Network Rail Consulting Limited

Annual Report

Year ended 31 March 2021

Company registration number 08071984

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Officers and professional advisers

Directors

Nigel Ash
Susan Cooklin Non-executive director (resigned 21st December 2020)
Jeremy Westlake – Non-executive director
Ian Dobbs – Non-executive director
Andrew Noble
Nicholas King - Non-executive director

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 2021

The directors present their Strategic report for the year ended 31 March 2021.

Business review

The directors are pleased to report that despite a small (2%) decrease in revenue in 2021 relative to 2020 there was an improvement in profitability in the year. Behind the small decrease in revenue, Australia grew by 36%, whereas other countries showed decreases, primarily due to the impact of Covid-19 which caused delay in the mobilisation of resources and cancellation of some contracts with transit authorities in the USA.

In Australia, Transport for New South Wales exercised its option to further 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 continued 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 further extended to 31 March 2021 and we are pleased to have been successful in winning a new competitively let contract for a further two years. This is a testament to the excellent support we have provided to SAR over the last 6 years and the strong railway operating performance that has been achieved.

In the USA, 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 expanded our services to Amtrak relating to stations, and we built on our offering with Washington Metro Area Transit Authority (WMATA) to incorporate Rail Operations Control Center transformation services. On the west coast, our support providing advice to the California High Speed Rail Authority on asset management, operations and maintenance, and systems integration is on-going, with our efforts delivering major project support for Bay Area Rapid Transit (BART) growing by around 50%.

Results

The underlying financial performance for the year has improved against prior year with revenue down slightly and pre-tax profits 28% better than last year, excluding the one-off impacts of Covid 19 and the release of provisions made in 2020 that were no longer required. Operating profit was 2% better than in 2020 having adjusted for the impact of these items.

In the year ending 31 March 2021 the group's revenue was £28,803k (2020: £29,497k) a decrease of 2.4% whilst pre-tax profit was £2,907k (2020: £2,012k) an increase of 44%.

As at 31 March 2021, the group was in a net liabilities position of £1,356k (2020: £3,348k).

Network Rail Infrastructure Limited (NRIL), the group's immediate parent, had invested £2.5m as share capital in the group and had lent £8.0m as at 31 March 2021 (2020: £11.0m).

EBITDA was £4,449k (2020: £3,223k). EBITDA% (i) and adjusted EBITDA% (ii) were respectively 15% and 21% (2020: 11% and 14%).

Strategic report (continued)

for the year ended 31 March 2021

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, interim management, and project and programme management.

Note

(i) - EBITDA % represents EBITDA divided by total revenue and (ii) - Adjusted EBITDA % is EBITDA divided by revenue generated by the activities of NRC's employees only ("Adjusted Revenue"). The calculation of EBITDA and EBITDA % may be reconciled to Revenue and Profit for the year as follows:

Reconciliation of EBITDA	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Revenue	**28,803**	29,497
Adjusted Revenue	**21,544**	23,611
Profit for the year	**2,463**	741
Add Back:		
Tax charge	**444**	1,271
Depreciation	**1,084**	942
Interest	**419**	546
EBITDA	**4,410**	3,500
EBITDA % (i)	**15%**	12%
Adjusted EBITDA % (ii)	**20%**	15%

Strategic report (continued)

for the year ended 31 March 2021

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 and group'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 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 deliver 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 offering and support them in all aspects of running their railways.

Strategic report (continued)

for the year ended 31 March 2021

Principle risks and uncertainties

Network Rail Consulting ('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 offerings 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 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.

Strategic report (continued)

for the year ended 31 March 2021

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 impact of the Covid-19 outbreak on the business has not been as bad as anticipated when the initial scenarios were presented to the Board in early 2020. Whilst there have been several commercial impacts on the business, both clients and our employees have established new ways of working which have minimised the outcome to the date of this report. We are constantly monitoring the situation in order to ensure that our employees remain safe whilst meeting the needs of our clients.

Nigel Ash (director)

31st August 2021

Directors' report

for the year ended 31 March 2021

The directors present their annual report and audited consolidated financial statements for the year ended 31 March 2021.

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 (2020: £nil).

Overseas branches

The company has branches in Saudi Arabia and Dubai.

Going concern

The group has made an operating profit for the year ended 31 March 2021 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). This facility has been rolled over on a regular basis and the directors expect that arrangement to continue or be replaced with further capital. The directors have a reasonable expectation that the group has adequate resources based on cash flow projections to continue in operational existence for at least the next 12 months. 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 and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether for the group and company, international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, 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 2021

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.

Directors' confirmation

In the case of each director in office at the date the directors' report is approved:

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)

31st August 2021

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 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 Consolidated and Company balance sheets as at 31 March 2021; Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and 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.

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

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

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

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

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

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 Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 Director's report for the year ended 31 March 2021 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 Director's 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to income and employment-related taxes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management, including consideration of known or suspected instances of non-compliance with laws (including income and employment-related tax) or of fraud
- Evaluation of the results of our testing of accounting estimates for evidence of management bias; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or those posted by unexpected users

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Andrew Johns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31st August 2021

Consolidated statement of comprehensive income

for the year ended 31 March 2021

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	3	**28,803**	29,497
Net operating costs	4	**(25,576)**	(26,661)
Operating profit		**3,227**	2,836
Finance costs	5	**(320)**	(824)
Profit before tax		**2,907**	**2,012**
Tax charge	6	**(444)**	**(1,271)**
Profit for the year		**2,463**	**741**
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss:			
Currency translation adjustment on accumulated losses		(471)	345
		(471)	345
Total comprehensive income for the year		**1,992**	**1,086**

Consolidated balance sheet

at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Fixed assets		**78**	126
Right-of-use assets	16	**334**	1,321
Deferred tax asset	12	**596**	541
Total non-current assets		**1,008**	1,988
Current assets			
Trade and other receivables	8	**9,664**	14,052
Cash in bank		**2,527**	1,717
Derivatives	11	**-**	264
Total current assets		**12,191**	16,033
Total assets		**13,199**	18,021
Current liabilities			
Lease liabilities	16	**(104)**	(477)
Corporation tax		**(329)**	(798)
Trade and other payables	9	**(5,881)**	(8,502)
Total current liabilities		**(6,314)**	(9,777)
Net current assets		**5,877**	6,256
Non-current liabilities			
Borrowings from parent undertaking	10	**(8,000)**	(11,000)
Lease liabilities	16	**(241)**	(592)
Total non-current liabilities		**(8,241)**	(11,592)
Net liabilities		**(1,356)**	(3,348)
Equity attributable to owners			
Share capital	14	**2,500**	2,500
Accumulated losses		**(3,856)**	(5,848)
Total equity		**(1,356)**	(3,348)

The financial statements on pages 12 to 33 were approved by the board of directors and authorised for issue on the 5th July 2021.

They were signed on its behalf by:

Nigel Ash (director)

Dated 31st August 2021

Company registration number: 08071984

Company balance sheet

at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Investment in subsidiaries	7	**9,249**	9,493
Fixed assets		**28**	39
Right-of-use assets	16	**38**	698
Deferred tax asset	12	**146**	158
Total non-current assets		**9,461**	10,388
Current assets			
Trade and other receivables	8	**4,842**	9,645
Cash in bank		**325**	487
Derivatives	11	**-**	264
Total current assets		**5,167**	10,396
Total assets		**14,628**	20,784
Current liabilities			
Lease liabilities	16	**(20)**	(214)
Corporation tax		**(329)**	(798)
Trade and other payables	9	**(2,207)**	(4,917)
Total current liabilities		**(2,556)**	(5,929)
Net current assets		**2,611**	4,467
Non-current liabilities			
Borrowings from parent undertaking	10	**(8,000)**	(11,000)
Lease liabilities	16	**-**	(249)
Total non-current liabilities		**(8,000)**	(11,249)
Net assets		**4,072**	3,606
Equity attributable to owners			
Share capital	14	**2,500**	2,500
Retained earnings		**1,572**	1,106
Total equity		**4,072**	3,606

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 £1,021k profit (2020: £830k profit). The financial statements on pages 12 to 33 were approved by the board of directors and authorised for issue on 5th July 2021.

They were signed on its behalf by:

Nigel Ash (director)
Dated 31st August 2021

Statements of changes in equity

for the year ended 31 March 2021

Group	**Share capital**	**Accumulated losses**	**Total equity**
	£'000	**£'000**	**£'000**
At 1 April 2019	2,500	(6,935)	(4,435)
Currency translation adjustment on accumulated losses	-	346	346
Profit and total comprehensive income for the year	-	741	741
At 31 March 2020 and at 1 April 2020	2,500	(5,848)	(3,348)
Currency translation adjustment on accumulated losses	-	(471)	(471)
Profit and total comprehensive income for the year	-	2,463	2,463
At 31 March 2021	**2,500**	**(3,856)**	**(1,356)**

Company	**Share capital**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**
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 and at 1 April 2020	2,500	1,106	3,606
Currency translation adjustment on retained earnings	-	(555)	(555)
Profit and total comprehensive income for the year	-	1,021	1,021
At 31 March 2021	**2,500**	**1,572**	**4,072**

Statements of cash flows

for the year ended 31 March 2021

	Note	Year ended 31 March 2021 - Group	Year ended 31 March 2020 - Group	Year ended 31 March 2021 - Company	Year ended 31 March 2020 - Company
		£'000	£'000	£'000	£'000
Cash flow from operating activities					
Cash generated by operations	15	6,078	3,023	4,619	2,354
Cash flow on settlement of tax		(1,235)	(808)	(1,210)	(794)
Net cash flow generated from operating activities		4,843	2,215	3,409	1,560
Investing activities					
Payments for property		(8)	(67)	(3)	(3)
Net cash flow used in investing activities		(8)	(67)	(3)	(3)
Financing activities					
Repayment of loan from parent undertaking		(3,000)	-	(3,000)	-
Cash flow on settlement of interest on loans		(72)	(489)	(27)	(514)
Interest receivable from group companies		-	-	63	291
Principal elements of lease payments		(1,064)	(1,194)	(666)	(831)
Movement in foreign exchange		11	(690)	(9)	(777)
Net cash flow used in financing activities		(4,125)	(2,373)	(3,639)	(1,831)
Movement in cash and cash equivalents		710	(225)	(233)	(274)
Cash and cash equivalents at beginning of the year		1,717	2,221	487	961
Exchange gain / (loss) on cash and cash equivalents		100	(279)	71	(200)
Cash and cash equivalents at end of the year		2,527	1,717	325	487

Notes to the financial statements

for the year ended 31 March 2021

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 6.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2021 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

Changes in accounting policy

Adoption of new, revised and amendments to accounting standards.

Amended standards adopted by the group

In the year ended 31 March 2021, the Group has applied the below amendment to IFRS that is mandatorily effective for an accounting period that began on or after 1 January 2020.

Definition of Material – amendments to IAS 1 and IAS 8 : The changes in 'Definition of Material (amendments to IAS 1 and IAS 8) all relate to revised definition of material as follows:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the financial statements

for the year ended 31 March 2021

2. Accounting policies

IFRS16 "Leases" accounting policy

The group as lessee

For those leases of not less than 12 months or low value, the Right Of Use (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.

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.

Notes to the financial statements

for the year ended 31 March 2021

2. Accounting policies (continued)

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 has used 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.

Trade receivables

Trade receivables are stated at their carrying value as reduced by appropriate allowances for estimated credit losses. The company also has the contracted rights to charge interest on any trade receivables exceeding 28 days. At 31 March 2021 there are no trade receivable amounts bearing interest income (2020: £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 2021 there are no trade payable amounts bearing an interest charge (2020: £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.

Notes to the financial statements

for the year ended 31 March 2021

2. Accounting policies (continued)

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 2021 £'000	Year ended 31 March 2020 £'000
Revenue		
Middle East	**6,195**	8,807
Australasia	**13,818**	10,130
North America	**8,731**	9,933
Europe	**59**	627
	28,803	29,497

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 £212k (2020: £294k) 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.

4. Operating Costs

a. Staff costs

The majority of 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 Limited 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 Limited group. Details of the emoluments of directors of the Network Rail group appear within the annual report and accounts of Network Rail Limited.

Notes to the financial statements

for the year ended 31 March 2021

a. Staff costs (continued)

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Total emoluments	**345**	432
Post-employment benefits – contributions to defined benefit pension schemes	**28**	27

b. Auditors' remuneration

The Auditors received the following remuneration:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Auditors' remuneration		
Statutory audit fee of the Company financial statements	**71**	51
Statutory audit fee of the Subsidiary financial statements	**31**	54

5. Finance costs

Finance cost comprised:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Foreign exchange (profits) / losses	**(100)**	278
Interest from lease liabilities	**26**	47
Interest expense	**394**	499
	320	824

Notes to the financial statements

for the year ended 31 March 2021

6. Tax charge

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current tax:		
UK corporation tax at 19% (2020:19%)		
Corporation tax charge	**(163)**	(269)
Adjustment in respect of prior years	**-**	(207)
Double taxation relief	**163**	269
Total current tax	**-**	(207)
Foreign tax		
Current year	**(629)**	(773)
Adjustment in respect of prior years	**204**	(60)
Total foreign tax	**(425)**	(833)
Deferred tax:		
Deferred tax at 19% (2020:19%)		
Current year charge	**(238)**	(302)
Recognition of previously unrecognised deferred tax assets	**232**	-
Effect of rate change	**-**	9
Adjustment in respect of prior years	**(13)**	62
Total deferred tax	**(19)**	(231)
Total tax charge	**(444)**	(1,271)

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit before tax	**2,907**	2,012
Profit multiplied by standard rate in the UK 19% (2020: 19%)	**(552)**	(382)
Adjustment in respect of prior years	**193**	(204)
Rate changes	**-**	9
Permanent differences	**(29)**	(36)
UK tax deduction for foreign withholding tax paid	**154**	98
Foreign withholding tax	**(114)**	(12)
Recognition/utilisation of previously unrecognised deferred tax	**232**	-
Unrecognised profits / (losses) in foreign subsidiaries	**(88)**	(303)
Higher tax rates on overseas earnings	**(240)**	(441)
Total tax charge for the year	**(444)**	(1,271)

UK corporation tax is calculated at 19% (2020: 19%).

Notes to the financial statements

for the year ended 31 March 2021

6. Tax charge (continued)

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	**31 March 2021 £000**	31 March 2020 £000
Beginning of year	**9,493**	2,295
Additions in year	-	7,198
Others	(87)	-
Impairment of subsidiaries	(157)	-
End of year	**9,249**	9,493

Impairment of subsidiaries in the year relate to the exiting of non-core activities in both India and New Zealand. Additions in the year ended 31 March 2020 related to the conversion of amounts receivable from subsidiaries to equity during the year.

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

8. Trade and other receivables

	31 March 2021 – Group £'000	31 March 2020 – Group £'000	**31 March 2021 – Company £'000**	31 March 2020 – Company £'000
Amounts falling due within one year				
Trade receivables	**4,670**	6,727	**1,538**	4,279
Prepayments	**515**	896	**212**	401
Net investment in the lease receivable	**17**	-	-	-
Unbilled receivables	**3,568**	4,154	**1,369**	2,062
Other receivables	**894**	2,275	**629**	2,192
Amounts receivable from subsidiaries	-	-	**1,094**	711
Total trade and other receivables	**9,664**	14,052	**4,842**	9,645

Notes to the financial statements

for the year ended 31 March 2021

8. Trade and other receivables (continued)

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.

9. Trade and other payables

	31 March 2021 - Group £'000	31 March 2020 - Group £'000	**31 March 2021 – Company £'000**	31 March 2020 – Company £'000
Trade payables	**133**	1,382	**(20)**	244
Accruals	**4,634**	3,584	**1,413**	1,102
Interest on borrowings from parent undertaking	**503**	180	**503**	180
Amounts due to related parties	**215**	2,742	**215**	2,829
Other payables	**396**	614	**96**	562
Total trade and other payables	**5,881**	8,502	**2,207**	4,917

10. Borrowings from parent undertaking

Group and Company	**31 March 2021 £'000**	31 March 2020 £'000
Amounts owed to parent	**8,000**	11,000
Total borrowings	**8,000**	11,000

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

Notes to the financial statements

for the year ended 31 March 2021

11. Derivatives

Group and Company	31 March 2021 Fair value £'000	31 March 2021 Notional amounts £'000	31 March 2020 Fair value £'000	31 March 2020 Notional amounts £'000
Derivative financial instrument liabilities				
Cashflow hedges				
Forward foreign exchange contracts	-	-	264	4,870
Included in current assets	-	-	264	4,870
Derivative financial liabilities	-	-	264	4,870

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 in the foreseeable future and is calculated at the relevant rate in the tax jurisdiction to which it relates. Losses in overseas subsidiaries for which no asset has been recognised are £909k (2020: £1,240k).

Group	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
At 1 April 2020	**541**	776
(Charge) to income statement	**(19)**	(244)
Foreign Exchange	**74**	-
Impact of Rate Change	-	9
At 31 March 2021	**596**	541

Company	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
At 1 April 2020	**158**	17
(Charge) / Credit to income statement	**(12)**	141
At 31 March 2021	**146**	158

Notes to the financial statements

for the year ended 31 March 2021

Deferred tax asset (continued)

Classification of Deferred tax asset.

Group	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Timing Differences	146	158
Deferred Tax recognised on Losses Carried Forward	450	383
At 31 March 2021	596	541

Company	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Timing Differences	146	158
Deferred Tax recognised on Losses Carried Forward	-	-
At 31 March 2021	146	158

Notes to the financial statements

for the year ended 31 March 2021

13. Funding and financial risk management

Network Rail Consulting Limited is exposed to foreign currency risk from a Saudi Riyal contract. Foreign exchange risk has been previously managed using forward exchange contracts to limit the volatility on foreign exchange rate movements. Network Rail Consulting Limited had a number of internal forward exchange contracts with Network Rail Infrastructure Limited. All contracts have now matured and the risk is now deemed insufficient to warrant any new contracts.

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 2021

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 2021		31 March 2020	
	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)

Further sensitivity analysis has determined that exposure to a 10 percent increase or decrease in SAR/GBP exchange rates would not have a material impact on the company's Income Statement.

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 2021				
Non-derivative financial liabilities				
Loan from Network Rail Infrastructure Limited	**(503)**	**(8,000)**	**-**	**(8,503)**
	(503)	**(8,000)**	**-**	**(8,503)**

The balance arising within one year of £503k relates to interest accrued on the loan balance awaiting payment to Network Rail Infrastructure Limited.

Notes to the financial statements

for the year ended 31 March 2021

13. Funding and financial risk management (continued)

	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)

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	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 2021	£'000	£'000	£'000	£'000	£'000
Derivative financial liabilities	-	-	-	-	-

	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 2020	£'000	£'000	£'000	£'000	£'000
Derivative financial liabilities	264	-	264	-	264

Notes to the financial statements

for the year ended 31 March 2021

13. Funding and financial risk management (continued)

Fair value measurements recognised in the balance sheet

The company's derivative financial instruments which were all classified as Level 2. Level 2 fair value measurements were 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 2021 £'000	31 March 2020 £'000
Allotted and fully paid:		
2,500,000 (2020: 2,500,000) ordinary shares of £1 each	**2,500**	2,500

15. Cash generated by operations

	Year ended 31 March 2021 – Group £'000	Year ended 31 March 2020 – Group £'000	Year ended 31 March 2021 – Company £'000	Year ended 31 March 2020– Company £'000
Profit/(loss) before tax	**2,907**	2,012	**1,450**	1,722
Add: Finance costs	**320**	824	**286**	451
Add: Depreciation expense	**1,084**	942	**633**	589
Add: Impairment of subsidiary	**-**	-	**157**	-
Operating cash flow after tax before movements in working capital	**4,311**	3,778	**2,526**	2,762
(Increase)/Decrease in receivables	**4,388**	(1,855)	**4,803**	57
Increase/(Decrease) in payables	**(2,621)**	1,100	**(2,710)**	(465)
Cash generated by operations	**6,078**	3,023	**4,619**	2,354

Notes to the financial statements

for the year ended 31 March 2021

16. Right-of-Use assets and lease liabilities

The Group's leasing activities:

The Group leases various offices. Lease contracts are typically made for fixed periods of three years or shorter, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Low-value assets comprise of IT-equipment and small items of office furniture.

The recognised right-of-use assets to the following types as at 31 March 2020 and 31 March 2021:

	Property leases £000	Non property leases £000	Total £000
Balance recognised on transition at 1 April 2019	716	260	**976**
New Leases 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**
New Leases during the year	74	-	**74**
Leases renewed during the year	135	-	**135**
Lease disposals during the year	(91)	-	**(91)**
Depreciation charged for the year	(1,027)	-	**(1,027)**
Foreign exchange revaluation	(78)	-	**(78)**
Right of use asset at 31 March 2021	334	-	**334**

During the year ended March 31 2021 a charge of £44k (2020: £97k) was recognized in relation to short-term and low value leases.

In year ended March 31 2021, the Group paid £1,064k (2020: £1,194k) in principal elements of lease payments.

Lease liabilities included in the Statements of Financial Position at 31 March 2020 and 31 March, 2021 (in thousands):

	Property leases £000	Non property leases £000	Total £000
Current liabilities	104	-	**104**
Non-current liabilities	241	-	**241**
Lease liability at 31 March 2021	345	-	**345**

Notes to the financial statements

for the year ended 31 March 2021

16. Right-of-use assets and lease liabilities (continued)

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

Company's leasing activities:

The Company leases various offices. Lease contracts are typically made for fixed periods of three years or shorter, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Low-value assets comprise of IT-equipment and small items of office furniture.

The recognised Right-of-Use assets to the following types as at 31 March 2020 and 31 March 2021 (in thousands):

	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
Balance recognised on transition at 31 March 2020	698	-	**698**
New leases entered during the year	-	-	-
Leases renewed during the year	6	-	**6**
Depreciation charged for the year	(619)	-	**(619)**
Foreign exchange revaluation	(47)	-	**(47)**
Right-of-use asset at 31 March 2021	38	-	**38**

During the year ended March 31 2021 a charge of £37k (2020: £55k) was recognized in relation to short-term and low value leases.

In year ended March 31 2021, the Company paid £666k (2020: £831k) in principal elements of lease payments.

Lease liabilities included in the Statements of Financial Position at March 31, 2020 and March 31, 2021 (in thousands):

	Property leases £000	Non property leases £000	Total £000
Current liabilities	20	-	**20**
Non-current liabilities	-	-	-
Lease liability at 31 March 2021	20		**20**

Notes to the financial statements

for the year ended 31 March 2021

17. Related Party Transactions

a. 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.

b. Transactions with Related Parties

Certain employees are paid through the parent company and the expense is recharged back to NRC by way of a management charge. The employee payments and management charge are made on normal commercial terms.

18. Contingencies

The Group has entered into bid bonds totalling £414k (31 March 2020: £nil) which may give rise to liabilities in the Group if it does not meet its obligations under the terms of the bonds. No material losses are anticipated in respect of the above contingent liability.

The group operates in overseas tax jurisdictions where from time to time the group may receive claims from foreign tax authorities. The Directors do not believe that the outcome of these matters will result in any material adverse change in the group's financial position.

19. Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2021 that has significantly affected the company's operations, results or state of affairs, or may do so in future years.