

# GOVIA Limited

## Annual Report and Financial Statements

For the year-ended 2 July 2016



GOVIA Limited  
Registered No: **3278419**

## **DIRECTORS AND PROFESSIONAL ADVISORS**

### **Directors**

D A Brown  
A J F Gordon  
B D M Tabary  
C A Hodgson  
S P Butcher

### **Company Secretary**

C Ferguson

### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ  
United Kingdom

### **Bankers**

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

### **Solicitors**

Bond Dickinson  
St Ann's Wharf  
112 Quayside  
Newcastle upon Tyne  
NE99 3UR  
United Kingdom

### **Registered office**

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

GOVIA Limited  
**Strategic report**  
For the year-ended 2 July 2016

The directors present their Strategic report for the year ended 2 July 2016.

## Review of business

The Company continues to hold all of the Called up share capital of Govia Thameslink Rail Limited, New Southern Railway Limited, Southern Railway Limited, London & South Eastern Railway Limited and London & Birmingham Railway Limited.

The Southern franchise operated by New Southern Railway Limited commenced on 12 May 2003 and ran for six years five months until 19 September 2009. The Southern franchise operated by Southern Railway Limited commenced on 20 September 2009 and ran for five years ten months until 25 July 2015. Southern Railway Limited and New Southern Railway Limited will continue to exist for the foreseeable future until all liabilities are cleared.

The Thameslink, Southern and Great Northern franchise commenced on 14 September 2014 and is operated by Govia Thameslink Rail Limited ("GTR"). The operations of the Southern franchise transferred to GTR on 26 July 2015.

The Integrated Kent franchise, operated by London & South Eastern Railway Limited, started on 1 April 2006 and expired on 12 October 2014. A new franchise agreement was signed with the Department for Transport on 10 September 2014 under direct award contract arrangements, and London & South Eastern Railway Limited continues to operate the franchise until 24 June 2018.

The West Midlands franchise, operated by London & Birmingham Railway Limited, started on 11 November 2007 and expired on 19 September 2015. Under a direct award contract the franchise was extended to 1 April 2016, and extended again to 31 October 2017.

GTR's principal activities are the operation of passenger railway services on the Great Northern, Thameslink, Southern and Gatwick Express routes in South East England and London. 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.

The Company has adopted Financial Reporting Standard 101 – Reduced Disclosure Framework ("FRS 101"). Advantage has been taken of certain disclosure exemptions allowed under FRS 101 and the Company's parent undertakings, Go-Ahead Holding Limited and Keolis (UK) Limited, were notified of, and did not object to, the use of the EU-adopted IFRS disclosure exemptions. Details of the transition to FRS 101 are provided in note 18 of the financial statements.

For the year to 2 July 2016, the Company's key operating statistics were as follows:

	2016	2015
	£'000	£'000
Operating loss (after amortisation)	(2,411)	(6,924)
Profit for the year	50,848	37,299
Dividends paid	(50,804)	(36,352)
Dividends received	53,000	43,000

The Company's income arises from dividends received from subsidiary companies and has increased during the year.

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

GOVIA Limited  
**Strategic report (continued)**  
For the year-ended 2 July 2016

**Business Review – Govia Group**

For the year to 2 July 2016, the Govia Group's key operating statistics were as follows:

	2016	2015
<i>Total rail operations</i>		
Total revenue (£'000)	2,498,000	2,397,400
<i>Like for like passenger revenue growth</i>		
GTR	3.4%	8.8%
London and South Eastern Railway	4.9%	8.5%
London and Birmingham Railway	9.3%	5.4%
<i>Like for like volume growth</i>		
GTR	2.9%	6.4%
London and South Eastern Railway	2.3%	3.1%
London and Birmingham Railway	5.9%	2.1%

Like for like passenger volume growth is a measure of the number of passenger journeys taken on our rail services compared with the previous year. This is measured on a like for like basis, adjusting for the effect of the 53<sup>rd</sup> week. This metric is closely tracked as performance against rail franchise bid assumptions are significantly impacted by passenger volumes. Decreasing volumes could be an indication of performance issues within our operations or changes in economic or market conditions, all of which could impact on the Govia Group's overall performance.

Individual franchise performances were as follows:

- *Govia Thameslink Rail Limited (GTR)*

GTR completed the integration of Southern, Gatwick Express, Thameslink and Great Northern operations, to consolidate them as one franchise from 26 July 2015. During this first period the franchise has been through significant changes, including training new drivers, revising the timetable, introduction of new train fleets and the implementation of driver controlled operations. Customer satisfaction has been low during this transition, and revised timetables were introduced to create greater certainty for customers during a period of industrial action and unprecedented levels of staff absence. The Company's directors are focused on delivering franchise obligations in accordance with the agreement with the Department for Transport ("DFT") and are endeavouring to restore customer experience to expected levels. During this transitional phase the franchise has incurred significant costs and has not contributed to rail division profitability.

- *London & South Eastern Railway Limited (Southeastern)*

Southeastern recorded a strong trading performance. Overall passenger revenue increased by 4.9% (2015: 8.5%) on a like for like basis and like for like passenger numbers rose 2.3% (2015: 3.1%).

The franchise continued operating under its direct award contract terms, and whilst it is no longer eligible for revenue support, passenger journeys and revenue levels exceeded expectations. Under the new contract, Southeastern made a contribution of £39.9m (2015: £24.0m) to the government during the year through a profit sharing mechanism.

- *London & Birmingham Railway Limited (London Midland)*

Passenger revenue grew by 9.3% (2015: 5.4%) in the year and passenger numbers increased by 5.9% (2015: 2.1%) on a like for like basis.

The franchise entered into a direct award contract on 1 April 2016 and in the period to the year-end passenger journeys and revenues exceeded bid expectations. Govia has been shortlisted to rebid for the West Midland franchise and looks forward to submitting a strong bid. London Midland made a contribution of £0.6m (2015: £nil) to the government during the year through a profit sharing mechanism.

## Principal risks and uncertainties

Govia Limited has procedures in place to assess, prioritise, monitor and mitigate business risks. The Company ensures that its board of directors and senior managers have considerable experience in the rail industry and can address key issues as they arise. The principal business risks monitored in this way include the political, economic, environmental, infrastructure performance and financial instrument risks.

- *Political Risks*

Heightened industrial relations tensions and strikes at GTR have increased the public profile of the Company. The strikes have led to pressure from stakeholders, including the DFT. There has been a renewed drive for devolution of London services to the control of the London Mayor. Senior management continue to work closely with the DFT, and have engaged positively with local MPs, Rail Ministers, Secretaries of State and other stakeholders. The current industrial relations environment is very challenging and is a blocker to the introduction of modern more customer centric services which the company is determined to introduce with the minimum of negative impact on staff. Management and directors continue to work closely with the DFT to ensure consistency of messaging to try to manage stakeholder expectations.

- *Infrastructure Performance Risks*

Network Rail has responsibility for infrastructure performance, which impacts the group companies. Group companies continue to work closely with Network Rail to understand the underlying causation of delays and agree improvement strategies which will minimise disruption to customers. In addition to the Alliance Boards established between Network Rail and some group companies, Govia and Network Rail have also introduced a joint senior performance board to ensure that this area gets the highest level of attention. However, the well-publicised problems with the Thameslink project and issues with the nature and age of the infrastructure over which train services operate continue to offer significant challenge to punctuality and service provision. This continues to significantly impact reputations with shareholders, and is reflected in numerous press articles and recent customer satisfaction surveys. Group companies continues to work closely with key stakeholders to communicate what they are doing to address the issues, and have customer information system improvements under development. Group companies are also working closely with the DFT to develop solutions to meet growth and capacity constraints and conflicts, in order to protect the delivery of the key Thameslink Programme target of a service level of 24 trains per hour in 2018.

- *Exposure to price, credit, interest and liquidity risk*

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. The carrying values of investments are impacted by the trading performance and future prospects of the related subsidiaries. Impairment testing is performed where an indicator of impairment exists. The strategic and operational risks faced by the Company's subsidiaries are detailed in the financial statements for those entities.

Price risk is mitigated as 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 is deemed negligible as the Company does not have any sales transactions.

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.

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

The Company has negligible foreign currency risk as all of the transactions, assets and liabilities are in sterling.

## **Strategic report (*continued*)**

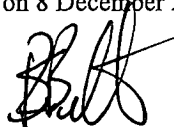
For the year-ended 2 July 2016

### **Future Developments**

The industrial relations issues in GTR are a primary area where resolutions are needed. The Company continues to focus local management teams on delivering benefits for passengers while working with industry partners, such as Network Rail, to minimise the disruption caused by major infrastructure work associated with the Thameslink Programme. The vision of every journey being taken care of is being cascaded across the franchises, with programmes underway to enhance the customer experience and make the vision a reality.

Trading in the Southeastern and London Midland franchises continues to be robust and help offset the underperformance in GTR.

The Strategic report was approved by the Board of Directors on 8 December 2016 and signed on their behalf by:



S P Butcher  
Director  
8 December 2016

GOVIA Limited  
**Directors' report**  
For the year-ended 2 July 2016

The directors present their Annual report and audited financial statements for the year-ended 2 July 2016.

**Dividends**

Particulars of dividends paid are detailed in note 9 to the financial statements.

**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 in the Strategic report.

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' indemnities**

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against the directors. The Company has also granted indemnities to each of its directors and the Company Secretary which represent "qualifying third party indemnity provisions" (as defined by section 234 of the Companies Act 2006), in relation to certain losses and liabilities which the directors (or Company Secretary) may incur to third parties in the course of acting as directors (or Company Secretary) or employees of the Company or of any associated Company.

**Directors**

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

K Down (resigned 6 December 2015)  
D A Brown  
A J F Gordon  
S P Butcher (appointed 14 March 2016)  
B D M Tabary  
C A Hodgson

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

**Directors' statement as to disclosure of information to auditor**

The directors who were members of the board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:


- to the best of each director's knowledge and belief, there is no information (this is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

Following an audit tendering process Ernst & Young LLP resigned as auditor with effect from The Go-Ahead Group's 2015 Annual General Meeting. A resolution to appoint Deloitte LLP was approved by the members at that Annual General Meeting. Deloitte LLP have expressed their willingness to continue as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

By order of the board



S P Butcher  
Director  
8 December 2016

## **Directors' responsibilities statement in respect of the financial statements**

The directors are responsible for preparing the Strategic Report, 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) including FRS 101 'Reduced Disclosure Framework'. 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 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; and
- 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.



# **Independent auditor's report**

## **to the members of GOVIA Limited**

We have audited the financial statements of GOVIA Limited for the year ended 2 July 2016 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2 July 2016 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 matters prescribed by the Companies Act 2006**

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

### **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.



Christopher Powell FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
8 December 2016

GOVIA Limited  
**Income statement**  
for the year ended 2 July 2016

	<i>Notes</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Operating costs		(1,860)	(6,075)
<b>Operating loss (before amortisation)</b>		<b>(1,860)</b>	<b>(6,075)</b>
Intangible asset amortisation		(551)	(849)
<b>Operating loss (after amortisation)</b>	3	<b>(2,411)</b>	<b>(6,924)</b>
Income from shares in group undertakings	5	53,000	43,000
Interest receivable and similar income	6	62	134
Interest payable and similar charges	7	(341)	(404)
<b>Profit on ordinary activities before taxation</b>		<b>50,310</b>	<b>35,806</b>
Tax on profit on ordinary activities	8	538	1,493
<b>Profit for the year from continuing operations</b>		<b>50,848</b>	<b>37,299</b>

**Statement of comprehensive income**  
for the year ended 2 July 2016

	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Profit for the year from continuing operations	50,848	37,299
<b>Total comprehensive income for the year</b>	<b>50,848</b>	<b>37,299</b>

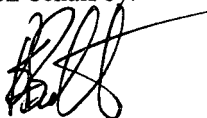
**Statement of changes in equity**  
for the year ended 2 July 2016

	<i>Notes</i>	<i>Capital redemption reserve</i> <i>£000</i>	<i>Retained earnings</i> <i>£000</i>	<i>Total equity</i> <i>£000</i>
At 28 June 2014		6,500	961	7,461
Profit for the year		—	37,299	37,299
Equity dividends paid	9	—	(36,352)	(36,352)
At 27 June 2015		6,500	1,908	8,408
Profit for the year		—	50,848	50,848
Equity dividends paid	9	—	(50,804)	(50,804)
At 2 July 2016		6,500	1,952	8,452

GOVIA Limited  
Registered No: 3278419  
**Balance sheet**  
at 2 July 2016

	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	10	2,161	2,712
Investments	11	49,000	49,000
		<u>51,161</u>	<u>51,712</u>
<b>Current assets</b>			
Debtors	12	541	1,496
<b>Creditors:</b> amounts falling due within one year	13	43,250	44,800
<b>Net current liabilities</b>		<u>(42,709)</u>	<u>(43,304)</u>
<b>Net assets</b>		<u>8,452</u>	<u>8,408</u>
<b>Capital and reserves</b>			
Called up share capital	15	—	—
Capital redemption reserve		6,500	6,500
Profit and loss account		1,952	1,908
<b>Total shareholders' funds</b>		<u>8,452</u>	<u>8,408</u>

The financial statements were approved for issue by the Board of Directors on 8 December 2016 and signed on their behalf by:



S P Butcher  
Director

8 December 2016

GOVIA Limited  
**Notes to the financial statements**  
For the year-ended 2 July 2016

## 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of GOVIA Limited (the “Company”) for the year ended 2 July 2016 were authorised for issue by the board of directors on 8 December 2016 and the balance sheet was signed on the board’s behalf by S P Butcher. The Company is incorporated, domiciled and has its registered office in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”) and in accordance with applicable accounting standards.

The principal accounting policies adopted by the Company are set out in note 2.

## 2. Accounting policies

### 2.1 Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 18.

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 financial statements which are publicly available. As such the financial statements present only information on the company.

The Company’s ultimate parent undertaking, The Go-Ahead Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of The Go-Ahead Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Cardiff and The Go-Ahead Group plc website.

The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in round thousands (“£’000”).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
  - a) paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 111 and 134 of IAS 1 *Presentation of Financial Statements*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
- the requirement of paragraph 17 of IAS 24 *Related Party Transactions*; and
- the requirements of IAS 7 *Statement of cash flows*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Notes to the financial statements (continued)**

For the year-ended 2 July 2016

**2. Accounting policies (continued)****2.2 Judgements and key sources of estimation uncertainty**

There were no judgements identified by management (apart from those involving estimates) that have a significant effect on amounts recognised in the financial statements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year are in relation to:

- the carrying value of intangible assets (Note 10) and investments (Note 11) are annually reviewed for impairment by management.

**2.3 Significant accounting policies****Fundamental accounting concept**

At 2 July 2016 Govia Limited had net current liabilities of £42,709,000 (2015: £43,304,000). The financial statements have been prepared on the going concern basis, as management have received written confirmation from its 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.

**Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

**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 in subsidiaries are accounted for at cost less, where appropriate, allowances for impairment.

**Dividend revenue**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

**3. Operating loss (after amortisation)**

This is stated after charging:

	2016	2015
	£000	£000
Amortisation of franchise bid costs	551	849

The audit fees are borne by Govia Thameslink Railway Limited.

**4. Particulars of employees**

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

**Notes to the financial statements (continued)**

For the year-ended 2 July 2016

**5. Income from shares in group undertakings**

	2016 £000	2015 £000
Income from group undertakings	<u>53,000</u>	<u>43,000</u>

**6. Interest receivable and similar income**

	2016 £000	2015 £000
Interest from group undertakings	<u>62</u>	<u>134</u>

Interest from group undertakings is charged at a rate of 0.43% (2015: 0.43%).

**7. Interest payable and similar charges**

	2016 £000	2015 £000
Interest to group undertakings	<u>341</u>	<u>404</u>

Interest to group undertakings is charged at a rate of 0.43% (2015: 0.43%).

**8. Tax on profit on ordinary activities****(a) Tax on profit on ordinary activities**

The tax credit is made up as follows:

	2016 £000	2015 £000
<i>Current tax:</i>		
UK corporation tax	<u>(538)</u>	<u>(1,493)</u>
Total current tax (note 8(b))	<u>(538)</u>	<u>(1,493)</u>

**(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 2015 the standard rate of corporation tax changed from 21% to 20%.

The differences are reconciled below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>50,310</u>	<u>35,806</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.75%)	10,062	7,430
Dividend income not taxable	<u>(10,600)</u>	<u>(8,923)</u>
Total current tax (note 8(a))	<u>(538)</u>	<u>(1,493)</u>

The standard rate of UK corporation tax reduced from 21% to 20% from 1 April 2015. A rate of 20% therefore applies to the current tax charge arising during the year ended 2 July 2016.

In addition to the change in rate of Corporation Tax identified above, further reductions in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted prior to the balance sheet date.

**Notes to the financial statements (continued)**

For the year-ended 2 July 2016

**9. Dividends**

	2016 £000	2015 £000
Paid during the year:		
Equity dividends paid on ordinary shares	<u>50,804</u>	<u>36,352</u>

The equity dividends paid on ordinary shares is equivalent to £508,040 per share (2015: £363,520 per share).

**10. Intangible fixed assets**

	<i>Franchise Bid Costs</i> £000
<i>Cost:</i>	
At 27 June 2015 and at 2 July 2016	<u>11,429</u>
<i>Amortisation:</i>	
At 27 June 2015	8,717
Provided during the year	<u>551</u>
At 2 July 2016	<u>9,268</u>
<i>Net book value:</i>	
At 2 July 2016	<u>2,161</u>
At 27 June 2015	<u>2,712</u>

A part of the Company's activities is the process of bidding for and securing franchises to operate rail services in the UK. Directly attributable, incremental costs incurred after achieving preferred bidder status are capitalised as an intangible asset and amortised over the life of the franchise.

**11. Investments**

	<i>Shares in group companies</i> £000
<i>Cost and net book value</i>	
At 27 June 2015 and at 2 July 2016	<u>49,000</u>

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, 10,000,000 ordinary shares at £1 each (100%) in Southern Railway Limited and 5,000,000 ordinary shares at £1 each (100%) in Govia Thameslink Railway Limited. All of these companies are incorporated in the UK.

**12. Debtors**

	2016 £000	2015 £000
Corporation tax	<u>541</u>	<u>1,496</u>
	<u>541</u>	<u>1,496</u>

**Notes to the financial statements (continued)**

For the year-ended 2 July 2016

**13. Creditors: amounts falling due within one year**

	2016 £000	2015 £000
Amounts owed to group undertakings	30,193	30,420
Amounts owed to related parties	12,648	12,648
Accruals and deferred income	409	1,732
	<u>43,250</u>	<u>44,800</u>

Part of the amounts owed to group undertakings includes loan amounts of £29.5m (2015: £29.5m). The loans are repayable on demand. Interest to group undertakings is charged at a rate of 0.43% (2015: 0.43%).

Part of the amounts owed to related parties includes loan amounts of £12.6m (2015: £12.6m). The loans are repayable on demand. Interest to related parties is charged at a rate of 0.43% (2015: 0.43%).

**14. Related party transactions**

	<i>Keolis (UK) Limited</i>		<i>The Go-Ahead Group plc</i>	
	2 July 2016	27 June 2015	2 July 2016	27 June 2015
	£'000	£'000	£'000	Restated £'000
Interest received from related party	–	–	62	134
Interest paid to related party	–	–	(341)	(404)
(Repayment)/payment on amounts owed to related party	–	(21,700)	–	16,700
Amounts owed to related party	(12,648)	(12,648)	(30,193)	(30,420)

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

The Company enters into arm's length transactions with various Go-Ahead Group companies for the provision of certain services including the hire of staff.

The 2015 comparative has been amended to include additional intercompany interest.

**15. Called up share capital**

	<i>Authorised, allotted, called up and fully paid</i>			
	2016		2015	
	No.	£000	No.	£000
100 Ordinary shares of £1 each	100	–	100	–

**16. Performance bonds**

The company has provided bank guaranteed performance bonds of £76,212,000 (2015: £124,276,000) 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.

**17. Ultimate parent company**

In the directors' opinion the Company's ultimate parent company and controlling party is The Go-Ahead Group plc, which is the largest and smallest group for which group accounts are prepared.

The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff or its website.



## **Notes to the financial statements (*continued*)**

For the year-ended 2 July 2016

### **18. Transition to FRS 101**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 2 July 2016, the comparative information presented in these financial statements for the year ended 27 June 2015 and in the preparation of an opening FRS 101 balance sheet at 28 June 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, there has been no adjustment to the amounts reported previously in the financial statements prepared in accordance with its old basis of accounting (UK GAAP).

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

#### ***Effect on the income statement for the year ended 27 June 2015***

There has been no effect on the income statement for the year ended 27 June 2015 as a result of the transition to FRS 101.