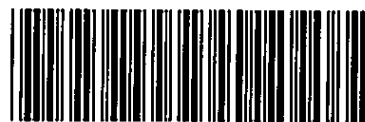


GOVIA Limited

Report and Financial Statements

30 June 2012

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COMPANIES HOUSE

DIRECTORS AND PROFESSIONAL ADVISORS

Directors

D A Brown
K Down
A J F Gordon
N L D Vandevyver
M R Rimmer
B D M Tabary
A J Hynes
J K Willcock

Secretary

C Sephton

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

The Royal Bank of Scotland plc
135 Bishopgate
London
EC2M 3UR

Solicitors

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 3UR

Registered office

3rd Floor
41-51 Grey Street
Newcastle upon Tyne
NE1 6EE

GOVIA Limited Directors' report

The directors present their report and financial statements for the year ended 30 June 2012

Results and dividends

The profit for the year amounted to £33,915,000 (2011 £13,009,000) Particulars of dividends paid are detailed in note 9 to the financial statements

Principal activities and review of the business

The company continues to hold all of the share capital of New Southern Railway Limited, London and South Eastern Railway Limited, London and Birmingham Railway Limited and Southern Railway Limited

The Southern franchise operated by Southern Railway Limited commenced on 20 September 2009 and will run for five years ten months until 25 July 2015 At the start of the new franchise all operating responsibility was transferred from New Southern Railway Limited to Southern Railway Limited, and New Southern Railway Limited will continue to exist for the foreseeable future until all liabilities are cleared During the year Govia Limited qualified for the competition, held by the Department for Transport, to operate an enlarged replacement franchise

Southern Railway Limited's principal activities are the operation of passenger railway services in South London, Sussex and Hampshire London and South Eastern Railway Limited's principal activities are the operation of passenger railway services in South East London, Kent and East Sussex London and Birmingham Railway Limited's principal activities are the operation of passenger railway services in the Birmingham area and from London to Birmingham and Birmingham to Liverpool

	2011 £m	2011 £m
Operating costs	2,704	1,774
Dividends paid	(34,339)	(13,813)
Dividends received	36,200	14,504

The company's income arises from dividends received from subsidiary companies and has decreased during the year

The directors consider the state of the company's affairs to be satisfactory and expect this to continue in the future

Financial risk management objectives and policies

The company's principal financial instruments comprise group loans Other financial assets and liabilities, such as trade creditors and group trading balances, arise directly from the company's operating activities

The main risks associated with the company's financial assets and liabilities are set out below Given that the majority of the risks below derive from transactions with other group companies, the company does not undertake any hedging activity locally Significant financial risks from a group perspective are addressed on a case-by-case basis at group level

Interest rate risk

The company does not hold cash and therefore has no surplus cash to invest Interest is charged at a variable rate on group loans Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates However, the exposure is reduced as these cash flows partially offset each other

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates

Credit risk

The company does not have any sales transactions

GOVIA Limited

Directors' report (continued)

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations at a group level. Capital expenditure is approved at group level. Flexibility is maintained by a bank sweeping facility operated by the ultimate parent company.

Foreign currency risk

The company has no foreign currency risk, all of the transactions, assets and liabilities are in sterling.

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives and policies are described above.

The directors have obtained written confirmation from the parent companies, The Go-Ahead Group plc and Keolis (UK) Limited that they will continue to provide adequate financial support to allow Govia Limited to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements.

Directors

The directors who served the company during the period were as follows:

K Down	
D A Brown	
A J F Gordon	
N L D Vandevyver	
B D M Tabary	
M R Rimmer	
A J Hynes	(appointed 03/02/2012)
J K Willcock	(appointed 03/02/2012)

Messrs Brown and Down are directors of the ultimate parent company, The Go-Ahead Group plc, during the period.

Directors' responsibilities for audit information

In so far as the directors are aware:

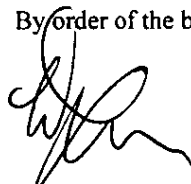
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

Registered office
3rd Floor
41-51 Grey Street
Newcastle upon Tyne
NE1 6EE

By order of the board



K Down
Director

10 September 2012

GOVIA Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of GOVIA Limited (continued)

We have audited the financial statements of GOVIA Limited for the year ended 30 June 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kathryn Barrow (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle Upon Tyne

10 September 2012

GOVIA Limited

Profit and loss account **for the year ended 30 June 2012**

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Operating costs		2,704	1,774
Operating loss	3	(2,704)	(1,774)
Income from shares in group undertakings	5	36,200	14,504
Interest receivable and similar income	6	500	386
Interest payable and similar charges	7	(862)	(674)
Profit on ordinary activities before taxation		33,134	12,442
Tax on profit on ordinary activities	8	781	567
Profit for the financial year transferred to reserves		33,915	13,009

All the activities of the company are classed as continuing

Statement of total recognised gains and losses **for the year ended 30 June 2012**

There are no recognised gains or losses other than the profit of £33,915,000 attributable to the shareholders for the year ended 30 June 2012 (2011 profit of £13,009,000).

GOVIA Limited
Registered No 3278419
Balance sheet
at 30 June 2012

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Fixed assets			
Intangible assets	10	2,348	3,200
Investments	11	44,000	44,000
		<u>46,348</u>	<u>47,200</u>
Current assets			
Debtors	12	35,433	17,473
Creditors amounts falling due within one year	13	75,222	57,690
Net current liabilities		<u>(39,789)</u>	<u>(40,217)</u>
Total assets less current liabilities		<u>6,559</u>	<u>6,983</u>
Capital and reserves			
Share capital	15	—	—
Capital redemption reserves	16	6,500	6,500
Profit and loss account	16	59	483
	16	<u>6,559</u>	<u>6,983</u>



K Down
Director

10 September 2012

GOVIA Limited
Cash flow statement
for the year ended 30 June 2012

	2012 £000	2011 £000
Net cash outflow from operating activities	(2,065)	(927)
Returns on investments and servicing of finance		
Income from group undertakings	36,700	14,890
Interest paid	(862)	(674)
Net cash inflow from returns on investments and servicing of finance	35,838	14,216
Corporation tax received	566	524
Equity dividends paid	(34,339)	(13,813)
Increase in cash	<u>—</u>	<u>—</u>
Reconciliation of operating loss to net cash outflow from operating activities		
	2012 £000	2011 £000
Operating loss	(2,704)	(1,774)
Amortisation of intangible assets	852	852
Increase in debtors	(17,745)	(14,707)
Increase in creditors	17,532	14,702
Net cash outflow from operating activities	<u>(2,065)</u>	<u>(927)</u>

GOVIA Limited

Notes to the financial statements

at 30 June 2012

1. Fundamental accounting concept

At 30 June 2012 Govia Limited had net current liabilities of £39,789,000 (2011 £40,217,000). The financial statements have been prepared on the going concern basis, as management have received written confirmation from the parent companies that they will continue to provide adequate financial support to allow Govia Limited to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements.

2. Accounting policies***Basis of accounting***

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company is exempt from preparing group financial statements under s400 of the Companies Act 2006 as it is a subsidiary of a company who prepares consolidated accounts which are publicly available.

Franchise bid costs

A key part of the company's activities is the process of bidding for and securing franchises to operate rail services in the UK. All franchise bid costs incurred prior to achieving preferred bidder status are treated as an expense irrespective of the ultimate outcome of the bid. Directly attributable incremental costs incurred after achieving preferred bidder status are capitalised.

Capitalised franchise bid costs are classified as an intangible asset which is amortised on a straight line basis over the expected period of the franchise in question. The carrying value of such assets are reviewed for impairment at the end of the first full financial year following the award of the franchise and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are stated at cost less provision for impairment.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided on all timing differences which have originated but not reversed at the balance sheet date. Except where otherwise required by accounting standards, no timing differences are recognised in respect of:

- Deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable. The deferred tax provision is not discounted to net present value.

GOVIA Limited

Notes to the financial statements

at 30 June 2012

3. Operating loss

This is stated after charging

	2012 £000	2011 £000
Amortisation of franchise bid costs	<u>852</u>	<u>852</u>

The audit fee is borne by Southern Railway Limited

4. Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the year

5. Income from shares in group undertakings

	2012 £000	2011 £000
Income from group undertakings	<u>36,200</u>	<u>14,504</u>

6. Interest receivable and similar income

	2012 £000	2011 £000
Interest from group undertakings	<u>500</u>	<u>386</u>

7. Interest payable and similar charges

	2012 £000	2011 £000
Interest to group undertakings	<u>862</u>	<u>674</u>

8. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax credit is made up as follows

	2012 £000	2011 £000
<i>Current tax</i>		
UK corporation tax	<u>(781)</u>	<u>(567)</u>
Total current tax (note 8(b))	<u>(781)</u>	<u>(567)</u>

GOVIA Limited

Notes to the financial statements

at 30 June 2012

8. Taxation on ordinary activities (continued)

(b) Factors affecting current tax credit

The tax assessed on the profit on ordinary activities for the year is the standard rate of corporation tax in the UK. On 1 April 2012 the standard rate of corporation tax changed from 26% to 24% (2011 27.5%).

The differences are reconciled below

	2012 £000	2011 £000
Profit on ordinary activities before tax	<u>33,134</u>	<u>12,442</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.5% (2011 27.5%)	8,450	3,422
Dividend income not taxable	<u>(9,231)</u>	<u>(3,989)</u>
Total current tax (note 8(a))	<u>(781)</u>	<u>(567)</u>

9. Dividends

	2012 £000	2011 £000
Paid during the year		
Equity dividends paid on ordinary shares	<u>34,339</u>	<u>13,813</u>

10. Intangible fixed assets

	Franchise Bid Costs £000
Cost	
At 2 July 2011 and at 30 June 2012	8,636
Amortisation	
At 2 July 2011	5,436
Provided during the year	852
At 30 June 2012	<u>6,288</u>
Net book value	
At 30 June 2012	<u>2,348</u>
At 2 July 2011	<u>3,200</u>

GOVIA Limited
Notes to the financial statements
at 30 June 2012

11. Investments

*Shares in group
companies
£000*

Net book value

At 2 July 2011 and at 30 June 2012

44,000

The investments comprise 4,000,000 ordinary shares at £1 each (100%) in New Southern Railway Limited, 20,000,000 ordinary shares at £1 each (100%) in London & South Eastern Railway Limited, 10,000,000 ordinary shares at £1 each (100%) in London & Birmingham Railway Limited and 10,000,000 ordinary shares at £1 each (100%) in Southern Railway Limited

12. Debtors

	<i>2012 £000</i>	<i>2011 £000</i>
Amounts owed by group undertakings	26,532	13,137
Amounts owed by related parties	8,008	3,766
Corporation tax	785	570
Other Debtors	108	—
	<u>35,433</u>	<u>17,473</u>

13. Creditors: amounts falling due within one year

	<i>2012 £000</i>	<i>2011 £000</i>
Amounts owed to group undertakings	74,687	57,577
Accruals and deferred income	535	113
	<u>75,222</u>	<u>57,690</u>

14. Related party transactions

	<i>Keolis (UK) Limited</i>		<i>The Go-Ahead Group plc</i>	
	<i>30 June 2012 £'000</i>	<i>2 July 2011 £'000</i>	<i>30 June 2012 £'000</i>	<i>2 July 2011 £'000</i>
Interest received from related party	—	—	500	385
Interest paid to related party	—	—	(862)	(674)
Payment/(repayment) on amounts owed to related party	4,242	1,575	(3,372)	(1,575)
Amounts owed by related party	8,008	3,766	—	—
Amounts owed to related party	—	—	(48,155)	(44,439)

The company is 65% owned by The Go-Ahead Group plc and 35% owned by Keolis (UK) Limited

No other transactions with related parties were undertaken such as are to be disclosed under Financial Reporting Standard 8

GOVIA Limited

Notes to the financial statements

at 30 June 2012

15. Share capital

	<i>No</i>	<i>Allotted, called up and fully paid</i>	
		<i>2012</i>	<i>2011</i>
		<i>£000</i>	<i>£000</i>
100 Ordinary shares of £1 each	100	—	—

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 3 July 2010	6,500	1,287	7,787
Retained profit for the year	—	13,009	13,009
Equity dividends	—	(13,813)	(13,813)
At 2 July 2011	6,500	483	6,983
Retained profit for the year	—	33,915	33,915
Equity dividends	—	(34,339)	(34,339)
At 30 June 2012	6,500	59	6,559

17. Performance bonds

The company has provided bank guaranteed performance bonds of £88,726,000 (2011 £87,067,000) to the Department for Transport in support of the company's rail franchise operations. The performance bonds are counter-indemnified by the shareholders of GOVIA Limited.

18. Ultimate parent company

In the directors' opinion the company's ultimate parent company and controlling party is The Go-Ahead Group plc which is also the parent undertaking of the group of undertakings for which group financial statements are drawn up. The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff.