pension increases, LPI 5%	**3.00%**	2.65%
Rate of pension increases, LPI 2.5%	**2.05%**	1.90%
Mortality	S2NXA, CMI 2020, 1% long term improvement	S2NXA, CMI 2019, 1% long term improvement

Life expectancy on post-retirement mortality table:

	2021		2020	
	Male	**Female**	Male	Female
Member age 65 (current life expectancy)	**21.6**	**23.8**	21.6	23.7
Member age 45 (life expectancy at age 65)	**22.6**	**25.0**	22.6	24.9

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

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

	2021	2020
	£000	£000
Fair value of scheme assets	**80,553**	79,080
Present value of scheme liabilities	**(101,598)**	(101,526)
Deficit	**(21,045)**	(22,446)
Related deferred tax asset	**5,261**	4,265
Net liability	**(15,784)**	(18,181)

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

	2021	2020
	£000	£000
Operating cost		
Administrative expenses	**949**	815
Finance cost		
Interest cost	**1,705**	2,311
Interest income	**(1,322)**	(1,810)
Subtotal for finance cost	**383**	501
Total pension cost in the Group Income Statement	**1,332**	1,316

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

Reconciliation of the assets and liabilities

	Assets	**Liabilities**	**Total**
	£000	**£000**	**£000**
At 1 July 2020	79,080	(101,526)	(22,446)
Benefits paid	(2,446)	2,446	-
Employer contributions	784	-	784
Expenses paid	(949)	-	(949)
Interest income/(expense)	1,322	(1,705)	(383)
Remeasurement gains/(losses)			
- Actuarial losses	-	(813)	(813)
- Return on plan assets excluding interest income	2,762	-	2,762
At 30 June 2021	**80,553**	**(101,598)**	**(21,045)**

	£000
Actual return on assets over the period to 30 June 2021	**4,084**

Amounts included in the fair value of scheme assets for:

	2021	2020
	£000	£000
Bonds	**21,882**	21,200
Other	**58,671**	57,880
Total	**80,553**	79,080

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

Contributions

The Group expects to contribute approximately £779,000 to its defined benefit pension scheme in the year to 30 June 2022.

Balance Sheet reconciliation, excluding any related deferred tax

	2021	2020
	£000	£000
Net liability at beginning of year	**22,446**	19,780
Amounts recognised in the Income Statement in the year	**1,332**	1,316
Remeasurement (gains)/losses in the year	**(1,949)**	2,441
Employer contributions made in the year	**(784)**	(1,091)
Net liability at end of year	**21,045**	22,446

18. Related party transactions

During the year ended 30 June 2021 the only related party transactions were with companies within the Transport Research Foundation group.

Transactions with key management personnel

Key management personnel are defined as the Executive Leadership team.

Total compensation of Executive Leadership team in the year amounted to £718k (2020: £904k). National Insurance contributions paid on behalf of the Executive Leadership team were £69k (2020: £82k).

There were no other transactions with key management personnel.

19. Profit and loss account

Represents cumulative profit and loss including the net defined benefit pension obligation.

Notes to the Financial Statements
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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. The potential exposure under these arrangements to Transport Research Foundation is £343k at 30 June 2021.

21. Limited by guarantee

The liability of each Member of Transport Research Foundation is limited to no more than £1, being the amount that each Member undertakes to contribute to the assets of the Company in the event of it being wound up while he is a member or within one year after he ceases to be a member.