

London & Birmingham Railway Limited
Registered No: 05814584

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London & Birmingham Railway Limited

Annual Report and Financial Statements

For the year ended 27 June 2020



London & Birmingham Railway Limited
Registered No: 05814584

DIRECTORS AND PROFESSIONAL ADVISORS

Directors

I McLaren
A Gordon
D A Brown
E Brian

Company Secretary

C Ferguson

Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
United Kingdom
EC4A 3HQ

Bankers

The Royal Bank of Scotland plc
250 Bishopsgate
London
EC2M 4AA

Solicitors

Womble Bond Dickinson (UK) LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Registered office

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

Actuary

Willis Towers Watson
1 Wellington Place
Wellington Street
Leeds
LS1 4AP

London & Birmingham Railway Limited
Directors' report
 for the year ended 27 June 2020

The directors present their Annual Report and Audited Financial Statements for the year ended 27 June 2020.

London & Birmingham Railway Limited (the "Company") is a member of The Go-Ahead Group plc (the "Group").

Principal activities and review of the business

The principal activity of London & Birmingham Railway Limited ("the Company") was the operation of passenger railway services linking three key destinations: London, Birmingham and Liverpool, until 10 December 2017 at which point the franchise expired and operations ceased. Our operations included "turn up and go" metro-style commuter services in and around Birmingham and longer distance commuter services from the Trent Valley and Northampton to London and inter-urban services covering routes from London Euston to Birmingham, Liverpool, Worcester and Shrewsbury. The Company operated under the brand name London Midland. The Company is part of the GOVIA Limited Group of companies, whose ultimate parent is The Go-Ahead Group plc.

The profit for the year, after taxation, amounted to £7,105,000 (2019: £1,276,000).

On 10 August 2017 the DfT announced that a consortium comprising of Abellio, East Japan Railway Company and Mitsui & Co. Ltd had won the contract to operate the next West Midlands rail franchise starting 10 December 2017 at which point the Company ceased trading and was no longer a going concern. From this date the Company's principal activity is to settle disputes and remaining liabilities.

During the London Midland franchise, the management team went above and beyond the franchise commitments in delivering a high-quality service to their customers and modernising their offering through the provision of innovative Wi-Fi and on train media streaming solutions free to all passengers. The Company became an industry leader in development of innovation within the rail industry through work within the London Midland labs where start-ups with innovative products or services aimed at improving the experience for passengers had access to expert mentoring and industry experience. This afforded them a unique opportunity to progress their businesses and achieve our joint goal of creating 'Simply Better Journeys'. The products and services developed at the labs were successfully integrated into a range of improvements from accessibility offerings for passengers to reporting of defects on trains and improving the experience for customers claiming for delay repay. Following the end of the franchise the Go-Ahead Group have been successfully replicating the work at the London Midland labs as a Group strategy, driving improvements for passengers throughout the Group within both their Train and Bus divisions, which is testament to the success of the programme.

Results and Dividends

The profit for the year, after taxation, amounted to £7,105,000 (2019: £1,276,000). Dividends of £12,000,000 were paid in the year (2019: £6,000,000). The directors do not recommend a final ordinary dividend for the year.

Future developments

London & Birmingham Railway Limited no longer has any operating activity and is not expected to recommence trading in the foreseeable future. However, the Company will continue to exist for the foreseeable future until all liabilities are cleared.

Special provisions related to small companies

The Company has taken advantage of the exemption from preparing a Strategic Report as permitted under section 414B of the Companies Act 2006

London & Birmingham Railway Limited

Directors' Report (continued)

Directors of the Company

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

I McLaren
A Gordon
D A Brown
E Brian

D A Brown and E Brian were directors of the ultimate parent Company, The Go-Ahead Group plc during the year.

Events since the balance sheet date

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. This was effective on 4 September 2020.

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

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its 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.

Going concern

The London Midland franchise operated by the Company ended on 10 December 2017. From this date, the Company ceased trading and remains in existence as debts are recovered and liabilities are settled. Accordingly, the financial statements have been prepared on a basis other than going concern.

Directors' statement as to disclosure of information to the auditor

Insofar as the directors are aware:

- There is no relevant audit information of which the Company's auditor is unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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.

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.

Approved by the board and signed on its behalf by:



E Brian
31 March 2021

London & Birmingham Railway Limited

Statement of directors' responsibilities

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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 London & Birmingham Railway Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of London & Birmingham Railway Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 27 June 2020 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 changes in equity;
- the balance sheet; and
- 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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report (continued) to the members of London & Birmingham Railway Limited

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, 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.

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.
- The directors were not entitled to take advantage of the small companies' exemptions in preparing the Director's report and from the requirement to prepare a Strategic Report.

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.



Christopher Powell, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Statutory Auditor,
London, United Kingdom
31 March 2021

London & Birmingham Railway Limited
Income Statement
for the year ended 27 June 2020

	Notes	2020 £000	2019 £000
Revenue	3	454	638
Operating income/(costs)	4	8,174	501
Operating profit		8,628	1,139
Interest receivable and similar income	7	154	222
Interest payable and similar expenses	8	(7)	(7)
Profit before taxation		8,775	1,354
Tax on profit	9	(1,670)	(78)
Profit for the year from discontinued operations		7,105	1,276

All operating activities transferred to West Midlands Trains Limited on 10 December 2017. From this date the Company discontinued trading and the Company's principal activity became the settlement of disputes and remaining liabilities.

The Company had no items of comprehensive income during the current and prior year, other than the profit for the year. A separate Statement of Comprehensive Income is therefore not presented.

Statement of Changes in Equity

for the year ended 27 June 2020

	Notes	Share capital £000	Profit and loss account £000	Total equity £000
At 30 June 2018		10,000	12,418	22,418
<i>Total comprehensive income for the year:</i>				
Profit for the year		-	1,276	1,276
Total comprehensive income for the year		-	1,276	1,276
Equity dividends	10	-	(6,000)	(6,000)
Exercise of share options	17	-	(87)	(87)
At 29 June 2019		10,000	7,607	17,607
<i>Total comprehensive income for the year:</i>				
Profit for the year		-	7,105	7,105
Total comprehensive income for the year		-	7,105	7,105
Equity dividends	10	-	(12,000)	(12,000)
Exercise of share options	17	-	(72)	(72)
At 27 June 2020		10,000	2,640	12,640

London & Birmingham Railway Limited
Balance sheet
at 27 June 2020

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	Notes	2020 £000	2019 £000
Assets			
Current assets			
Debtors: amounts due within one year	11	405	595
Cash at bank		17,209	29,306
		<u>17,614</u>	<u>29,901</u>
Total assets		<u>17,614</u>	<u>29,901</u>
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	12	(2,405)	(10,998)
Current tax liabilities	9	(1,670)	(78)
		<u>(4,075)</u>	<u>(11,076)</u>
Non-current liabilities			
Provisions	13	(899)	(1,218)
Total liabilities		<u>(4,974)</u>	<u>(12,294)</u>
Net current assets		13,539	18,825
Total assets less current liabilities		<u>13,539</u>	<u>18,825</u>
Net assets		<u>12,640</u>	<u>17,607</u>
Capital and reserves			
Share capital	16	10,000	10,000
Retained earnings		2,640	7,607
Total equity		<u>12,640</u>	<u>17,607</u>

The financial statements were approved by the Board of directors and authorised for issue on 31 March 2021 and signed on their behalf by



E Brian
Director

London & Birmingham Railway Limited

Notes to the financial statements

for the year ended 27 June 2020

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

The financial statements of London & Birmingham Railway Limited (the "Company") for the year ended 27 June 2020 were authorised for issue by the board of directors on 31 March 2021 and the balance sheet was signed on the board's behalf by E Brian. 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.

2. Accounting policies

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'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, they 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 as modified by financial instruments recognised at fair value. The presentational 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 not yet effective:

- the requirements of IFRS 7 *Financial Instruments: Disclosure*;
- the requirements in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - a) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - b) 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 IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirement of paragraph 17 of IAS 24 *Related Party Transaction*;
- 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 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*; and

London & Birmingham Railway Limited

Notes to the financial statements

for the year ended 27 June 2020

2. Accounting policies (continued)

- 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.

New standards

The following new standards or interpretations are mandatory for the first time for the financial year ended 27 June 2020:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment features with negative compensation
- Amendment to IAS 28 Long term interests in associates and joint ventures
- Amendments to IAS 19 Plan amendment, curtailment or settlement

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

Going concern basis

The franchise operated by the Company ended on 10th December 2017 and the new franchise was awarded by DfT to West Midlands Railway Limited. From this date, the Company ceased trading and remains in existence as debts are recovered and liabilities are settled. Accordingly, the financial statements have been prepared on a basis other than going concern as described in the Directors' Report.

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

Critical judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions. Although these judgements and estimates are based on management's best knowledge, actual results ultimately may differ.

Critical judgements in applying the Company's accounting policies

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

Uninsured claims

The measurement of uninsured liabilities is based on an assessment of the expected settlement of known claims and an estimate of the cost of claims not yet reported to the Company, as detailed in note 12. In order to assess the appropriate level of provisions The Go-Ahead Group plc engages with its brokers and claims handlers to ensure external expertise is adequately factored in to the provision for known claims. Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

Key sources of estimation uncertainty

In the opinion of the directors' there are no key sources of estimation.

London & Birmingham Railway Limited
Notes to the financial statements
 for the year ended 27 June 2020

2. Accounting policies (continued)

Significant accounting policies

Revenue recognition

Revenue is recognised on satisfaction of performance obligations which are generally clear. Revenue is measured based on the fair value of the consideration received or receivable (excluding discounts, rebates, VAT and other sales taxes or duty) to which the Company expects to be entitled to and excludes amounts collected on behalf of third parties.

Other revenue

Other revenue relates to historic property income, advertising rebate, fare evasion prosecution recoveries and funded project income.

Profit sharing agreements

The Company's share is recognised in the Income Statement within operating costs in line with current and expected retained profits for each franchise year and is payable to the DfT following the end of the franchise year. Any reversals of accruals in later periods are also recorded within operating costs for consistency.

Interest receivable and similar income

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

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through insurance policies issued by third parties. These provide individual claim cover, subject to high excess limits and an annual aggregate stop loss, for total claims within the excess limits. A provision is recognised for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date, subject to the overall stop loss.

The estimation of this provision is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but that have not yet been reported to the Company by the insurer.

Provisions are accounted for on a gross basis with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

London & Birmingham Railway Limited

Notes to the financial statements

for the year ended 27 June 2020

2. Accounting policies (continued)

Significant accounting policies (continued)

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.

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 15 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 trade payables and accruals. 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.

Financial liabilities are subsequently measured on an amortised costs basis. 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,

London & Birmingham Railway Limited

Notes to the financial statements

for the year ended 27 June 2020

2. Accounting policies (continued)**Significant accounting policies (continued)*****Financial instruments (continued)***

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.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Amortisation of liabilities and any gains and losses arising on the repurchase settlement or other de-recognition of debt are recognised directly in the income statement. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Share based payment transactions

The Company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group plc), under which options are granted to employees (including directors). The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model. In granting equity-settled options, conditions are linked to some or all of the following: the price of the shares of The Go-Ahead Group plc (market conditions); conditions not related to performance or service (non-vesting conditions); and performance conditions. The cost of options is recognised in the income statement over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in equity. The cumulative expense recognised at each reporting date reflects the extent to which the period to vesting has expired and the directors' best estimate of the number of options that will ultimately vest or, in the case of an instrument subject to a market or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately.

London & Birmingham Railway Limited
Notes to the financial statements
for the year ended 27 June 2020

3. Revenue

Revenue recognised in the Income Statement is analysed by class of business as follows:

	2020 £000	2019 £000
Other income	454	638
	<u>454</u>	<u>638</u>

An analysis of revenue by geographical market is given below:

	2020 £000	2019 £000
United Kingdom	<u>454</u>	<u>638</u>

4. Operating (income)/costs

	2020 £'000	2019 £'000
Staff costs (note 5)	-	67
Rail operating charges – rail rolling stock	(18)	(71)
Rail operating charges – rail contracts	-	(14)
Auditor's fee for the audit of these financial statements	22	7
Other operating income*	<u>(8,178)</u>	<u>(490)</u>
Total operating (income)/costs	<u>(8,174)</u>	<u>(501)</u>

*£8,178,000 of operating income has been recognised in the year as a result of close out of suppliers' accounts, insurance reimbursements received for damaged units and final settlement relating to the end of franchise net assets transfer. The prior year credit relates to release of provisions raised in the initial franchise period due to settlements agreed in the 2019 year with Network Rail.

London & Birmingham Railway Limited

Notes to the financial statements

for the year ended 27 June 2020

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	-	24
Social security costs	-	43
	<u>-</u>	<u>67</u>

There are no staff costs during the current year. The Company does not employ any employees directly, staff costs in the prior year related to the end of franchise wind down activities undertaken.

6. Directors' remuneration

Certain directors 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 Group's subsidiaries. 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 18.

7. Interest receivable and similar income

	2020 £000	2019 £000
Bank interest receivable	<u>154</u>	<u>222</u>

8. Interest payable and similar expenses

	2020 £000	2019 £000
Unwinding of discounting on provisions (note 13)	<u>7</u>	<u>7</u>
	<u>7</u>	<u>7</u>

9. Tax on Profit

a) Tax recognised in the Income Statement	2020 £000	2019 £000
<i>Current tax:</i>		
Current tax on income for the year	1,670	257
Prior year tax adjustment	-	(179)
Total current tax	<u>1,670</u>	<u>78</u>
Tax reported in the Income Statement (note 9(b))	<u>1,670</u>	<u>78</u>

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9. Tax on Profit (continued)

b) Reconciliation

A reconciliation of income tax applicable to accounting profit before tax at the statutory tax rates for the years ended 27 June 2020 and 29 June 2019 is as follows:

The tax assessed on the profit for the year is the standard rate of corporation tax in the UK. The standard rate of corporation tax for the year ended 27 June 2020 was 19% (2019: 19%).

	2020 £000	2019 £000
Accounting profit before tax	8,775	1,354
Tax at UK corporation tax rate of 19% (2019: 19%)	1,672	257
Expenses not deductible for tax purposes	(2)	-
Prior year tax adjustment	-	(179)
Tax reported in the Income Statement	1,670	78
Effective tax rate	19%	5.8%

c) Current tax liabilities

	2020 £000	2019 £000
Current tax liability at start of year	(78)	3180
Corporation tax reported in income statement (note 9(a))	(1,670)	(257)
Prior year tax adjustment	-	179
Paid in the year	78	(3,180)
Current liability recoverable at end of year	(1,670)	(78)

d) Factors affecting future tax charges

The standard rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A rate of 19% therefore applies to the current tax charge arising during the year ended 27 June 2020.

Previous legislation advised a reduction in the UK corporation tax rate to 17% from 1 April 2020 and this rate was applied, where applicable, to the Company's deferred tax balance at the prior year end. Legislation substantively enacted in the Finance Bill 2020 amended this rate to 19% with effect from April 2020. The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had not been substantively enacted at the balance sheet date and therefore 19% has been applied, where applicable, to the Company's deferred tax balance as at the balance sheet date.

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10. Dividends

	2020 £000	2019 £000
Paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2020: 120.0p per share (2019: 60.0p per share)	12,000	6,000

There were no dividends proposed as at 27 June 2020.

11. Debtors

	2020 £000	2019 £000
Amounts owed from Group undertakings	-	145
Other debtors	86	23
Prepayments and accrued income	-	407
Other taxation and social security	319	20
	<u>405</u>	<u>595</u>

Amounts due from Group undertakings are repayable on demand and non-interest bearing.

During the financial year there were nil impairment losses recognised arising from contracts with customers (2019: £23,000).

Accrued income principally comprises amounts relating to an RDEC credit and corporation tax payment from the Go-Ahead Group.

The credit risk associated with the Company's trade and other receivables is explained in the Strategic Report.

12. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	61	136
Amounts owed to Group undertakings	11	50
Accruals and deferred income	2,334	4,789
Corporation Tax creditor	1,670	78
Other creditors	-	5,945
	<u>4,076</u>	<u>10,998</u>

Amounts owed to Group undertakings are repayable on demand and non-interest bearing.

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13. Provisions

	<i>Franchise commitments</i> £000	<i>Uninsured claims</i> £000	<i>Total</i> £000
At 30 June 2018	1,110	942	2,052
Provided in the year after discounting	-	346	346
Utilised during the year	(9)	(140)	(149)
Released during the year	(980)	(51)	(1,031)
At 29 June 2019	121	1,097	1,218
Provided in the year after discounting	-	99	99
Utilised during the year	-	(78)	(78)
Released during the year	(44)	(296)	(340)
At 27 June 2020	77	822	899

Franchise commitments

During the year provisions of £44,000 (2019: £980,000) were released following re-estimation of London & Birmingham Railway Limited's obligations relating to the Original Franchise period (Pre April 2016).

Uninsured claims

Uninsured claims represent the cost to settle claims for incidents occurring prior to the balance sheet date based on an assessment of the expected settlement, together with an estimate of settlements that will be made in respect of incidents that have not yet been reported by the insurer, subject to the overall stop loss. It is estimated that the majority of uninsured claims will be settled within the next five years. Both the estimate of settlements that will be made in respect of claims received, as well as the estimate of settlements made in respect of incidents not yet reported, are based on historic trends which can alter over time reflecting the length of time some matters can take to be resolved. No material changes to carrying values are expected within the next 12 months.

Uninsured claims are provided on a gross basis and a separate reimbursement asset is recognised within other receivables as appropriate 2020: £nil (2019: £nil), for amounts due back from the insurance providers.

The directors have considered whether any of the provisions should be presented as current liabilities in the financial statements. Based on their assessment of the provisions, and that they will not crystallise within a period of 12 months of the balance sheet date they are all presented as non-current liabilities.

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14. Retirement benefit obligations

Defined benefit plans

Employees of London & Birmingham Railway Limited participated in the defined benefit section of the Railways Pension Scheme (RPS), a funded defined benefit scheme. The operations and employees of the London Midland franchise, including the defined benefit scheme transferred to West Midlands Trains on 10 December 2017.

At the end of the franchise, any deficit or surplus in the scheme passed to the subsequent franchisee with no compensating payments from or to the outgoing franchise holder. The Company's obligations are therefore limited to its contributions payable to the schemes during the period over which it operates the franchise.

15. Related party transactions

	<i>The Go-Ahead Group plc & Subsidiary Companies</i>	
	2020 £000	2019 £000
Purchases from related party	(704)	(750)
Sales to related party	15	(1,140)
Amounts owed from related party	-	145
Amounts owed to related party	(11)	(50)

The Go-Ahead Group plc owns 65% and Keolis (UK) Limited owns 35% of the ordinary shares in GOVIA Limited. London & Birmingham Railway Limited is 100% owned by GOVIA Limited.

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

No other transactions with related parties were undertaken such as are to be disclosed under FRS 101.

16. Share capital and reserves

	<i>Authorised Allotted, called up and fully paid</i>			
	2020		2019	
	No.	£000	No.	£000
Ordinary shares of £1 each*	10,000,000	10,000	10,000,000	10,000

*Following a share capital reduction, effective 4 September 2020, the nominal value of shares is now £0.20 (previously £1) as discussed in note 19.

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17. Share-based payments

Share incentive plan

The Company participated in a HMRC approved share incentive plan, operated by the ultimate parent undertaking, known as The Go-Ahead Group plc Share Incentive Plan (the "SIP"). The SIP was open to all Group employees (including executive directors) who had completed at least six months' service with a Group company at the date they are invited to participate in the plan.

The SIP permitted The Go-Ahead Group plc to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the Group made awards of partnership shares only. Under these awards, the Group invited qualifying employees to apply between £10 and £150 per month in acquiring shares in the Group at the prevailing market price. Under the terms of the scheme, certain tax advantages were available to the Group and employees.

Sharesave scheme

Shareholder approval was obtained at the 2013 AGM for the introduction of a new HM Revenue & Customs approved Savings-Related Share Option scheme, known as The Go-Ahead Group plc 2013 Savings-Related Share Option Scheme (the Sharesave scheme) for employees of the Group and its operating companies.

The Sharesave scheme was open to all full-time and part-time employees (including executive directors) who had completed at least six months of continuous service with a Go-Ahead Group Company at the date they are invited to participate in a scheme launch. To take part, qualifying employees had to enter into a savings contract for a period of three years under which they agreed to save a monthly amount, from a minimum of £5 to a maximum (not exceeding £500) specified by the Group at the time of invitation. For the February 2016 launch (Sharesave 2016), the maximum monthly savings limit set by the group was £50. Participants were given the choice of taking their money back, or to purchase Go-Ahead Group Shares at a 20% discount of the market price set at the date of invitation. Sharesave 2016 participants had six months from the maturity date to exercise their options. Sharesave 2016 matured on 1 May 2019. There are currently no active Sharesave schemes in place.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The key assumptions input into the model are future share price volatility, future dividend yield, future risk-free interest rate, forfeiture rate and option life.

There are no savings-related options at 27 June 2020. There were no options outstanding at the beginning or end of the financial year or the prior year.

Deferred Share Bonus Plan

The Deferred Share Bonus Plan (DSBP) provides for directors and certain other senior employees to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a three-year period.

The expense recognised for the DSBP during the year to 27 June 2020 was £11,000 (2019: £nil).

The DSBP options are not subject to any market based performance conditions. Therefore the fair value of the options is equal to the share price at the date of grant.

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17. Share-based payments (continued)

The following table shows the number of share options for the DSBP:

	2020 No.	2019 No.
Outstanding at the beginning of the year	9,417	13,687
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	(5,445)	(4,270)
Outstanding at the end of the year	<u>3,972</u>	<u>9,417</u>

The weighted average exercise price of options exercised during the year was £20.74 (2019: £16.08). This represents a range of exercise prices between £19.69 and £22.71 (2019: £15.41 and £17.27).

At the year-end, 3,401 (2019: 9,417) options relating to the DSBP will be eligible to vest from November 2019 following the end of a three-year deferral period. These options related to the award granted in November 2016.

571 options, relating to the DSBP award granted in November 2017, will be eligible to vest from November 2020 following the end of a three-year deferral period.

The year-end weighted average share price of the options was £9.06 (2019: £19.72).

The weighted average remaining contractual life of the options was 0 years (2019: 0.06 years).

18. Ultimate parent company

The immediate parent company and immediate controlling party of London & Birmingham Railway Limited is GOVIA Limited, a Company incorporated in United Kingdom and registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne NE1 6EE, United Kingdom. GOVIA Limited is a joint venture between Keolis (UK) Limited (35%) and The Go-Ahead Group (65%).

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

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 United Kingdom and copies of its financial statements can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

19. Post balance sheet events

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. This was effective on 4 September 2020.

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

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