

# **Network Rail Consulting Limited**

## **Annual Report**

Year ended 31 March 2017

Company registration number 08071984

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## **Officers and professional advisers**

### **Directors**

Nigel Ash  
Michael Prager  
Susan Cooklin – Non-executive director  
Graham Hopkins – Non-executive director  
Jeremy Westlake – Non-executive director  
Fiona Dolman – Non-executive director (resigned 1 September 2017)  
Thomas Downs – Non-executive director  
Ian Ralph Dobbs – Non-executive director (appointed 3 July 2017)

### **Company secretary**

NR Corporate Secretary Limited

### **Registered office**

1 Eversholt Street  
London  
NW1 2DN

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

## Directors' report

for the year ended 31 March 2017

The directors present their annual report and audited consolidated financial statements for the year ended 31 March 2017.

The directors' report has been prepared in accordance with the special provisions relating to small Companies under Section 417 (1) of the Companies Act 2006.

### Business review

For the year ended 31 March 2017 the group made a pre-tax profit of £1,853k (2016: £1,213k)

The tax charge for the year was £1,047k (2016: £653k).

At 31 March 2017, the group was in a net liabilities position of £1,021k (2016: net liabilities £79k).

The group's directors believe that disclosure of further key performance indicators for the group are not necessary or appropriate for an understanding of the development, performance or position of the business.

The group's ambition is to be a leading international rail consultancy whilst enhancing the Network Rail brand in the international marketplace.

Our core capabilities in the rail sector are focused around understanding institutional, regulatory and policy issues, strategic planning, operations, asset management and maintenance, and delivering renewal and enhancement projects.

To this end the board have identified and prioritised geographical focus on those countries that have large legacy rail systems in need of renewal or enhancement and that are deemed safe for our people, transparent in their commercial dealings and offer long-term growth potential. As such, commercial subsidiaries have been set up in USA, Canada, Australia, and New Zealand along with branches in the Middle East.

In the year ended 31 March 2017 the Group increased its consolidated profit year on year, which is in line with its initial business plan, although overall results were helped by the fall in the value of the pound against other major currencies. The group has made good progress in supporting the Saudi Arabian Rail Company (SAR) with technical infrastructure support in respect of their new North/South Railway alongside in helping the Californian High Speed Authority build their proposed high speed line. The company continues its focus on the North American market and in January opened up a new subsidiary in Canada with an office in Toronto.

Network Rail Infrastructure Limited (NRIL), the group's immediate parent, has invested £2.5 million in the group and has lent a total of £8.5m, including capitalised interest, as at 31 March 2017. NRIL have agreed to provide loan capital to meet working capital needs and to facilitate and meet future strategic ambitions.

## **Directors' report (continued)**

for the year ended 31 March 2017

### **Principal activities**

The principal activity of the group is to provide specialist consulting services to the global rail sector. The group offers impartial expertise to stakeholders of the rail industry in running and developing a rail infrastructure business.

### **Future activities**

The directors do not anticipate any changes in the group's principal activities in the foreseeable future.

### **Dividends**

No dividend is proposed for the current year (2016: £nil).

### **Going concern**

The group has made an operating profit for the year ended 31 March 2017 and remains in a net liability position. The group has a loan facility from its parent company to satisfy its future funding requirements. The directors have a reasonable expectation that the group has adequate resources based on cash flow projections to continue in operational existence for the foreseeable future. Network Rail has provided written assurance that further loan capital will be made available to meet working capital needs as and when required. Accordingly, they have adopted the going concern basis in preparing the financial statements.

### **Directors**

The directors of the group who were in office during the year and up to the date of signing the financial statements are detailed on page 1.

None of the directors had any interests in the shares of the group or any other group companies at any time in the year.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

## **Directors' report (continued)**

for the year ended 31 March 2017

### **Statement of directors' responsibilities (continued)**

- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure of information to auditors**

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and therefore a strategic report has not been prepared by the Directors.

Approved by the board of directors and signed by order of the board



NR Corporate Secretary Limited (Company secretary)  
27<sup>th</sup> September 2017

# ***Independent auditors' report to the members of Network Rail Consulting Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion:

- Network rail consulting Limited 's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2017 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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### **What we have audited**

The financial statements, included within the Consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and company balance sheets as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the group and company statements of cash flows for the year then ended;
- the group and company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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## **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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' report. We have nothing to report in this respect.

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## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **What an audit of financial statements involves**

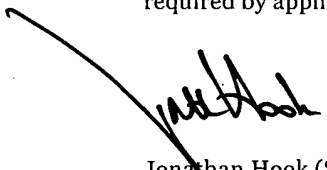
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Hook (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
9 October 2017



# Consolidated statement of comprehensive income

for the year ended 31 March 2017

		Year ended 31 March	Year ended 31 March
	Note	2017 £'000	2016 £'000
Revenue		18,226	13,636
Net operating costs		(16,683)	(12,328)
<b>Operating profit</b>		<b>1,543</b>	<b>1,308</b>
Finance costs		310	(95)
<b>Profit before tax</b>		<b>1,853</b>	<b>1,213</b>
Tax	6	(1,047)	(653)
<b>Profit for the year</b>		<b>806</b>	<b>560</b>
<b>Other comprehensive (expense)/income:</b>			
<u>Items that may be reclassified to profit or loss:</u>			
Change in fair value of derivative financial instruments		(2,214)	(27)
Currency translation adjustment on retained earnings		466	21
		<b>1,748</b>	<b>(6)</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(942)</b>	<b>554</b>

Under section 408 of the Companies Act 2006 the group has elected to take the exemption regarding disclosing the company income statement. The company's result for the year was £897,837 profit (2016: £1,330,439 profit).

# Consolidated Balance sheet

at 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
	Note		
<b>Non-current assets</b>			
Deferred tax asset	12	91	3
<b>Total non-current assets</b>		<b>91</b>	<b>3</b>
<b>Current assets</b>			
Trade and other receivables	8	12,658	7,698
Cash and cash equivalents		1,077	1,001
Derivatives	11	-	3
<b>Total current assets</b>		<b>13,735</b>	<b>8,702</b>
<b>Total assets</b>		<b>13,826</b>	<b>8,705</b>
<b>Current liabilities</b>			
Trade and other payables	9	(3,999)	(2,994)
Derivatives	11	(833)	(143)
<b>Total current liabilities</b>		<b>(4,832)</b>	<b>(3,137)</b>
<b>Net current assets</b>		<b>8,903</b>	<b>5,565</b>
<b>Non-current liabilities</b>			
Borrowings	10	(8,521)	(5,532)
Derivatives	11	(1,494)	(115)
<b>Total non-current liabilities</b>		<b>(10,015)</b>	<b>(5,647)</b>
<b>Net liabilities</b>		<b>(1,021)</b>	<b>(79)</b>
<b>Equity attributable to owners</b>			
Share capital	14	2,500	2,500
Hedging reserve		(2,455)	(241)
Accumulated losses		(1,066)	(2,338)
<b>Total equity</b>		<b>(1,021)</b>	<b>(79)</b>

The financial statements on pages 7 to 24 were approved by the board of directors and authorised for issue on 27<sup>th</sup> September 2017

They were signed on its behalf by:



Nigel Ash (director)

Company registration number: 08071984

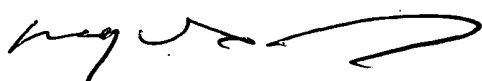
# Company Balance sheet

at 31 March 2017

		31 March 2017 £'000	31 March 2016 £'000
	Note		
<b>Non-current assets</b>			
Investment in subsidiaries	7	1,556	519
Deferred tax asset	12	91	3
<b>Total non-current assets</b>		<b>1,647</b>	<b>522</b>
<b>Current assets</b>			
Trade and other receivables	8	12,222	8,048
Cash and cash equivalents		455	652
Derivatives	11	-	3
<b>Total current assets</b>		<b>12,677</b>	<b>8,703</b>
<b>Total assets</b>		<b>14,324</b>	<b>9,225</b>
<b>Current liabilities</b>			
Trade and other payables	9	(3,151)	(2,450)
Derivatives	11	(833)	(143)
<b>Total current liabilities</b>		<b>(3,984)</b>	<b>(2,593)</b>
<b>Net current assets</b>		<b>8,693</b>	<b>6,110</b>
<b>Non-current liabilities</b>			
Borrowings	10	(8,521)	(5,532)
Derivatives	11	(1,494)	(115)
<b>Total non-current liabilities</b>		<b>(10,015)</b>	<b>(5,647)</b>
<b>Net assets</b>		<b>325</b>	<b>985</b>
<b>Equity attributable to owners</b>			
Share capital	14	2,500	2,500
Hedging reserve		(2,455)	(241)
Accumulated profits/(losses)		280	(1,274)
<b>Total equity</b>		<b>325</b>	<b>985</b>

The financial statements on pages 7 to 24 were approved by the board of directors and authorised for issue on 27th September 2017

They were signed on its behalf by:



Nigel Ash (director)

Company registration number: 08071984

## Statements of changes in equity

for the year ended 31 March 2017

Group	Share capital	Hedging reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
<b>At 1 April 2015</b>	2,500	(214)	(2,920)	(634)
Currency translation adjustment on retained earnings	-	-	21	21
Profit and total comprehensive profit for the year	-	(27)	560	533
<b>At 31 March 2016 and at 1 April 2016</b>	2,500	(241)	(2,338)	(79)
Currency translation adjustment on retained earnings	-	-	466	466
Profit and total comprehensive loss for the year	-	(2,214)	806	(1,408)
<b>At 31 March 2017</b>	<b>2,500</b>	<b>(2,455)</b>	<b>(1,066)</b>	<b>(1,021)</b>

Company	Share capital	Hedging reserve	Accumulated (losses)/profits	Total equity
	£'000	£'000	£'000	£'000
<b>At 1 April 2015</b>	2,500	(214)	(2,647)	(361)
Currency translation adjustment on retained earnings	-	-	42	42
Profit and total comprehensive profit for the year	-	(27)	1,330	1,304
<b>At 31 March 2016 and at 1 April 2016</b>	2,500	(241)	(1,274)	985
Currency translation adjustment on retained earnings	-	-	656	656
Profit and total comprehensive loss for the year	-	(2,214)	898	(1,316)
<b>At 31 March 2017</b>	<b>2,500</b>	<b>(2,455)</b>	<b>280</b>	<b>325</b>

# Statements of cash flows

for the year ended 31 March 2017

	Note	Year ended 31 March 2017 - Group £'000	Year ended 31 March 2016 - Group £'000	Year ended 31 March 2017 - Company £'000	Year ended 31 March 2016 - Company £'000
<b>Cash flow from operating activities</b>					
Cash used in operations	15	(2,016)	(2,412)	(1,090)	(2,390)
Group relief received from surrender of tax losses		-	145	-	145
Corporation and Withholding Tax Paid		(1,065)	-	(1,065)	-
<b>Net cash flow and in operating activities</b>		<b>(3,081)</b>	<b>(2,267)</b>	<b>(2,155)</b>	<b>(2,245)</b>
<b>Investing activities</b>					
Investment in subsidiaries		-	-	(1,037)	(87)
<b>Net cash flow used in investing activities</b>		<b>-</b>	<b>-</b>	<b>(1,037)</b>	<b>(87)</b>
<b>Financing activities</b>					
Proceeds from loan from parent undertaking		3,300	2,857	3,138	2,820
Cash flow on settlement of derivatives		(143)	15	(143)	15
<b>Net cash flow generated from financing activities</b>		<b>3,157</b>	<b>2,872</b>	<b>2,995</b>	<b>2,835</b>
<b>Movement in cash and cash equivalents</b>		<b>76</b>	<b>605</b>	<b>(197)</b>	<b>503</b>
Cash and cash equivalents at beginning of the year		1,001	396	652	149
<b>Cash and cash equivalents at end of the year</b>		<b>1,077</b>	<b>1,001</b>	<b>455</b>	<b>652</b>

# Notes to the financial statements

for the year ended 31 March 2017

## 1. General information

Network Rail Consulting Limited is a company incorporated in Great Britain and registered in England and Wales under the Companies Act 2006.

The company's registration number is 08071984.

The company's registered office is situated at 1 Eversholt Street, London NW1 2DN.

The group's principal activities, details of the group's business activities and key events and changes during the year are contained within directors' report on pages 2 to 4.

## 2. Accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost basis. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The group has made an operating profit for the year ended 31 March 2017 and remains in a net liability position. The group has a loan facility from its parent company to satisfy its future funding requirements. The directors have a reasonable expectation that the group has adequate resources based on cash flow projections to continue in operational existence for the foreseeable future. Network Rail has provided written assurance that further loan capital will be made available to meet working capital needs as and when required. Accordingly, they have adopted the going concern basis in preparing the financial statements.

### Adoption of new and revised standards

The accounting policies adopted in this set of financial statements are consistent with those set out in the annual financial statements for the year to 31 March 2016. The following accounting standards have not been early adopted by the group but will become effective in future years and are considered to have a material impact on the group that has yet to be assessed:

- IFRS 9 'Financial Instruments'. The standard addresses the classification, measurement and recognition of financial assets and liabilities.
- IFRS 15 'Revenue from Contracts with Customers'

There are no other IFRS Interpretation Committee interpretations not yet effective that would be expected to have a material impact on the company.

## Notes to the financial statements

for the year ended 31 March 2017

### 2. Accounting policies (continued)

#### Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for services supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. The company provides specialist consulting services to the global market on railway infrastructures. The company has a number of long term contracts that span more than one financial period therefore the revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific contract and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Full provision is made for all known or anticipated losses on each contract in the period in which such losses are identified.

#### Tax

The tax expense represents the sum of the current tax payable and deferred tax. The company's current tax liability is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Current taxes are based on the taxable results of the company and calculated in accordance with tax rules in the United Kingdom.

#### Derivative financial instruments and hedge accounting

The company's activities expose it primarily to the financial risks of changes in the Saudi Riyal currency exchange rates. Network Rail Infrastructure Limited uses foreign exchange forward contracts on behalf of the company to hedge these exposures. The use of financial derivatives is governed by Network Rail Limited's policies approved by the treasury committee of the board, which provide written principles on the use of financial derivatives.

The company designates these hedging instruments as cashflow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument that is used in a hedging relationship is highly effective. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income, and the ineffective portion is recognised immediately within 'other gains and losses' in the income statement.

## Notes to the financial statements

for the year ended 31 March 2017

### 2. Accounting Policies (continued)

#### Financial risk management

The company is able to borrow from its parent company, Network Rail Infrastructure Limited. Under the terms of this intercompany loan agreement, interest will be charged to the company by Network Rail Infrastructure Limited at rates consistent with an arm's length transaction. The company has the option of either repaying the annual interest charge or rolling the cost up into the principal.

The directors estimate that the fair value of all financial assets and liabilities approximate to their carrying value.

#### Credit risk

The company has receivables due from its parent company. The parent company is the company's sole equity holder. Credit risk is considered minimal.

#### Trade receivables

Trade receivables are stated at their carrying value as reduced by appropriate allowances for irrecoverable amounts. The company also has the contracted rights to charge interest on any trade receivables exceeding 28 days. At 31 March 2017 there are no trade receivable amounts bearing interest income (2016: £nil).

#### Trade payables

Trade payables are stated at their nominal value. The company has the obligation to pay interest on any trade payables exceeding 28 days. At 31 March 2017 there are no trade payable amounts bearing an interest charge (2016: £nil).

#### Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost plus incidental expenses less any provisions for impairment. Where an event has occurred that gives rise to doubt about the recovery of the carrying value an impairment assessment review is performed by management.

#### Foreign exchange translation

On consolidation, income statements and cash flows of foreign subsidiaries are translated from their functional currency into the Group's functional currency of pounds sterling using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries and goodwill arising on consolidation are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Gains or losses on the translation of opening and closing net assets are recognised in the Consolidated Statement of Comprehensive Income and cumulatively in the Group's reserves.



## Notes to the financial statements

for the year ended 31 March 2017

### 3. Revenue

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Revenue</b>		
Middle East	9,993	10,028
Australasia	1,884	1,436
North America	5,801	1,215
Europe	548	957
	<b>18,226</b>	<b>13,636</b>

### 4. Staff costs

The directors received no remuneration for their services in the year. Other than the directors, there were no employees of the company in the current or prior year.

The directors of the company are also directors or employees of other trading and holding companies within the group and it is not practicable to allocate their remuneration between their services to each company. Details of their remuneration for the current and prior years are disclosed in the financial statements of Network Rail Limited.

### 5. Auditors' remuneration

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
<b>Auditors' remuneration</b>		
Statutory audit fee of the Company financial statements	45.0	57.1
Statutory audit fee of the Subsidiary financial statements	25.4	20.6

# Notes to the financial statements

for the year ended 31 March 2017

## 6. Tax

The tax charge is made up as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
<b>Current tax:</b>		
UK corporation tax at 20% (2016:20%)		
Corporation tax charge	(350)	(377)
Adjustment in respect of prior years	377	(30)
Double taxation relief	233	377
<b>Total current tax</b>	<b>260</b>	<b>(30)</b>
<b>Foreign tax</b>		
Current year	(642)	(621)
Adjustment in respect of previous periods	(753)	-
<b>Total foreign tax</b>	<b>(1,395)</b>	<b>(621)</b>
<b>Deferred tax:</b>		
Deferred tax at 17% (2016:18%)		
Current year charge	(85)	(10)
Effect of rate change	(11)	(2)
Prior year charge	184	10
<b>Total deferred tax</b>	<b>88</b>	<b>(2)</b>
<b>Total tax charge</b>	<b>(1,047)</b>	<b>(653)</b>

## Notes to the financial statements

for the year ended 31 March 2017

### 6. Tax (continued)

The tax charge can be reconciled to the income statement as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Profit before tax	1,853	1,213
Profit multiplied by standard rate in the UK 20 per cent (2016: 20 per cent)	(371)	(243)
Adjustment in respect of prior years	(192)	(21)
Rate changes	(11)	(1)
Prior year income not subject to tax	(248)	9
Unrecognised losses in foreign subsidiaries	(62)	(154)
Higher taxes on overseas earnings	(163)	(243)
<b>Total tax charge for the year</b>	<b>(1,047)</b>	<b>(653)</b>

UK corporation tax is calculated at 20 per cent (2016: 20 per cent). As such all deferred tax balances have been provided at 17 per cent (2016: 18%) at the balance sheet date.

# Notes to the financial statements

for the year ended 31 March 2017

## 7. Investment in subsidiaries

Company	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Beginning of year	519	432
Additions in year	1,037	87
<b>End of year</b>	<b>1,556</b>	<b>519</b>

The company's subsidiaries are as follows: -

Directly owned	Country of incorporation	Proportion of all classes of issued share capital owned by the company	Principal activity
Network Rail Consulting Pty Ltd - Australia	Australia	100%	Rail consultancy services
Network Rail Consulting Inc. - USA	USA	100%	Rail consultancy services
Network Rail Consulting (Canada) Inc. - Canada	Canada	100%	Rail consultancy services
Network Rail Consulting Ltd - New Zealand	New Zealand	100%	Rail consultancy services

## 8. Trade and other receivables

	31 March 2017 - Group £'000	31 March 2016 - Group £'000	31 March 2017 - Company £'000	31 March 2016 - Company £'000
<b>Amounts falling due within one year</b>				
Trade receivables	9,068	4,967	6,233	3,563
Prepayments	1,015	816	906	618
Other receivables	2,575	1,915	2,520	1,508
Amounts receivable from subsidiaries	-	-	2,563	2,359
<b>Total trade and other receivables</b>	<b>12,658</b>	<b>7,698</b>	<b>12,222</b>	<b>8,048</b>

for the year ended 31 March 2017

## 9. Trade and other payables

	31 March 2017 - Group £'000	31 March 2016 - Group £'000	31 March 2017 - Company £'000	31 March 2016 - Company £'000
Trade payables	405	451	206	253
Accruals	2,806	1,892	2,138	1,494
Corporation tax	374	388	362	388
Other payables	414	263	445	315
<b>Total trade and other payables</b>	<b>3,999</b>	<b>2,994</b>	<b>3,151</b>	<b>2,450</b>

## 10. Borrowings

Group and Company	31 March 2017 £'000	31 March 2016 £'000
Amounts owed to parent	8,521	5,532
<b>Total borrowings</b>	<b>8,521</b>	<b>5,532</b>

Interest on the loan is charged bi-annually at an annual interest rate of LIBOR plus 2.5%. The interest is capitalised into the loan balance. The loan is due to be repaid on 31<sup>st</sup> July 2020. The capitalised interest will be paid bi-annually.

for the year ended 31 March 2017

## 11. Derivatives

Group and Company	31 March 2017		31 March 2016	
	Fair value	Notional amounts	Fair value	Notional amounts
	£'000	£'000	£'000	£'000
<b>Derivative financial instrument assets</b>				
<b>Cashflow hedges</b>				
Forward foreign exchange contracts	-	-	3	2,223
Included in non-current assets	-	-	3	2,223
<b>Derivative financial assets</b>	-	-	3	2,223
<b>Derivative financial instrument liabilities</b>				
<b>Cashflow hedges</b>				
Forward foreign exchange contracts	(2,327)	15,315	(258)	15,209
Included in current liabilities	(833)	5,105	(143)	4,094
Included in non-current liabilities	(1,494)	10,210	(115)	11,115
<b>Derivative financial liabilities</b>	(2,327)	15,315	(258)	15,209

## 12. Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Group and Company and movement thereon during the current and prior years. Closing deferred tax is calculated at a rate of 17% (2016:18%)

Group and Company	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
At 1 April 2016	3	5
Credit/(Charge) to income statement	98	(2)
Impact of Rate Change	(10)	
At 31 March 2017	91	3

## Notes to the financial statements

for the year ended 31 March 2017

### 13. Funding and financial risk management

Network Rail Consulting Limited is exposed to foreign currency risk from a Saudi Riyal contract. Foreign exchange risk is managed by the use of forward exchange contracts to limit the volatility on foreign exchange rate movements. Network Rail Consulting Limited has a number of internal forward exchange contracts with Network Rail Infrastructure Limited.

The fair value of all financial assets and liabilities approximate to their carrying value.

#### Derivatives

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are treated as cashflow hedges.

The board of Network Rail Limited (the ultimate parent company of NRIL) through a treasury sub-committee (the treasury committee) have approved and monitor the risk management processes, including documented treasury policies, counterparty limits, controlling and reporting structures.

The use of derivative instruments can give rise to credit and market risk. Market risk is the possibility that future changes in foreign exchange rates and interest rates may make a derivative more or less valuable. Since the company uses derivatives for risk management, market risk relating to derivative instruments will principally be offset by changes in the valuation of the underlying assets, liabilities or transactions being hedged.

#### Credit risk

The credit risk with regard to the derivative financial instrument is limited because counterparties are banks with high credit ratings assigned by international credit-rating agencies. A treasury sub-committee of the NRIL board authorises the policy for setting counterparty limits based on credit-ratings.

The company has receivables due from its parent company. The parent company is the company's sole equity holder. Credit risk is considered minimal.

#### Foreign exchange risk

The company is exposed to currency risks from its operating activities. Foreign exchange risk for all currencies is managed by the use of foreign exchange forward contracts to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities.

#### Sensitivity analysis

This sensitivity analysis has been determined based on the exposure to a 10 percent increase or decrease in the SAR/GBP exchange rates on the derivative financial instruments at the balance sheet date. A 10 percent increase or decrease represents management's assessment of the reasonably possible changes in average SAR/GBP exchange rates.

## Notes to the financial statements

for the year ended 31 March 2017

### 13. Funding and financial risk management (continued)

	31 March 2017		31 March 2016	
	10% increase in SAR/GBP foreign exchange rate £'000	10% decrease in SAR/GBP foreign exchange rate £'000	10% increase in SAR/GBP foreign exchange rate £'000	10% decrease in SAR/GBP foreign exchange rate £'000
Impact on equity	1,364	(1,667)	607	(2,915)

#### Liquidity risk

The company is able to borrow from its parent company, Network Rail Infrastructure Limited. Under the terms of this intercompany loan agreement, interest will be charged to the company by Network Rail Infrastructure Limited at rates consistent with an arm's length transaction. The company will repay the annual interest charge bi-annually.

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
<b>31 March 2017</b>				
<b>Non derivative financial liabilities</b>				
Loan from Network Rail Infrastructure Limited	(521)	-	(8,000)	(8,521)
<b>Derivative financial liabilities</b>				
Gross settled derivative contracts – receipts	4,222	4,184	4,140	12,546
Gross settled derivative contracts – payments	(5,103)	(5,103)	(5,103)	(15,309)
	(1,402)	(919)	(8,963)	(11,284)



## Notes to the financial statements

for the year ended 31 March 2017

### 13. Funding and financial risk management (continued)

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
31 March 2016				
Non derivative financial liabilities				
Loan from Network Rail Infrastructure Limited	(5,532)	-	-	(5,532)
Derivative financial liabilities				
Gross settled derivative contracts – receipts	3,908	4,222	8,324	16,454
Gross settled derivative contracts – payments	(4,094)	(4,446)	(8,892)	(17,432)
	(5,718)	(224)	(568)	(6,510)

### Offsetting financial assets and liabilities

#### Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
31 March 2017	£'000	£'000	£'000	£'000	£'000
Derivative financial liabilities	(2,327)	-	(2,327)	-	(2,327)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
31 March 2016	£'000	£'000	£'000	£'000	£'000
Derivative financial liabilities	(258)	-	(258)	-	(258)

## Notes to the financial statements

for the year ended 31 March 2017

### 13. Funding and financial risk management (continued)

#### Fair value measurements recognised in the balance sheet

The company's derivative financial instruments are all classified as Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

The fair value of level 2 derivatives are estimated by discounting the future contracted cashflows using appropriate yield curves based on quoted market prices.

### 14. Share capital

Group and Company	31 March 2017 £'000	31 March 2016 £'000
<b>Allotted and fully paid:</b>		
2,500,000 (2016: 2,500,000) ordinary shares of £1 each	2,500	2,500

### 15. Cash used in operations

	Year ended 31 March 2017 - Group £'000	Year ended 31 March 2016 - Group £'000	Year ended 31 March 2017 - Company £'000	Year ended 31 March 2016 - Company £'000
Profit before tax	1,853	1,213	1,933	1,983
Less: Finance costs	(310)	95	(148)	133
<b>Operating cash flow before movements in working capital</b>	<b>1,543</b>	<b>1,308</b>	<b>1,785</b>	<b>2,116</b>
Increase in receivables	(4,959)	(5,189)	(4,175)	(5,628)
Increase in payables	1,400	1,469	1,300	1,122
<b>Cash used in operations</b>	<b>(2,016)</b>	<b>(2,412)</b>	<b>(1,090)</b>	<b>(2,390)</b>

### 16. Ultimate parent company

The company's ultimate parent company and controlling entity is Network Rail Limited, a company limited by guarantee without shares. The company's immediate parent company is Network Rail Infrastructure Limited. Both parent companies are incorporated in Great Britain and registered in England and Wales. The smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up is Network Rail Limited. Copies of the parent companies' financial statements can be obtained by contacting the company secretary at 1 Eversholt Street, London, NW1 2DN.