Network Rail Consulting Limited

Annual Report

Year ended 31 March 2020

Company registration number 08071984

Contents

Officers and professional advisers

Directors

Nigel Ash
Susan Cooklin – Non-executive director
Jeremy Westlake – Non-executive director
Thomas Downs – Non-executive director (resigned 30th October 2019)
Ian Dobbs – Non-executive director
Andrew Thomas – Non-executive director (resigned 23rd July 2019)
Andrew Noble
Nicholas King - Non-executive director (appointed 9 January 2020)

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

Strategic report

for the year ended 31 March 2020

The directors present their Strategic report for the year ended 31 March 2020.

Business review

The directors are pleased to report a 28% increase in revenue in 2020 relative to 2019 and a significant improvement in profitability in the year. The increase in revenue was largely in Australia (132%) and North America (18%) as investment in business development activities in prior years started to flow through to new contract awards.

In Australia, Transport for New South Wales exercised its option to extend our contract to provide systems integrator services for its digital systems program as part of Sydney's "More Trains, More Services" strategy. The group also provided safety assurance advice to the Sydney Metro project, one of the largest public transport projects in Australia.

The group continues to provide support to the Saudi Arabian Rail Company (SAR) with technical assistance and interim management support for the North-South Railway. The initial 5 year term of the contract was completed on 31 March 2020 and SAR have exercised its option to extend the contract for at least another 12 months to 31 January 2021. This is a testament to the excellent support we have provided to SAR over the last 5 years and the strong railway operating performance that has been achieved.

In North America, we have continued to provide an embedded support team to Boston's Massachusetts Bay Transportation Authority ("MBTA") advising on how to improve maintenance productivity and support in managing their capital delivery program. During the year we also continued to provide advice to the New York City Transit and Long Island Railroad in New York State. During the year we were awarded a 4-year contract with Washington Metropolitan Area Transit Authority to provide advice on automated track inspection. On the west coast of the USA we continue to provide advice to the California High Speed Rail Authority on asset management, operations and maintenance, systems integration and stations. In Canada, the group provided project sponsorship services to Metrolinx's Capital Construction Program and we were also awarded a 3-year framework contract with the Toronto Transit Commission.

Results

The financial performance for the year was a notable improvement on the prior year with both revenue and pre-tax profits increasing significantly. In the year ending 31 March 2020 the group's revenue was £29,497k (2019: £23,012k) an increase of 28%, whilst pre-tax profit was £2,012k (2019: £234k).

As at 31 March 2020, the group was in a net liabilities position of £3,348k (2019: £4,435k).

Network Rail Infrastructure Limited (NRIL), the group's immediate parent, had invested £2.5m as share capital in the group and had lent £11.0m as at 31 March 2020.

The application of IFRS 16 at 1 April 2019 resulted in the recognition of Right of use (ROU) assets of £976k and Lease liabilities of £976k.

Principal activities

The group provides consultancy services to owners, operators and public-sector clients on all aspects of developing, building, maintaining and operating railways, including asset management, maintenance planning and optimisation, timetabling and simulation modelling, technical assistance and interim management, and project and programme management.

Strategic report (continued)

for the year ended 31 March 2020

Key Performance Indicators

The group uses a number of key performance measures to manage the business. Those that are particularly important in helping us to monitor how we are creating and protecting value for our shareholders are routinely managed at both group and regional levels. Targets are set for KPI's annually covering safety (e.g. close calls), reputation (client satisfaction and work won) and efficiency (operating profit and days sales outstanding). The group also tracks operational performance by measuring gross margin per billable hour, billability %, and profit before tax / revenue %.

Business strategy

Our ambition is to be a leading international rail consultancy and first choice for clients and employees – respected for our expertise, industry knowledge, impartial advice, and valued for creating rail infrastructure solutions that deliver outstanding results. By leading we mean a top five international rail consulting business and leading in terms of application of knowledge/expertise, technologies, problem solving, quality of our people and always being on bid lists in our target markets.

The company's strategy is based on three key strands: our core capabilities and associated unique selling points; laser geographical focus; and providing the right blend of British railway experience and expertise and locally recruited employees that understand the local political, cultural, railway operating environment and regulations.

The group's core capabilities in the rail sector are focused around understanding institutional, regulatory and policy issues, operations, asset management and maintenance, together with delivering renewal and enhancement projects. Our focus has been about getting more out of legacy infrastructure, operating in a liberalised market with multiple train operators and executing renewal and enhancement projects in a live and heavily used rail system.

We have prioritised our geographical focus on those countries that have large legacy rail systems in need of renewal or enhancement and that are safe for our people, transparent in their commercial dealings and that offer long term growth potential. This has led us to primarily focus on Australasia and North America and the Middle East. In the case of the Middle East the focus is on helping newly established railways move from a project environment to an operating railway environment by providing technical assistance with standards and policies; and providing interim management.

Whilst our core expertise is derived from staff working on Britain's railways, we recognise that to succeed internationally, as well as providing a competitive high-quality consultancy services, we need to understand the local political, cultural and railway operating environment. That is why as we grow, we will strive to achieve a 50/50 balance between secondees from Network Rail and locally recruited staff with significant domestic railway experience. Furthermore, our aspiration is that over time all our local operations will be led by local nationals and a workforce diversity that reflects the countries in which we operate.

As we grow, we are increasingly focused on a smaller number of large long-term contracts that will build our backlog and provide better line of sight on future revenue streams and workload for our staff. Nevertheless, we will continue to execute smaller specialist contracts with our core clients to provide a full-service offer and support them in all aspects of running their railways.

Strategic report (continued)

for the year ended 31 March 2020

Principle risks and uncertainties

NRC continues to manage several potential risks and uncertainties which could have a material impact on our strategic and operational objectives. Many of these risks are common to other businesses in our sector and we continue to monitor them regularly to establish the principal risks and associated mitigation plans for the Group.

Market risk

This risk arises when a company is subject to adverse sales conditions due to increased competition in the marketplace, adverse demand conditions within the market, the inability to develop markets or position services to targeted clients or is adversely affected by cyclical or structural economic changes in its industry.

NRC Group has an inherent market risk as all its customers operate in the rail sector. This risk is managed by the Group by having a diverse regional presence and client base.

Additionally, NRC is currently engaged in providing numerous service offers across five business sectors: Advisory, Strategic Planning, Major Projects, Railway Operations and Asset Management and Maintenance. Therefore, if demand for one service offer within a business sector is weak this can be offset by other services in the same business sector or services in other business sectors.

Key employee risks

Key employee risk relates to the risk of key employees with technical knowledge, a strong client network, or market experience leaving the Group.

These are important to NRC as the key value driver is NRC's ability to attract a pool of unique experienced staff. NRC can draw on the depth of experience within NRIL and alliance organisations, who provide their expertise and advice to assist with the delivery of projects. The ability to attract and retain expertise and alliances is important to the Group in general.

The risk is borne by NRC Group with the head office function helping to control this risk by ensuring that all the directors in the centre and regions have an employee focused management style, philosophy and culture, thus creating a positive environment. Furthermore, over the last 12 months we have established a central talent team in the UK that is developing talent pools for all of our regions and business sectors so that we can readily tap into local talent and talent employed by our parent company, Network Rail.

Utilisation risk

The utilisation risk of fee earners is a significant factor in the profitability of the Group. Utilisation is tightly managed on a weekly basis via timesheets with weekly reporting and a rolling 3 month forecast of future workload for each employee.

Compliance risk

Compliance risk relates to the failure to comply with industry legislation and regulatory bodies which are applicable to each individual geographical location in which NRC operates. Failure to comply with these requirements could result in significant financial penalties and reputational damage for the business.

Additionally, due to the nature of the market and its status as an Arm's Length Body of the UK Government, NRC is under additional regulatory and legal constraint.

The Group has a formal process in ensuring compliance with regulatory and legislative requirements. This is further enforced by various site visits and tests undertaken by the Group throughout the year to monitor compliance. This is undertaken almost exclusively by head office management who control the risk.

Foreign exchange risk

Foreign exchange rate risk relates to the potential variability of profits and cashflows that can arise because of changes in foreign currency exchange rates. Such risks arise when doing business in any market that is affected by international trade and can arise even if a company does not conduct actual transactions in a foreign currency.

Overseas subsidiaries and branches are the contracting entities for the projects which have been concluded with clients in the relevant local currencies of the countries in which NRC operates. Therefore, NRC Group bears some foreign exchange risk associated with the translation of net investment and future net cashflow from these entities. This has historically been managed via hedging with the hedging strategy reviewed by the Board periodically.

Bad debt / credit risk

Bad debt/credit risk arises when a company supplies services to a client in advance of client payment. The contracting entity assumes a risk that the client may fail to make payment.

NRC works with large companies or public sector transit authorities, and therefore has limited exposure to bad debt/credit risk due to the nature of its client base.

Covid-19

The Covid-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity, which in turn has implications for financial reporting of many entities.

There are two types of impact that the Covid-19 pandemic may have on NRC, both will have a negative but short-term impact on revenue and operating income:

1. Increased number of staff reporting sick as a direct result of catching the virus; and
2. Potential for clients to temporarily suspend contracts as the amount of productive remoting working becomes difficult to justify.

There was no significant impact on the business in the year to 31st March 2020 and at the date of this report, our clients have continued to pay for the work carried out by NRC's employees whilst they work from home.

The Board has considered the impact of a range of potential future scenarios resulting from the COVID-19 pandemic on the financial performance of NRC, together with the mitigation measures that management will take if scenarios materialise. These scenarios have been modelled with none of the outcomes indicating a loss in the coming year and none would result in a breach of NRC's loan facility. On this basis, management has continued to prepare these Financial Statements on a going concern basis. Given the risk to short term profit, a conservative assessment of the recovery of tax losses has been taken resulting a reduction in the carrying value of deferred tax assets resulting a reduction in carrying value.

Nigel Ash (director)

19 June 2020

Directors' report

for the year ended 31 March 2020

The directors present their annual report and audited consolidated financial statements for the year ended 31 March 2020.

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 (2019: £nil).

Going concern

The group has made an operating profit for the year ended 31 March 2020 but remains in a net liability position. The group has a loan facility from its parent company to satisfy its future funding requirements (Note 10). The directors have a reasonable expectation that the group has adequate resources based on cash flow projections to continue in operational existence for the next two years. 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;
- 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.

Directors' report (continued)

for the year ended 31 March 2020

Statement of directors' responsibilities (continued)

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.

The company has branches in Saudi Arabia and Dubai.

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.

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

NR Corporate Secretary Limited (Company secretary)

19 June 2020

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

Report on the audit of the financial statements

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 2020 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the group and parent company balance sheet as at 31 March 2020; the group income statements and statements of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies in Note 2.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

- We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where: the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of director's responsibilities set out on page (6), the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Jonathan Hook

Jonathan Hook (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

19 June 2020

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue	3	**29,497**	23,012
Net operating costs		**(26,661)**	(21,611)
Operating profit		**2,836**	1,401
Finance costs	5	**(824)**	(1,158)
Profit before tax		**2,012**	243
Tax charge	6	**(1,271)**	(1,384)
Profit / (Loss) for the year		**741**	(1,141)
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss:			
Currency translation adjustment on retained earnings		345	(25)
		345	**(25)**
Total comprehensive income/(expense) for the year		**1,086**	**(1,166)**

Consolidated balance sheet

at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Fixed assets		**126**	106
Right of use assets	16	**1,321**	-
Deferred tax asset	12	**541**	776
Total non-current assets		**1,988**	882
Current assets			
Trade and other receivables	8	**14,052**	12,197
Cash in bank		**1,717**	2,221
Derivatives	11	**264**	-
Total current assets		**16,033**	14,418
Total assets		**18,021**	15,300
Current liabilities			
Lease liabilities	16	**(477)**	-
Corporation tax		**(798)**	(570)
Trade and other payables	9	**(8,502)**	(7,393)
Derivatives	11	**-**	(772)
Total current liabilities		**(9,777)**	(8,735)
Net current assets		**6,256**	5,683
Non-current liabilities			
Borrowings from parent undertaking	10	**(11,000)**	(11,000)
Lease liabilities	16	**(592)**	-
Total non-current liabilities		**(11,592)**	(11,000)
Net liabilities		**(3,348)**	(4,435)
Equity attributable to owners			
Share capital	14	**2,500**	2,500
Accumulated losses		**(5,848)**	(6,935)
Total equity		**(3,348)**	(4,435)

The financial statements on pages 10 to 32 were approved by the board of directors and authorised for issue on 19 June 2020.

They were signed on its behalf by:

Nigel Ash (director)

Company registration number: 08071984

Company balance sheet

at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Investment in subsidiaries	7	**9,493**	2,295
Fixed assets		**39**	48
Right of use assets	16	**698**	-
Deferred tax asset	12	**158**	17
Total non-current assets		**10,388**	2,360
Current assets			
Trade and other receivables	8	**9,645**	16,900
Cash in bank		**487**	961
Derivatives	11	**264**	-
Total current assets		**10,396**	17,861
Total assets		**20,784**	20,221
Current liabilities			
Lease liabilities	16	**(214)**	-
Corporation tax		**(798)**	(559)
Trade and other payables	9	**(4,917)**	(5,374)
Derivatives	11	**-**	(772)
Total current liabilities		**(5,929)**	(6,705)
Net current assets		**4,467**	11,156
Non-current liabilities			
Borrowings from parent undertaking	10	**(11,000)**	(11,000)
Lease liabilities	16	**(249)**	-
Derivatives	11	**-**	-
Total non-current liabilities		**(11,249)**	(11,000)
Net assets		**3,606**	2,516
Equity attributable to owners			
Share capital	14	**2,500**	2,500
Retained earnings		**1,106**	16
Total equity		**3,606**	2,516

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 £830k profit (2019: £2,801k profit). The financial statements on pages 10 to 32 were approved by the board of directors and authorised for issue on 19 June 2020.

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 2020

Group

	Share capital	Hedging reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
At 1 April 2018	2,500	(589)	(5,180)	(3,269)
Transfer on cessation of hedge accounting	-	589	(589)	-
Currency translation adjustment on retained earnings			(25)	(25)
Loss and total comprehensive expense for the year	-	-	(1,141)	(1,141)
At 31 March 2019 and at 1 April 2019	2,500	-	(6,935)	(4,435)
Currency translation adjustment on retained earnings			346	346
Profit and total comprehensive income for the year		-	741	741
At 31 March 2020	**2,500**	-	**(5,848)**	**(3,348)**

Company

	Share capital	Hedging reserve	(Accumulated losses) / Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 April 2018	2,500	(589)	(2,250)	(339)
Transfer on cessation of hedge accounting	-	589	(589)	-
Currency translation adjustment on retained earnings	-	-	54	54
Profit and total comprehensive profit for the year – restated	-	-	2,801	2,801
At 31 March 2019 and at 1 April 2019	2,500	-	16	2,516
Currency translation adjustment on retained earnings	-	-	260	260
Profit and total comprehensive income for the year	-	-	830	830
At 31 March 2020	**2,500**	-	**1,106**	**3,606**

Statements of cash flows

for the year ended 31 March 2020

	Note	**Year ended 31 March 2020 - Group**	Year ended 31 March 2019 - Group	**Year ended 31 March 2020 - Company**	Year ended 31 March 2019 - Company
		£'000	£'000	**£'000**	£'000
Cash flow from operating activities					
Cash generated by operations	15	**2,215**	1,126	**1,560**	1
Net cash flow generated from operating activities		**2,215**	1,126	**1,560**	1
Investing activities					
Payments for property		**(67)**	(45)	**(3)**	(36)
Net cash flow used in investing activities		**(67)**	(45)	**(3)**	(36)
Financing activities					
Proceeds from loan from parent undertaking		**-**	1,000	**-**	1,000
Cash flow on settlement of interest on loans		**(489)**	(381)	**(514)**	(504)
Interest receivable from group companies		**-**	-	**291**	369
Principal elements of lease payments		**(1,194)**	-	**(831)**	-
Movement in foreign exchange		**(690)**	(549)	**(777)**	(695)
Net cash flow generated from financing activities		**(2,373)**	70	**(1,831)**	170
Movement in cash and cash equivalents		**(225)**	1,151	**(274)**	135
Cash and cash equivalents at beginning of the year		**2,221**	1,094	**961**	771
Exchange gain / (loss) on cash and cash equivalents		**(279)**	(24)	**(200)**	55
Cash and cash equivalents at end of the year		**1,717**	2,221	**487**	961

Notes to the financial statements

for the year ended 31 March 2020

1. General information

Network Rail Consulting Limited is a private company limited by shares, incorporated in the United Kingdom 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 the strategic report on pages 2 to 5.

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 on a historical cost basis, except for derivative instruments which are measured at fair value less cost to sell. 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 2020 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. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Adoption of new and revised standards

Change in accounting policy – IFRS 16 'Leases'

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

IFRS 16 Leases

The group had to change its accounting policies as a result of adopting IFRS16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Change in accounting policy – IFRS 16 'Leases'

Network Rail Consulting Limited has applied the modified retrospective transition approach and therefore not restated comparative amounts for the year prior. This transition method allows for the lease liability to be based on the remaining payments, and then sets the right-of-use asset as an amount equal to lease liability (adjusted for any accrued or prepaid amounts recognised under IAS 17). Therefore, there was no impact on equity at the date of initial application.

The following exemptions have been elected with the adoption of IFRS16:

- Elected not to measure leases that terminate within 12 months of the date of transition to IFRS16;
- Elected not to measure leases where the underlying asset is of low-value (<£5,000);
- Exclude initial direct costs from the measurement of right-of-use assets;
- Elected to use hindsight to determine lease term (e.g. in determining the lease term if options exist); and
- Elected to take forward the previous identification of a lease applying IAS 17 and IFRIC 4 at the start of the relevant accounting period, also known as 'grandfathering'.

The impact of the standard is to bring on balance sheet all the leases that had previously been accounted for as operating leases.

The following key judgements have been made by management regarding both the recognition as well as calculation of leases under IFRS 16:

- The marginal rate of borrowing has been used to calculate the right of use asset and lease liability unless the implicit rate can reliably be determined in the contract; and
- Where practically possible lease components have been separated from the larger contracts to calculate the right of use asset. This is especially notable in contracts which contain embedded leases.

IFRS 16 - Impact on adoption

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The application of IFRS 16 at 1 April 2019 resulted in the recognition of Right of use (ROU) assets of £976k and Lease liabilities of £976k.

The following is a reconciliation of total operating lease arrangements disclosed in Note 17 of the March 2019 annual report and accounts amounting to a £976k lease liability recognised on adoption of IFRS 16 on 1 April 2019:

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

	Property leases £000	Non Property leases £000	Total £000
Total operating lease commitments disclosed at 31 March 2019	1,008	290	**1,298**
Recognition exemptions:			
- Impact of discounting	(45)	(6)	**(51)**
- Leases with remaining lease term of less than 12 months	(247)	(24)	**(271)**
Total lease liabilities recognised under IFRS 16 at 1 April 2019	716	260	**976**

Leases accounting policy

The group as lessee

For those leases of not less than 12 months or low value, the ROU asset and Lease liability are initially measured on a present value basis.

The present value of the following lease payments is used to determine the value of the lease liability:

- fixed payments less any lease incentive receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. Remeasurement of the lease liability occurs if there is a change in the lease payments (when a corresponding adjustment is made to the ROU asset), the lease term or in the assessment of an option to purchase the underlying asset.

The discount rate used to discount the lease payments is the Group's incremental borrowing rate. This is the rate that the group would have to pay to borrow similar funds to fund a similar asset. ROU assets are initially measured at the same amount as the lease liability plus any initial direct costs.

Each ROU asset is depreciated over the shorter of its useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and low value leases are recognised on a straight-line basis as an expense in profit or loss.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Revenue recognition

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. There is a small subset of projects where revenue is being recognised at a point in time. 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.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. In assessing the probability of recovery, a maximum three-year period is used to forecast available future profits.

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.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Derivatives are presented on the balance sheet in line with their maturity dates.

Derivatives are classified as held for trading. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

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.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

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 2020 there are no trade receivable amounts bearing interest income (2019: £nil).

As financial assets, trade receivables are subject to specific provisioning for anticipated losses based upon the likelihood of recovery on a line by line basis. The company's exposure to credit risk is limited and no significant increase in credit risk has materialised.

Trade payables

Trade payables are stated at their nominal value. The company has the obligation to pay any trade payables exceeding 28 days. At 31 March 2020 there are no trade payable amounts bearing an interest charge (2019: £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 and branches 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.

3.Revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue		
Middle East	**8,807**	9,483
Australasia	**10,130**	4,362
North America	**9,933**	8,440
Europe	**627**	727
	29,497	23,012

The company has assessed its revenue recognition in accordance with IFRS15 and has deemed that it derives the vast majority of its revenue over time. Revenue recognised at a point in time was £294k (2019: £629k) all of which related to a single group of projects under one contract. There are no recognised contract assets, as defined by IFRS 15, that relate to recognised revenue disaggregated in the above table.

Notes to the financial statements

for the year ended 31 March 2020

4.Operating Costs

a. Staff costs

The directors received no remuneration for their services as directors 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 wider Network Rail group and it is not practicable to allocate all of their remuneration between their services to each company. The highest paid director of the company was also a director of Network Rail group. Details of the emoluments of directors of the Network Rail group appear within the annual report and accounts of Network Rail Limited.

The aggregate remuneration of those directors whose costs can be directly attributed to the company were as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Total emoluments	**432**	363
Post employment benefits – contributions to defined benefit pension schemes	**27**	23
	£'000	£'000

b. Auditors' remuneration

The Auditors received the following remuneration:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Auditors' remuneration		
Statutory audit fee of the Company financial statements	**51**	54
Statutory audit fee of the Subsidiary financial statements	**54**	35

Notes to the financial statements

for the year ended 31 March 2020

5. Finance costs

Finance cost comprised:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Foreign exchange losses	**278**	549
Movement on derivatives	**-**	183
Interest from lease liabilities	**47**	-
Interest expense	**499**	426
	824	1,158

6. Tax charge

The tax charge is made up as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Current tax:		
UK corporation tax at 19% (2019:19%)		
Corporation tax charge	**(269)**	(593)
Adjustment in respect of prior years	**(207)**	(44)
Double taxation relief	**269**	555
Total current tax	**(207)**	(82)
Foreign tax		
Current year	**(773)**	(1,561)
Adjustment in respect of prior years	**(60)**	37
Total foreign tax	**(833)**	(1,524)
Deferred tax:		
Deferred tax at 19% (2019:19%)		
Current year (charge) / credit	**(302)**	206
Effect of rate change	**9**	(23)
Adjustment in respect of prior years	**62**	39
Total deferred tax	**(231)**	222
Total tax charge	**(1,271)**	(1,384)

Notes to the financial statements

for the year ended 31 March 2020

6. Tax charge (continued)

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit before tax	**2,012**	243
Profit multiplied by standard rate in the UK 19% (2019: 19%)	**(382)**	(46)
Adjustment in respect of prior years	**(204)**	32
Rate changes	**9**	(23)
Temporary differences	**51**	82
Permanent differences	**(36)**	(29)
Group Relief surrendered for Nil payment	**-**	-
UK tax deduction for foreign taxes incurred	**98**	170
Irrecoverable withholding tax	**(12)**	(896)
Unrecognised profits / (losses) in foreign subsidiaries	**(303)**	(564)
Higher tax rates on overseas earnings	**(492)**	(110)
Total tax charge for the year	**(1,271)**	(1,384)

UK corporation tax is calculated at 19% (2019: 19%).

Certain jurisdictions apply withholding taxes at varying rates to cash remitted outside of country. To the extent that the combination of local corporation tax and withholding taxes exceed the equivalent UK corporate tax payable on relevant profits earned from overseas, save for the impact of treating withholding tax as an allowable deduction, the taxes are treated as irrecoverable.

7. Investment in subsidiaries

Company	**Year ended 31 March 2020 £000**	Year ended 31 March 2019 £000
Beginning of year	**2,295**	2,295
Additions in year	**7,198**	-
End of year	**9,493**	2,295

The Additions in the year relate to a reorganisation of debt in the subsidiaries.

Notes to the financial statements

for the year ended 31 March 2020

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 2020 – Group	31 March 2019 – Group	**31 March 2020 – Company**	31 March 2019 – Company
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Trade receivables	**6,727**	7,187	**4,279**	4,886
Prepayments	**896**	715	**401**	541
Unbilled Receivables	**4,154**	2,470	**2,062**	639
Other receivables	**2,275**	1,825	**2,192**	1,825
Amounts receivable from subsidiaries	**-**	-	**711**	9,009
Total trade and other receivables	**14,052**	12,197	**9,645**	16,900

Trade receivables from contracts with customers are all based on unconditional rights to consideration and are not contingent on conditional or dependent on satisfying other performance obligations. The company's exposure to credit risk is limited and no significant increase in credit risk has materialised.

The directors consider that the carrying value of trade and other receivables approximates to their fair value. All balances are non-interest bearing.

The company's credit risk is primarily attributable to its trade receivables and contract assets. Around 94 per cent of the company's income is received from Transit Authorities or other Government backed bodies. The company assesses credit worthiness to assess the potential customer's credit quality.

As mentioned at note 7 above, the Company converted £7,198k of amounts receivable from subsidiaries to equity during the year.

Notes to the financial statements

for the year ended 31 March 2020

9. Trade and other payables

	31 March 2020 - Group £'000	31 March 2019 - Group £'000	31 March 2020 – Company £'000	31 March 2019 – Company £'000
Trade payables	1,382	676	244	180
Accruals	3,584	3,145	1,102	1,652
Interest on borrowings from parent undertaking	180	171	180	171
Amounts due to related parties	2,742	1,892	2,829	1,979
Other payables	614	1,509	562	1,392
Total trade and other payables	8,502	7,393	4,917	5,374

10. Borrowings

Group and Company	31 March 2020 £'000	31 March 2019 £'000
Amounts owed to parent	11,000	11,000
Total borrowings	11,000	11,000

Interest on the loan was charged and paid bi-annually at an annual interest rate of LIBOR plus 2.96%. The loan was renewed on 31st July 2019 and is due to be repaid on 31st July 2022.

11. Derivatives

Group and Company	31 March 2020 Fair value £'000	31 March 2020 Notional amounts £'000	31 March 2019 Fair value £'000	31 March 2019 Notional amounts £'000
Derivative financial instrument liabilities				
Cashflow hedges				
Forward foreign exchange contracts	264	4,870	(772)	14,537
Included in current assets	264	4,870	(772)	14, 537
Derivative financial liabilities	264	4,870	(772)	14,537

Notes to the financial statements

for the year ended 31 March 2020

12. Deferred tax asset

The following are the major deferred tax assets recognised by the Group and Company and movement thereon during the current and prior years. Closing deferred tax assets relate to carry forward tax losses in subsidiaries to the extent that it is likely that they will be recovered within the next three years and is calculated at the relevant rate in the tax jurisdiction to which it relates.

Group	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
At 1 April 2019	**776**	538
(Charge) / Credit to income statement	**(244)**	222
Impact of Rate Change	**9**	16
At 31 March 2020	**541**	776

Company	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
At 1 April 2019	**17**	36
(Charge) / Credit to income statement	**141**	(19)
At 31 March 2020	**158**	17

Deferred tax assets are only recognised on carry forward tax losses generated in foreign subsidiaries to the extent that they are likely to be recovered within three years of the balance sheet date. In the current year £383k (2019 £564k) of tax losses at the applicable tax rate have been generated for which no asset has been recognised. The recoverability of these losses against future taxable profits will be re-evaluated at future balance sheet dates and assets recognised if they are likely to be recoverable within three years. An allowance of £197k has been made to account for uncertainty caused Covid-19.

Notes to the financial statements

for the year ended 31 March 2020

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 using 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 regarding 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 using foreign exchange forward contracts to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities.

Notes to the financial statements

for the year ended 31 March 2020

13. Funding and financial risk management (continued)

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.

	31 March 2020		31 March 2019	
	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 profit and (loss) / equity	**443**	**(541)**	1,347	(1,646)

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**
31 March 2020				
Non-derivative financial liabilities				
Loan from Network Rail Infrastructure Limited	**(180)**	**-**	**(11,000)**	**(11,180)**
Derivative financial liabilities				
Gross settled derivative contracts – receipts	**5,087**	**-**	**-**	**5,087**
Gross settled derivative contracts – payments	**(4,870)**	**-**	**-**	**(4,870)**
	37	**-**	**(11,000)**	**(10,963)**

Notes to the financial statements

for the year ended 31 March 2020

13. Funding and financial risk management (continued)

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
31 March 2019				
Non-derivative financial liabilities				
Loan from Network Rail Infrastructure Limited	(171)	-	(11,000)	(11,171)
Derivative financial liabilities				
Gross settled derivative contracts – receipts	12,922	-	-	12,922
Gross settled derivative contracts – payments	(14,537)	-	-	(14,537)
	(1,786)	-	(11,000)	(12,786)

Offsetting financial assets and liabilities

Financial liabilities

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

Group and Company 31 March 2020	Gross amounts of recognised financial liabilities £'000	Gross amounts of recognised financial assets set off in the balance sheet £'000	Net amount of financial liabilities presented in the balance sheet £'000	Related amounts not set off in the balance sheet £'000	Net amount £'000
Derivative financial liabilities	264	-	264	-	264

31 March 2019	Gross amounts of recognised financial liabilities £'000	Gross amounts of recognised financial assets set off in the balance sheet £'000	Net amount of financial liabilities presented in the balance sheet £'000	Related amounts not set off in the balance sheet £'000	Net amount £'000
Derivative financial liabilities	(772)	-	(772)	-	(772)

Notes to the financial statements

for the year ended 31 March 2020

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 is estimated by discounting the future contracted cashflows using appropriate yield curves based on quoted market prices.

14. Share capital

Group and Company	**31 March 2020 £'000**	31 March 2019 £'000
Allotted and fully paid:		
2,500,000 (2019: 2,500,000) ordinary shares of £1 each	**2,500**	2,500

15. Cash generated by operations

	Year ended 31 March 2020 – Group £'000	Year ended 31 March 2019 – Group £'000	**Year ended 31 March 2020 – Company £'000**	Year ended 31 March 2019 – Company £'000
Profit/(loss) before tax	**2,012**	243	**1,722**	3,531
Less: Finance costs	**824**	1,158	**451**	1,058
Depreciation expense	**942**	36	**589**	6
Cash flow on settlement of tax	**(808)**	(584)	**(794)**	326
Operating cash flow after tax before movements in working capital	**2,970**	853	**1,968**	4,921
(Increase)/Decrease in receivables	**(1,855)**	(2,994)	**57**	(6,556)
Increase/(Decrease) in payables	**1,100**	3,267	**(465)**	1,636
Cash generated by operations	**2,215**	1,126	**1,560**	1

16. Leases

This note provides information for leases where the group is a lessee.

Group as a lessee

The movement in the period for the ROU assets is reconciled as follows:

	Property leases £000	Non property leases £000	Total £000
Balance recognised on transition at 1 April 2019	716	260	**976**
New leases entered during the year	688	-	**688**
Leases renewed during the year	531	-	**531**
Depreciation charged for the year	(618)	(277)	**(895)**
Foreign exchange revaluation	4	17	**21**
Right of use asset at 31 March 2020	1,321	-	**1,321**

Expenses relating to short-term leases (included in net operating costs) were £97k and there were no expenses relating to leases of low value assets that are not shown as short-term lease (included in net operating costs). The total cash outflow for leases during the year was £1,194k (2019: £1,349k).

The movement in the year for the lease liability is reconciled as follows:

	Property leases £000	Non property leases £000	Total £000
Balance recognised on transition at 1 April 2019	716	260	**976**
New leases entered during the year	688	-	**688**
Leases renewed during the year	531	-	**531**
Interest charged for the year	41	6	**47**
Payments made during the year	(911)	(283)	**(1,194)**
Foreign exchange revaluation	4	17	**21**
Lease liability at 31 March 2020	1,069	-	**1,069**

	Property leases £000	Non property leases £000	Total £000
Current liabilities	477	-	**477**
Non-current liabilities	592	-	**592**
Lease liability at 31 March 2020	1,069		**1,069**

Notes to the financial statements

for the year ended 31 March 2020

This note provides information for leases where the Company is a lessee.

Company as a lessee

The movement in the period for the ROU assets is reconciled as follows:

	Property leases £000	Non property leases £000	Total £000
Balance recognised on transition at 1 April 2019	36	260	**296**
New leases entered during the year	428	-	**428**
Leases renewed during the year	531	-	**531**
Depreciation charged for the year	(300)	(277)	**(577)**
Foreign exchange revaluation	3	17	**20**
Right of use asset at 31 March 2020	698	-	**698**

Expenses relating to short-term leases (included in net operating costs) were £55k and there were no expenses relating to leases of low value assets that are not shown as short-term lease (included in net operating costs). The total cash outflow for leases during the year was £831k (2019: £1,072k).

The movement in the year for the lease liability is reconciled as follows:

	Property leases £000	Non property leases £000	Total £000
Balance recognised on transition at 1 April 2019	36	260	**296**
New leases entered during the year	428	-	**428**
Leases renewed during the year	531	-	**531**
Interest charged for the year	13	6	**19**
Payments made during the year	(548)	(283)	**(831)**
Foreign exchange revaluation	3	17	**20**
Lease liability at 31 March 2020	463	-	**463**

	Property leases £000	Non property leases £000	Total £000
Current liabilities	214	-	**214**
Non-current liabilities	249	-	**249**
Lease liability at 31 March 2020	463		**463**

17. 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 United Kingdom 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.