Registered No: 03278419

GOVIA Limited

Annual Report and Financial Statements

For the year ended 3 July 2021

DIRECTORS AND PROFESSIONAL ADVISORS

Directors
A J F Gordon
B D M Tabary
C Schreyer
S E Mussenden
L F M J Rambaud
H Verwer

Company Secretary
C Ferguson

Auditor
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Strategic report

For the year ended 3 July 2021

The directors present their Strategic report for the year ended 3 July 2021.

GOVIA Limited (the "Company") is a member of The Go-Ahead Group plc (the "Group").

Review of business

The Company continues to hold all of the called up share capital of Govia Thameslink Railway Limited, London & Birmingham Railway Limited, London & South Eastern Railway Limited, New Southern Railway Limited, and Southern Railway Limited. These subsidiaries are collectively referred to as the 'Govia Group' within the Strategic report.

Govia Thameslink Railway Limited ("GTR")

The Thameslink, Southern and Great Northern franchise commenced on 14 September 2014 and is operated by GTR. The operations of the Southern franchise transferred from Southern Railway Limited to GTR on 26 July 2015.

In the prior year, in response to the COVID-19 pandemic, the Department for Transport ("DfT") announced the introduction of an industry-wide EMA, back dated to 1 March 2020, to support rail operators until 20 September 2020. As a result, the previous franchise agreement was replaced by the EMA, which was awarded by the Department for Transport (DfT). While GTR was already operating within a management contract, the new agreement removed the exposure to the risk of changes in the cost base and ancillary revenue such as car parking and retail commission, enabling a small operating margin to be generated.

Subsequently, on 19 September 2020, the EMA was extended when GTR was awarded the Emergency Recovery Measures Agreement ("ERMA"). In June 2021 the ERMA was extended to 31 March 2022. This agreement, like the EMA, removes exposure to changes in the cost base and ancillary revenue whilst generating a margin of up to 1.5%. The agreement has a management fee of 0.5% of the pre-COVID cost base and a potential 1% performance-related incentive payment.

On 25 March 2022, it was announced that GTR had been awarded a National Rail Contract (NRC). The new contract commenced on 1 April 2022 and will run until at least 1 April 2025, with up to a further three years at the Secretary of State's discretion. The NRC, like the Emergency Recovery Measures Agreement (ERMA) contract it will replaced, is a management contract which has limited exposure to changes in passenger demand. There is cost risk to GTR, but this risk is managed through the Company's internal processes and controls.

London & South Eastern Railway Limited ("Southeastern")

Throughout the year, the Southeastern franchise was operated by LSER under an EMA contract, which commenced in April 2020 and ended on 17 October 2021. Unlike the majority of UK rail franchises, which moved to ERMA contracts, the franchise continued to operate under EMA terms, with operating profit margins capped at 2.0%.

The DfT appointed the Operator of Last Resort to take over the operation of Southeastern services at the end of the franchise term on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was as a consequence of discussions with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

Expired franchises

The Southern franchise operated by New Southern Railway Limited commenced on 12 May 2003 and ran for six years and five months until 19 September 2009. The Southern franchise operated by Southern Railway Limited commenced on 20 September 2009 and ran for five years and ten months until 25 July 2015.

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, then to October 2017, and extended again until its end on 10 December 2017. In August 2017, the Company was unsuccessful in its bid to retain these routes under the new West Midlands franchise.

Southern Railway Limited, New Southern Railway Limited and London & Birmingham Railway Limited will continue to exist for the foreseeable future until all liabilities are cleared.

Share Capital Changes
On the 16 July 2020, the directors of London & South Eastern Railway Limited passed a special resolution, approved by the directors of the Company, that reduced the share capital of the London & South Eastern Railway Limited from £20,000,000 to £1,000,000 by cancelling and extinguishing existing capital to the extent of £0.95 on each of the issued, fully paid up, issued £1.00 ordinary shares.

On the 24 August 2020 the directors of Southern Railway Limited passed a special resolution, approved by the directors of Govia Limited, that reduced the share capital of the Company from £10,000,000 to £2,000,000 by cancelling and extinguishing existing capital to the extent of £0.80 on each of the issued, fully paid up, issued £1.00 ordinary shares.

On 30 October 2020 Southern Railway Limited paid an interim dividend of £8,000,000 (£0.80 per share) to Govia Limited.

On the 24 August 2020 the directors of London & Birmingham Railway Limited passed a special resolution, approved by the directors of Govia Limited, that reduced the share capital of the Company from £10,000,000 to £2,000,000 by cancelling and extinguishing existing capital to the extent of £0.80 on each of the issued, fully paid up, issued £1.00 ordinary shares.

On 30 October 2020 London & Birmingham Railway Limited paid an interim dividend of £8,000,000 (£0.80 per share) to Govia Limited. On 30 October 2020 Govia Limited repaid intercompany loans to Go-Ahead Group plc of £10,400,000 and Keolis S.A. of £5,600,000.

On 23 April 2021, London and South Eastern Railway Limited paid an interim dividend of £30,000,000 to Govia Limited. On 23 April 2021, Govia Limited repaid intercompany loans to Go-Ahead Group plc of £12,350,000 and Keolis (UK) Limited of £6,650,000. On 23 April 2021, the Company paid an interim dividend of, in aggregate, £10,799,670 to Go-Ahead Holding Limited and Keolis (UK) Limited of £7,019,786 and £3,779,884 respectively.

Key Performance Indicators
For the year to 3 July 2021, the Company's key operating statistics were as follows:

	2021	2020*
	£'000	£'000
Operating loss (after amortisation)	**(338)**	(948)
Profit for the year from continuing operations	**26,181**	38,681
Dividends paid	**(10,799)**	(40,741)
Dividends received	**46,000**	39,900

**Restated, see note 2.*

The Company's operating loss primarily arises due to consultancy costs in the financial year. The income arises from dividends received from subsidiary companies and has increased during the year.

In the year exceptional costs of £19,283,000 were recognised, comprising primarily of £18,383,000 of impairment of investment in subsidiaries. See notes 4 and 12 for more information.

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

Business Review – Govia Group

For the year to 3 July 2021, the Govia Group's key operating statistics were as follows:

	2021	2020*
Total rail operations		
Total revenue (£'m)	**2,865.3**	2,814.7
Operating costs (£'m)	**(2,798.3)**	(2,744.8)
Exceptional items (£'m)	**(31.8)**	–
Like for like passenger revenue growth		
GTR	**(66.8%)**	(19.6%)
Southeastern	**(62.6%)**	(20.9%)
Like for like passenger growth		
GTR	**(60.1%)**	(21.6%)
Southeastern	**(56.4%)**	(22.2%)

**Restated, see note 2.*

For the year to 3 July 2021, the Govia Group's rail operations are responsible for around 24% of all passenger journeys in the UK.

Like for like passenger 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 significant acquisitions and new franchises. This metric is closely tracked as performance against rail franchise bid assumptions are significantly impacted by passenger volumes. Decreasing volumes are not a result of performance issues with operations. Instead, these reflect the detrimental economic impact and change in market conditions resulting from COVID-19.

Individual franchise performances were as follows:

- *Govia Thameslink Railway Limited (GTR)*

GTR began the financial year operating under an Emergency Measures Agreement (EMA) which commenced in April 2020 and, along with the majority of UK rail franchises, transitioned to an Emergency Recovery Measures Agreement (ERMA) on 19 September 2020. Like the EMA, GTR's ERMA is a management contract with no revenue risk.

While the maximum margin under the EMA was 2.0%, comprising a 1.5% fixed management fee and 0.5% performance based fee, the ERMA's margin is capped at 1.5% comprising a 0.5% fixed management fee and 1.0% performance based fee.

GTR delivered a strong operational performance through its EMA, with good levels of customer satisfaction, resulting in the achievement of the majority of the 0.5% performance fee. The DfT confirmed the award of the EMA performance payment of £3.8m in December 2020.

The ERMA performance fee recognised in the year was £11.6m. This included £8.3m of performance payments confirmed up until March 2021 and £3.3m of accrued performance fee at year end. The accrued income has subsequently been confirmed by the DfT after year end. Pre-EMA settlements of £14.7m in the year have also improved performance.

GTR was not subject to any termination sum payable to the DfT on transition to the ERMA agreement. In June 2021, the DfT extended GTR's ERMA under the same contractual terms, from its original end date of September 2021 to March 2022.

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

Operating performance was strong throughout the period resulting in the achievement of £3.9m in EMA performance fee in the year. The DfT appointed the Operator of Last Resort to take over the operation of Southeastern services at the end of the franchise term on 17 October 2021. The DfT's decision not to award a National Rail Contract to LSER was as a consequence of discussions with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

Business Review – Govia Group *(continued)*

Matters of concern
In May 2021 the Company paid £49,261,000 to the DfT following a contractual determination issued by the DfT in relation to the Southeastern franchise agreement from September 2014. This consisted of amounts in relation to:

- High Speed Track Access and Depots funding – overpayments of £27,036,000
- Profit Share – a payment on account of £24,415,000 recognising a position taken on a historic dispute noted in the prior year financial statements and excess affiliate trading above contract thresholds
- Revenue Support – a reimbursement of £2,190,000 consisting of payments made to the DfT after the end of the Integrated Kent Franchise agreement term (operated by the Company between 1 April 2006 and 11 October 2014).

Following provision of the findings of the Independent Committee's review with the DfT a settlement was agreed in March 2022 of £7,921,000, after the publication of the Go-Ahead Group plc's consolidated Annual Report and Accounts. This amount consisted of:

- Matters of concern – overpayments of £12,605,000 with interest of £5,348,000
- Affiliate trading – an amount of £3,285,000 with interest of £254,000
- Profit Share – a reimbursement of £13,571,000 from the payment on account made in May 2021

This settlement substantially brings amounts due to the DfT on these matters to a conclusion.

In May 2022 the DfT issued a final notice under the Railways Act 1993 (the Act) imposing a penalty on the Company of £23,500,000 for contraventions of the Southeastern franchise agreements. This amount has subsequently been fully settled by LSER.

These matters are discussed in more detail in the London & South Eastern Railway Limited statutory accounts.

Principal risks and uncertainties

The Company and Govia Group has procedures in place to assess, prioritise, monitor and mitigate business risks. The Company and Govia Group ensures that its board of directors and senior managers of its subsidiaries 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 COVID-19, political, economic, environmental, infrastructure performance and financial instrument risks.

- *COVID-19 Risks*

COVID-19 has reshaped the way in which people live, work and communicate. There is increased political and societal pressure to run safe services that meet social distancing requirements. GTR and Southeastern have invested in their train cleaning capacity to keep passengers safe. Passenger journeys have been closely monitored to ensure amend timetables to ensure there is adequate space to support social distancing whilst meeting customers travel needs. To facilitate staff working from home, GTR and Southeastern has issued the appropriate IT equipment and implemented training to staff. To ensure front line staffs' health and safety, masks gloves and other relevant PPE equipment has been distributed across all offices, stations and depots.

Measures have been taken at stations to minimise contact. This is best evidenced in a reduction in cash handling across stations.

There has been close collaboration with the Government and stakeholders to ensure strict compliance to policies and guidelines as they evolve.

The Govia Group will continue to respond to the changing pressures and requirements of COVID-19. This will be achieved by adherence to Government policies and guidelines, as well as advice from the World Health Organisation (WHO).

- *Political Risks*

The Company is monitoring the progress of the government's response to the Williams Rail Review and the formation of Great British Railways (GBR) and its impact on the structure of the British rail industry and on the way passenger rail services are delivered.

The EMA and ERMA, have brought greater state control of the rail industry in the aftermath of COVID-19 to ensure the continuity of services. GTR's ERMA contract with the DFT runs until March 2022.

- *Infrastructure Performance Risks*

Network Rail has responsibility for infrastructure performance, which impacts the Govia Group. All organisations continue to work closely together to understand the underlying causation of delays and agree improvement strategies which will minimise disruption to our customers. In addition to the Alliance Board, established between Network Rail and the Govia Group and Network Rail have also introduced a joint senior performance board to ensure that this area gets the highest level of attention.

Very careful preparations are made for major service and infrastructure changes. Timetable enhancements are being made progressively to minimise the risk of disruption.

The underlying reliability of the network infrastructure will continue to be of significant concern in relation to the Company's ability to operate at the levels of punctuality that customers expect.

- *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.

Principal risks and uncertainties (continued)

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.

- *Economic Risks*

The unique terms of the initial franchise agreement, GTR's EMA and ERMA contracts and London and South Eastern Railway's EMA mean that the majority of normal franchise risks around revenue growth pass directly to the DFT. Under these agreements the exposure to changes in the cost base have also been removed for GTR and Southeastern. On this basis, there is no significant economic risk. Management are focussed on performance, cost control and compliance with the obligations contained within the ERMA and underlying franchise agreement. Fundamentally for the Company to remain compliant with the ERMA management must ensure GTR remains a 'good and efficient' operator in all aspects of its business.

The bespoke performance regimes contained in the franchise agreement comprise both annual bonus and penalty mechanisms. Management continually review projections of current and forecast performance against these regimes to ensure they are recognised appropriately.

Failure to comply with the obligations contained in the franchise agreement could lead to financial penalties or, in an extreme situation, termination of the franchise. Compliance with the franchise agreement terms is closely monitored by an experienced contract management team.

- *Information Security Risks*

Cyber security is a key focus area. Specifically, there is an increased focus around General Data Protection Regulation (GDPR) and Network and Information System (NIS) compliance, as well as the formalising of an information security management system framework. Monthly KPI reporting of information security issues is in place, and initiatives are planned to increase awareness of cyber risk, such as phishing.

Future Developments

The NRC was awarded on the 25th March 2022. Similar to the EMA and ERMA contracts, within the NRC all revenue and inflationary cost risk remains with the DfT. Consequently from the 1st April 2022 the NRC does not significantly change the risk profile of the business.

In May 2021, we welcomed the publication of the Government's "Williams-Shapps Plan for Rail" White Paper detailing its blueprint for the future of UK rail and establishing a direction of travel for the industry. As the operator of the UK's largest rail contract, we are actively working with the Government to shape the future of the industry.

The Company continues to explore new ways of meeting changing customer needs and improving the use of digitisation across the business.

Compliance with Section 172(1) of the Companies Act 2006

The directors confirm that, during the year, they continued to promote the success of the Company for the benefit of all stakeholders. In doing so, the Board's desire to act fairly for its members, maintain a reputation for high standards of business conduct, and consider the long-term consequences of the decisions they take, have underpinned the way it operates.

The Company is the holding company of the Group's train operating companies, London & South Eastern Railway Limited and Govia Thameslink Railway Limited owning 100% of the issued share capital in each of these subsidiaries. The Company also continues to hold 100% of the called up share capital of the non-operating companies New Southern Railway Limited, Southern Railway Limited and London & Birmingham Railway Limited which only continue to exist for the foreseeable future until all liabilities are cleared. The Company's ultimate parent and controlling party is The Go-Ahead Group plc and it is owned 65% by the Group and 35% by Keolis (UK) Limited. The Company is a vehicle to bid for rail franchises with our joint venture partner Keolis and deals solely with intercompany entities, the key stakeholders of the Company are therefore the Group, Keolis, Southeastern and GTRs. The Company does not have any employees, customers or suppliers.

The board believe that effective communication and proactive engagement with the Group and its members is paramount in establishing a mutual understanding of objectives. During the year, the Group executive directors, and two designated Keolis directors sat on the boards of each of the Company, Southeastern and GTR. This facilitated effective open, transparent and two-way engagement between all companies, the feedback from which formed part of each board's strategic discussions. The Group executive directors formed the primary communication route between the Company and the Group. This structure supports the board in performing its duties in compliance with the matters set out in paragraphs a-f of section 172 of the Companies Act 2006 and to have regard for the interests of all key stakeholders, including on the principal decisions taken (for example decisions relating to direct awards and emergency measure contracts; bid submissions; payment of dividends; board appointments; and approval of accounts).

The Strategic report was approved by the Board of Directors on 28 September 2022 and signed on their behalf by:

S Mussenden
Director

Directors' report

For the year ended 3 July 2021

The directors present their annual report and audited financial statements for the year-ended 3 July 2021.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to set out in the Company's strategic report the following which the directors believe to be of strategic importance:

- Review of business;
- Future developments; and
- Financial risk management objectives and policies.

Dividends

Total ordinary dividends paid and proposed in the year were £10,799,000 (2020 restated: 40,741,000). The directors do not recommend a final ordinary dividend for the year.

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.

These financial statements have been prepared on the going concern basis as the directors are satisfied that the Company and its subsidiaries are able to meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements based upon the expected cashflows of the Company.

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

Except as noted, the directors who served the Company during the year, and up to the date of approval of the financial statements, were as follows:

M R Dean	(appointed 20 November 2020, resigned 7 May 2022)
G Boyd	(appointed 28 September 2021, resigned 28 March 2022)
C Schreyer	(appointed 5 November 2021)
A J F Gordon	
B D M Tabary	
D A Brown	(resigned 5 November 2021)
C A Hodgson	(resigned 20 November 2020)
E Brian	(resigned 27 September 2021)
S E Mussenden	(appointed 9 May 2022)
L F M J Rambaud	(appointed 7 June 2022)
H Verwer	(appointed 7 June 2022)

D Brown and E Brian were directors of the ultimate parent company, The Go-Ahead Group plc (the "Group"), for the year ended 3 July 2021. Following the year end, D Brown and E Brian resigned as directors and were replaced by C Schreyer and G Boyd respectively with effect from 5 November 2021 and 28 September 2021 respectively. G Boyd subsequently resigned on 28 March 2022 and was replaced by S Mussenden on 9 May 2022.

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.

This statement is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Events after the balance sheet date

On 28 September 2021, the Department for Transport (DfT) announced its decision to appoint the Operator of Last Resort to take over delivery of passenger services on the Southeastern franchise when London & South Eastern Railway (LSER)'s existing contract expired on 17 October 2021. The DfT's decision not to award a National Rial Contract to LSER was a consequence of discussion with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

Auditor

Deloitte LLP have expressed their willingness to continue in office 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
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NE1 6EE

Approved by the board and signed on its behalf by:

S Mussenden
Director
28 September 2022

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 judgements 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.

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of GOVIA Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 3 July 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet;
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
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.

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 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.

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors
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, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report *(continued)*
to the members of GOVIA Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
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.

Scott Bayne

Scott Bayne, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
28 September 2022

GOVIA Limited

Income statement

for the year ended 3 July 2021

	Notes	*2021* *£'000*	*2020** *£'000*
Operating costs		(338)	(948)
Operating loss	3	(338)	(948)
Income from shares in group undertakings	6	46,000	39,900
Interest receivable and similar income	7	28	29
Interest payable and similar expenses	8	(226)	(300)
Exceptional costs	4	(19,283)	–
Profit before taxation		26,181	38,681
Tax on profit	9	274	232
Profit for the year from continuing operations		26,455	38,913

**Restated, see note 2.*

GOVIA Limited

Statement of comprehensive income

for the year ended 3 July 2021

	2021 *£000*	*2020** *£000*
Profit for the year from continuing operations	26,455	38,913
Total profit and comprehensive income for the year	26,455	38,913

**Restated, see note 2.*

Statement of changes in equity

for the year ended 3 July 2021

	Notes	*Capital redemption reserve £000*	*Retained earnings £000*	*Total equity £000*
At 29 June 2019		6,500	1,675	8,175
Profit and total comprehensive income for the year*		–	38,913	38,913
Equity dividends paid*	10	–	(40,741)	(40,741)
At 27 June 2020*		6,500	(153)	6,347
Profit and total comprehensive income for the year		–	26,455	26,555
Equity dividends paid	10	–	(10,799)	(10,799)
At 3 July 2021		6,500	15,503	22,003

**Restated, see note 2.*

GOVIA Limited
Registered No: 03278419

Balance sheet

at 3 July 2021

	Notes	*2021* *£000*	*2020** *£000*
Assets			
Non-current assets			
Intangible assets	11	211	501
Investments	12	30,617	49,000
		30,828	49,501
Current assets			
Current tax assets	9	277	258
		277	258
Total assets		**31,105**	**49,759**
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	13	(9,102)	(43,412)
Total liabilities		**(9,102)**	**(43,412)**
Net current liabilities		(8,825)	(43,154)
Net assets		**22,003**	**6,347**
Capital and reserves			
Share capital	15	–	–
Capital redemption reserve		6,500	6,500
Retained earnings		15,503	(153)
Total equity		**22,003**	**6,347**

**Restated, see note 2.*

The financial statements were approved for issue by the Board of Directors on 28 September 2022 and signed on their behalf by:

S Mussenden
Director

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

The financial statements of GOVIA Limited (the "Company") for the year ended 3 July 2021 were authorised for issue by the board of directors on 28 September 2022 and the balance sheet was signed on the board's behalf by S Mussenden. The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The principal accounting policies adopted by the Company are set out in note 2. They have been applied consistently throughout the year and the prior year unless otherwise stated.

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 the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is exempt from preparing group financial statements under s400 of the Companies Act 2006 as it is a subsidiary of a company which 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, as adopted by the EU, 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 and functional 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 and standards, including those not yet effective:

- 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;*
- the requirements in IAS 24 *Related Party Transactions* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of IAS 7 *Statement of cash flows*;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based payments*;
- the requirements of paragraphs 134 (d)-(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*;
- the requirements of paragraphs 110 (2nd sentence), 113(a), 114, 115, 118, 119(a)-119(c), 120-127 and 129 of IFRS 15 *Revenue from Contracts with Customers*;
- the requirements of paragraph 52, 89 (2nd sentence), 90, 91 and 93 of IFRS 16 *Leases* and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total; and

2. Accounting policies *(continued)*

2.1 Basis of preparation (continued)

- the requirements of 'IFRS 7 *Financial Instruments: Disclosures.*

New standards
The following new standards or interpretations are mandatory for the first time for the financial year ended 3 July 2021:

- Amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material

Adoption of the standards and interpretations had no material impact on the Company's financial position or related performance.

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

Prior year adjustments
During the year, London & Birmingham Railway Limited, a subsidiary of the Company reported prior year misstatements which negatively impacted its distributable reserves. Due to this, dividends paid from London & Birmingham Railway Limited have been reclassified amounts owed to group subsidiaries. The correction to the 2020 financial statements is a £2,100,000 decrease to income from shares in group undertakings and a £2,100,000 increase to amounts owed to group undertakings.

Subsequently the Company's 2020 third interim dividend previously paid resulted in negative reserves of £910,000 at the time the dividend was paid, due to a reduction in its distributable reserves caused by the above decrease to income from shares in group undertakings. As such part of the dividend has been reclassified as a reduction in amounts owed to group undertakings/related parties. The correction to the 2020 financial statements is a £910,000 decrease in equity dividends paid, a £592,000 decrease to amounts owed to group undertakings and a £318,000 decrease to amounts owed to related parties. The closing position for retained earnings as at 27 June 2020 reflect losses from operations for the period between the third interim dividend declaration and 27 June 2020.

2.2 Critical judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Going Concern

During the financial year, and up to the date of signing the annual report and accounts, the COVID-19 pandemic has had a significant impact on the Go-Ahead Group plc. Whilst the Go-Ahead Group plc has seen positive trends emerging in recent months, it is difficult to assess what the long-term impact of the pandemic will be to the wider economy and, in particular, the transport section in which the Group operates. Owing to this, the going concern assessment is considered a critical accounting judgement. This impacts GOVIA Limited as the going concern of the Company is dependent upon the going concern of the ultimate parent company.

2. Accounting policies *(continued)*

2.2 *Critical judgements and key sources of estimation uncertainty (continued)*

Going Concern (continued)

These financial statements have been prepared on the going concern basis as the directors are satisfied, having considered relevant sensitivity analysis, that the Company and its subsidiaries are able to meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements based upon the expected cashflows of the Company.

Exceptional operating items

In certain years the Company presents as exceptional operating items on the face of the income statement material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance. The determination of whether items merit treatment as exceptional in a particular year is therefore a matter of judgement.

As a result of reviews of indicators of possible impairments within subsidiaries, an asset impairment was recognised in respect of 2 subsidiaries. These impairments have been recognised as exceptional items in the period. Further details are given in note 4.

2.3 *Significant accounting policies*

Key sources of estimation uncertainty

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:

Impairment review

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount, being the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reinstated amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, on a systematic basis less any residual value, over its remaining useful life.

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)
Impairment review (continued)

The carrying value of intangible assets (note 11) and investments (note 12) are annually reviewed for impairment by management. In addition the measurement and impairment reviews of indefinite life intangible assets requires estimation of the net present value of future cash flows including:

- Growth in profitability and EBITDA adjusted for risk factors appropriate to each business
- Future growth rates
- Timing of future cash outflows such as capital items required
- The selection of a suitable discount rate adjusted for risk factors appropriate to the Group.

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.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax base of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. It is provided for on all temporary differences.

Deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax relating to items recognised outside the income statement is recognised in other comprehensive income or directly in equity in correlation with the underlying transaction. Otherwise, tax is recognised in the income statement.

Intangible assets - franchise set-up 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 set-up 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.

2. Accounting policies *(continued)*

2.3 Significant accounting policies (continued)

Financial instruments

Financial assets

The Company's financial assets are initially recognised at fair value, being the transaction price plus, in the case of financial assets not recorded at fair value through profit or loss in the income statement, directly attributable transaction costs. Financial assets are subsequently classified as being measured at amortised cost, fair value through other comprehensive income, or fair value through the income statement.

The Company's financial assets at amortised cost are non-derivative financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

The Company does not have any financial assets held at fair value through the income statement.

The Company does not have any financial assets held at fair value through other comprehensive income.

The Company uses an impairment model with impairment provisions based on expected credit losses rather than incurred credit losses.

The Company applies the IFRS 9 simplified approach and measures the loss allowance on the lifetime expected credit losses at each reporting date.

Financial liabilities

The Company's financial liabilities include accruals, interest-bearing loans and borrowings. At initial recognition, the Company measures financial liabilities at fair value plus, in the case of a financial liability not at fair value through the income statement, transaction costs that are directly attributable to the issue of the financial liability.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses

Dividend income

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).

Interest receivable and similar income

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

3. Operating loss

This is stated after charging:

	2021 £000	2020 £000
Amortisation of franchise bid costs	290	400

The audit fees for the audit of the financial statements of Govia Thameslink Railway Limited, include the fee of £5,000 (2020: £5,000) for the Company.

4. Exceptional costs

This is stated after charging:

	2021 £000	2020 £000
Impairment of investment in subsidiaries	18,383	-
Associated costs relating to LSER matters of concern	900	-
Exceptional operating items	19,283	-

During the year, share capital reductions took place in a number of the Company's subsidiaries (note 12). A comprehensive review of the businesses was undertaken and it was identified that there were possible indicators for impairments. A full impairment review was subsequently carried out and an exceptional item of £18.38m was recognised.

5. Particulars of employees

The Company has no employees (2020: no employees) and no salaries or wages have been paid to the directors, during the current or prior year.

Certain directors of the Company are also directors of The Go-Ahead Group plc and are remunerated by The Go-Ahead Group plc. It is not practical to allocate their remuneration between their services as directors of The Go-Ahead Group plc and their services to the Company. For details on the remuneration of the directors of The Go-Ahead Group plc please refer to the Go-Ahead Group plc's consolidated financial statements, available as described in note 17.

6. Income from shares in group undertakings

	2021 £000	2020* £000
Income from group undertakings	46,000	39,900

**Restated, see note 2.*

7. Interest receivable and similar income

	2021 £000	2020 £000
Interest from group undertakings	28	29

Interest from group undertakings is charged at a rate of 0.43% (2020: 0.43%).

8. Interest payable and similar expenses

	2021	*2020*
	£000	*£000*
Interest to group undertakings	226	300

Interest to group undertakings is charged at a rate of 0.43% (2020: 0.43%).

9. Taxation

(a) Tax recognised in the income statement

The tax credit is made up as follows:

	2021	*2020*
	£000	*£000*
Current tax:		
UK corporation tax	(274)	(232)
Corporation tax in respect of previous periods	–	–
Total current tax (note 9(b))	(274)	(232)

(b) Reconciliation

The tax assessed on the profit for the year is the standard rate of corporation tax in the UK.

The differences are reconciled below:

	2021	*2020**
	£000	*£000*
Profit before tax	26,181	38,681
Tax at UK corporation tax rate of 19% (2019: 19%)	4,974	7,349
Tax on dividend income not taxable	(8,740)	(7,581)
Tax on impairment of investment in subsidiary	3,492	–
Adjustment to corporation tax in respect of previous periods	–	–
Total current tax (note 9(a))	(274)	(232)

**Restated, see note 2.*

(c) Reconciliation of current tax asset

	2021	*2020*
	£000	*£000*
Current tax asset at start of year	258	416
Corporation tax reported in income statement (note 9 (a))	274	232
Received in the year	(255)	(390)
Current tax asset at end of year	277	258

(d) Factors affecting future tax charges

The standard rate of UK corporation tax is 19% and therefore 19% applies to the current tax charge arising during the year ended 3 July 2021.

In the March 2021 Budget, it was announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

On 23 September 2022, the Chancellor of the Exchequer announced that the planned corporation tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. This change has yet to be substantively enacted.

10. Dividends

	2021 *£000*	*2020** *£000*
Equity dividends paid on ordinary shares:		
First interim 2021: £nil per share (2020: £50,330 per share)	–	5,033
Second interim 2021: £nil per share (2020: £304,460 per share)	–	30,446
Third interim 2021: £10,799 per share (2020: £61,720 per share)	10,799	5,262
Fourth interim 2021: £nil per share (2020: £nil per share)	–	–
Declared and paid during the year	10,799	40,741

The equity dividends paid on ordinary shares is equivalent to £107,990 per share (2020 restated: £407,410 per share).

**Restated, see note 2.*

11. Intangible fixed assets

	Franchise set-up costs *£000*
Cost:	
At 27 June 2020 and at 3 July 2021	11,429
Amortisation:	
At 27 June 2020	10,928
Provided during the year	290
At 3 July 2021	11,218
Net book value:	
At 3 July 2021	211
At 27 June 2020	501

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 finite life of the franchise.

The Company undertakes regular impairment reviews whereby the net book value of the franchise set-up costs are measured against future profits expected to be generated by an individual franchise. As at the 3 July 2021 no impairment has been made on the basis that management deems the expected future profits to be generated by each franchise to cover the respective values of the franchise bid costs.

The impairment review includes due consideration to key sensitivities:

- Public Performance Measures;
- Passenger Volumes; and
- Inflation.

Amortisation is included within operating costs in the income statement.

12. Investments

	Shares in group companies £'000
Cost	
At 27 June 2020 and at 3 July 2021	49,000
Accumulated impairment losses	
At 27 June 2020	–
Impairment losses for the year	(18,383)
At 3 July 2021	(18,383)
Net book value:	
At 3 July 2021	30,617
At 27 June 2020	49,000

The Company directly holds ordinary shares in the following companies:

Company	Country of incorporation and principal place of business	Shareholding	Principal Activity	
New Southern Railway Limited	United Kingdom	100%	Non-trading	*
London & South Eastern Railway Limited	United Kingdom	100%	Non-trading	*
London & Birmingham Railway Limited	United Kingdom	100%	Non-trading	*
Southern Railway Limited	United Kingdom	100%	Non-trading	*
Govia Thameslink Railway Limited.	United Kingdom	100%	Rail franchise	*

The investments comprise 4,000,000 ordinary shares at £1 each (100%) in New Southern Railway Limited, 1,000,000 ordinary shares at £1 each (100%) in London & South Eastern Railway Limited, 2,000,000 ordinary shares at £1 each (100%) in London & Birmingham Railway Limited, 2,000,000 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.

During the year, the share capital of Southern Railway Limited was reduced from £10,000,000 to £2,000,000 by cancelling and extinguishing capital to the extent of £0.80 on each of the issued, fully paid up, ordinary shares of £1.00 each in the Company. The nominal value of each issued, fully paid up, ordinary share has reduced from £1.00 to £0.20.

During the year, the share capital of London & Birmingham Railway Limited was reduced from £10,000,000 to £2,000,000 by cancelling and extinguishing capital to the extent of £0.80 on each of the issued, fully paid up, ordinary shares of £1.00 each in the Company. The nominal value of each issued, fully paid up, ordinary share has reduced from £1.00 to £0.20.

During the year, the share capital of London & South Eastern Railway Limited was reduced from £20,000,000 to £1,000,000 by cancelling and extinguishing capital to the extent of £0.95 on each of the issued, fully paid up, ordinary shares of £1.00 each in the Company. The nominal value of each issued, fully paid up, ordinary share has reduced from £1.00 to £0.05.

As a result of the above share capital reductions, the Company undertook an impairment review of the net book value of investments by cash generating unit. An impairment has been recognised to impair investments down to the net asset value of each non-trading subsidiary after the share capital reductions in each.

All of these companies are incorporated in the UK. The registered office for all subsidiaries is 3rd Floor, 41-51 Grey Street, Newcastle-upon-Tyne, NE1 6EE.

13. Creditors: amounts falling due within one year

	2021	*2020**
	£'000	*£'000*
Amounts owed to group undertakings	7,337	30,208
Amounts owed to related parties	780	13,030
Accruals and deferred income	985	174
	9,102	43,412

The net position of transactions to and from group undertakings is settled quarterly. Part of the amounts owed to group undertakings includes loan amounts of £6.0m (2020: £28.8m). The amounts owed to related parties includes loan amounts of £0.4m (2020: £13.3m). The loans are repayable on demand. Interest to group undertakings and related parties is charged at a rate of 0.43% (2020: 0.43%).

**Restated, see note 2.*

14. Related party transactions

	Keolis (UK) Limited		*The Go-Ahead Group plc*	
	3 July 2021	*27 June 2020**	*3 July 2021*	*27 June 2020**
	£'000	*£'000*	*£'000*	*£'000*
Interest received from related party	–	–	28	29
Interest paid to related party	–	–	(226)	(300)
Amounts owed to related party	(780)	(13,030)	(7,337)	(30,208)

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.

**Restated, see note 2.*

15. Called up share capital

	Allotted, called up and fully paid			
		2021		*2020*
	No.	*£000*	*No.*	*£000*
100 Ordinary shares of £1 each	100	–	100	–

16. Performance bonds and other guarantees

The Company has provided bank guaranteed performance bonds of £73,770,730 (2020: £70,680,730) to the Department for Transport in support of the Company's rail franchise operations. The performance bonds are counter-indemnified by the ultimate parent companies of GOVIA Limited.

In addition, the Go-Ahead Group plc, together with Keolis, has a joint parental company commitment to provide funds of £136.4m (2020: £136.0m) to the DfT in respect of the Govia Thameslink Railway franchise. At the year-end £nil (2020: £nil) has been provided.

17. Capital redemption reserve

The redemption reserve reflects the nominal value of cancelled shares.

18. Ultimate parent company

In the directors' opinion the Company's ultimate parent Company and controlling party is The Go-Ahead Group plc, a Company incorporated in England and Wales whose registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE.

The Go-Ahead Group plc is also the parent undertaking of the Group of undertakings for which Group financial statements are drawn up, and it is also the largest and smallest parent Company preparing group financial statements. The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff.

19. Post balance sheet events

On 28 September 2021, the Department for Transport (DfT) announced its decision to appoint the Operator of Last Resort to take over delivery of passenger services on the Southeastern franchise when London & South Eastern Railway (LSER)'s existing contract expired on 17 October 2021. The DfT's decision not to award a National Rial Contract to LSER was a consequence of discussion with the DfT regarding the calculation of profit share payments under the terms of the relevant franchise agreements and the treatment of certain overpayments made by the DfT to LSER over the course of the franchise agreements.

In August 2021, an Independent Committee comprising the respective chairs of Go-Ahead and Keolis UK, Clare Hollingsworth and Sir Derek Jones, commissioned an Independent Review, supported by external legal and accounting advisers, into LSER's performance of its contractual obligations under its franchise agreements. Following the conclusion of the Independent Review, the findings were shared with the DfT and the Group's auditor, Deloitte. Throughout the process, the Independent Committee has been focused on open, collaborative and constructive engagement with the DfT with a view to reaching a full and satisfactory settlement. The Independent Committee concluded that, notwithstanding the complexity of LSER's franchise agreements, serious errors had been made in relation to the LSER franchise with respect to engagement with the DfT over several years. In particular, by failing to notify the DfT of certain overpayments or monies due to the DfT, LSER breached contractual obligations of good faith contained in the franchise agreements. Accordingly, the Group has apologised to the DfT.

In March 2022 the DfT and the Company reached an agreement on overpayments made by the DfT and associated interest in connection with the Independent Committee's findings. A cash settlement of £7,921,000 was made by LSER in April 2022 to settle this amount in full.

On 9 May 2022 the DfT issued a notice under the Act, imposing a penalty of £23,500,000 on the Company, for contraventions of the Southeastern franchise agreement. The penalty was settled in full by LSER on 13 May 2022.

No adjustment has been made to the Financial Statements in respect of the above.

Appendix 1

Schedule of Uncorrected Misstatements & Disclosures

There were no uncorrected misstatements noted during the audit.