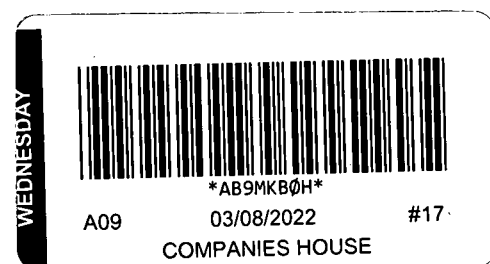


Registered no: 06574965

Southern Railway Limited

Annual Report and Financial Statements

For the year ended 3 July 2021



Southern Railway Limited
Registered No: 06574965

DIRECTORS AND PROFESSIONAL ADVISORS

Directors

A J F Gordon
C Schreyer

Company Secretary

C Ferguson

Auditor

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

Bankers

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

Solicitors

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

Registered office

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

Southern Railway Limited

Directors' report

for the year ended 3 July 2021

The directors present their annual report together with the audited financial statements and auditor's report for the year ended 3 July 2021.

Southern 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 Southern Railway Limited was the operation of passenger railway services on routes to the South of London, with its main markets comprising South London, Surrey and East and West Sussex. It also served parts of Hampshire and Kent.

Operating responsibility for these services transferred from New Southern Railway Limited on 20 September 2009 under a transfer scheme effected by the Department for Transport ("DfT"), following the expiry of New Southern Railway Limited's franchise to operate the services. KPIs are no longer relevant as the Company has ceased to provide passenger services.

In May 2014 the DfT announced that Govia Limited had been awarded the Thameslink, Southern and Great Northern (TSGN) franchise, which commenced on 14 September 2014. The TSGN franchise is operated by Govia Thameslink Railway Limited, a 100% owned subsidiary of Govia Limited. The operations of the Southern franchise transferred to Govia Thameslink Railway Limited on 26 July 2015. From this date the Company's principal activity is to settle disputes and remaining liabilities.

Results and dividends

The loss for the year, after taxation, amounted to £35,000 (2020: profit of £828,000). An Interim dividend of £8,000,000 was paid during the year (2020: £nil). This was as a result of a special resolution passed by the directors of Southern Railway Limited on 24 August 2020, approved by the directors of Govia Limited, to reduce 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. The directors do not recommend a final ordinary dividend for the year.

Future Developments

Southern Railway Limited no longer has any operating activity. However, the Company will continue to exist for the foreseeable future until all liabilities are cleared.

Going Concern

The franchise operated by the Company ended on 26 July 2015 and the new franchise was awarded by DfT to Govia Thameslink 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.

Special provisions relating to small companies

This report has been prepared in accordance with the special provisions relating to small companies subject to the small companies exemption within part 15 of the Companies Act 2006 'The Small companies and Groups (Accounts and Directors Report) Regulations 2008'. The Company is not required to prepare a Strategic Report.

Southern Railway Limited
Directors' report (continued)
for the year ended 3 July 2021

Directors

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:

G Boyd	(appointed 28 September 2021, resigned 28 March 2022)
C Schreyer	(appointed 5 November 2021)
A J F Gordon	
D A Brown	(resigned 5 November 2021)
E Brian	(resigned 27 September 2021)

D A 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 A 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.

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.

Events after the balance sheet date

There were no significant events occurring after the balance sheet date, up to the date of approval of the financial statements, requiring disclosure in these financial statements.

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.

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
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

Approved by the board and signed on its behalf by



C Schreyer
Director

29 July 2022

Southern Railway Limited

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 United Kingdom 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 to 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 Southern Railway Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Southern Railway 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 loss 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; and
- the related notes 1 to 14.

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 Southern Railway Limited

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 Southern Railway 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

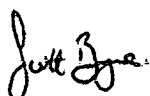
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' 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.



Scott Bayne, FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP, Statutory Auditor,
London, United Kingdom
29 July 2022

Southern Railway Limited
Income statement
for the year ended 3 July 2021

	<i>Notes</i>	<i>2021</i> <i>£'000</i>	<i>2020</i> <i>£'000</i>
Operating (costs)/ income	3	(192)	1,020
Operating (loss)/ profit		<u>(192)</u>	<u>1,020</u>
Interest receivable and similar income	5	–	79
Interest payable and similar expenses	6	–	(2)
(Loss)/ profit before taxation		<u>(192)</u>	<u>1,097</u>
Tax on (loss)/ profit	7	157	(269)
(Loss)/ profit for the year from discontinued operations		<u>(35)</u>	<u>828</u>

All operating activities transferred to Govia Thameslink Railway Limited on 26 July 2015. From this date the Company discontinued trading, and the Company's principal activity became the settlement of disputes and remaining liabilities.

Statement of comprehensive income
for the year ended 3 July 2021

	<i>2021</i> <i>£'000</i>	<i>2020</i> <i>£'000</i>
(Loss)/ profit for the year from discontinued operations	<u>(35)</u>	<u>828</u>
Total comprehensive (loss)/ income for the year	<u>(35)</u>	<u>828</u>

Southern Railway Limited
Statement of changes in equity
for the year ended 3 July 2021

	<i>Notes</i>	<i>Share capital</i> <i>£'000</i>	<i>Retained earnings</i> <i>£'000</i>	<i>Total equity</i> <i>£'000</i>
At 29 June 2019		10,000	1,993	11,993
Profit for the year		—	828	828
At 27 June 2020		10,000	2,821	12,821
Loss for the year		—	(35)	(35)
Share Capital reduction	8	(8,000)	8,000	—
Equity dividends		—	(8,000)	(8,000)
At 3 July 2021		<u>2,000</u>	<u>2,786</u>	<u>4,786</u>

Balance sheet

at 3 July 2021

	Notes	2021 £000	2020 £000
Assets			
Current assets			
Debtors: amounts due within one year	9	183	947
Cash at bank		11,468	18,568
Total assets		11,651	19,515
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	10	(6,332)	(5,975)
Current tax liabilities	7	–	(301)
		(6,332)	(6,276)
Net current assets		5,319	13,239
Total assets less current liabilities		5,319	13,239
Non-current liabilities			
Provisions	11	(533)	(418)
		(533)	(418)
Total liabilities		(6,865)	(6,694)
Net assets		4,786	12,821
Capital and reserves			
Share capital	13	2,000	10,000
Retained earnings		2,786	2,821
Total equity		4,786	12,821

The financial statements were approved by the Board of Directors and authorised for issue on 29 July 2022 and signed on their behalf by:



C Schreyer
Director

Southern Railway Limited
Notes to the financial statements
for the year ended 3 July 2021

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

These financial statements of Southern Railway Limited (the “Company”) for the year ended 3 July 2021 were authorised for issue by the Board of Directors on 29 July 2022 and the balance sheet was signed on the Board’s behalf by C Schreyer. 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”).

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 (“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 franchise operated by the Company ended on 26 July 2015 and the new franchise was awarded by DfT to Govia Thameslink 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 Company’s ultimate parent undertaking, The Go-Ahead Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of The Go-Ahead Group plc are prepared in accordance with International Financial Reporting Standards, and are available to the public and may be obtained from Companies House, Cardiff and The Go-Ahead Group plc website.

The financial statements have been prepared on a historical cost basis. The presentation 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:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- 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*; and
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*.
- 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*; and
- 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*.

Notes to the financial statements (*continued*)

for the year ended 3 July 2021

2. Accounting policies (*continued*)

2.1 Basis of preparation (*continued*)

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 – phase 1
- 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 new 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.

2.2 Critical judgements and key sources of estimation uncertainty

There are no critical judgements that have been made by the directors in the process of applying the Company's accounting policies in the preparation of these financial statements, given the nature of the Company.

Key sources of estimation uncertainty

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 11. 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 into the provision for known claims.

Southern Railway Limited
Notes to the financial statements (*continued*)
for the year ended 3 July 2021

2. Accounting policies (*continued*)

2.3 Significant accounting policies

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.

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.

Provisions

Provisions are recognised when the Company has a present contractual 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. If the effect is material, 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.

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

Uninsured liabilities

The Company limits its exposure to the cost of motor, employer and public liability claims through third party insurance policies. These provide individual claim cover subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits. An amount is included within provisions for liabilities for the estimated cost to the Company to settle claims for incidents occurring prior to the balance sheet date. The estimation of the balance sheet insurance 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, which have not yet been reported to the Company.

Notes to the financial statements (*continued*)

for the year ended 3 July 2021

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 trade payables, other creditors, 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. Financial liabilities are subsequently measured on an amortised cost 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, 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.

2.4 Prior year restatement - Presentational corrections (IAS 32 Balance Sheet Classifications)

During the year, it was identified that within the creditors note, a balance of £2,254,000 was presented within other creditors, when it was a central government payable. Disclosing this as a central government payable separately would provide better transparency to the users of the financial statements. As a result, the 2020 creditors note has been restated. This item relates to Revenue Support repayable to the DfT under the Company's franchise agreement. The impact of this reclassification is to decrease other creditors and increase central government payable by £2.3m in the 2020 creditor note. There is no impact to any other notes or primary statements.

Notes to the financial statements (continued)

for the year ended 3 July 2021

3. Operating income/ (costs)

	2021 £'000	2020 £'000
Other operating income/ (costs)	<u>(192)</u>	<u>1,020</u>

The other operating income includes claims exceeding provision estimates.

The audit fees for the audit of the financial statements of Govia Thameslink Railway Limited include the fee of £10,000 (2020: £10,000) for the Company.

The Company had net receipts from Network Rail during the year of £nil (2020: £1,297,000 receipt).

4. Directors' emoluments

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 14.

5. Interest receivable and similar income

	2021 £'000	2020 £'000
Bank interest receivable	<u>—</u>	<u>79</u>

6. Interest payable and similar expenses

	2021 £'000	2020 £'000
Unwinding of discounting	<u>—</u>	<u>2</u>

Notes to the financial statements (continued)

for the year ended 3 July 2021

7. Taxation**(a) Tax recognised in the income statement**

The tax charge is made up as follows:

	2021 £'000	2020 £'000
<i>Current tax:</i>		
UK corporation tax	(37)	208
Adjustments in respect of current tax of previous years	(120)	61
Total current tax (note 7(b))	<u>(157)</u>	<u>269</u>

(b) Reconciliation

A reconciliation of income taxation applicable to accounting profit before tax at the statutory tax rates for the years ended 27 June 2020 and 3 July 2021 is shown below.

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 3 July 2021 was 19% (2020: 19%).

The differences are reconciled below:

	2021 £'000	2020 £'000
(Loss)/profit before tax	<u>(192)</u>	<u>1,097</u>
Tax at the UK corporation tax rate of 19% (2020: 19%)	(37)	208
Adjustments in respect of current tax of previous years	(120)	61
Tax reported in the income statement	<u>(157)</u>	<u>269</u>
Effective tax rate	82%	25%

(c) Reconciliation of current tax liabilities

	2021 £000	2020 £000
Current tax liability at start of year	(301)	(132)
Corporation tax reported in income statement (note 7(a))	157	(269)
Paid in the year	327	100
Current tax asset/ (liability) at end of year	<u>183</u>	<u>(301)</u>

(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.

Legislation within the Finance Bill 2020 advised a UK corporation tax rate of 19.0% 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 2021 amended this rate to 25.0% with effect from April 2023 and therefore 25.0% has been applied, where applicable, to the Company's deferred tax balance as at the balance sheet date for balances arising after this date.

Southern Railway Limited
Notes to the financial statements (continued)
for the year ended 3 July 2021

8. Dividends

	2021 £'000	2020 £'000
Paid during the year		
Equity dividends on ordinary shares 2021: 80p per share (2020: 0p per share)	8,000	—

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.

9. Debtors

	2021 £'000	2020 £'000
Trade debtors	—	946
Prepayments and accrued income	—	1
Corporation Tax Asset	183	—
	<u>183</u>	<u>947</u>

10. Creditors: amounts falling due within one year

	2021 £'000	2020* £'000
Amounts owed to group undertakings	328	—
Trade creditors	3,722	3,693
Central government creditor	2,282	2,282
	<u>6,332</u>	<u>5,975</u>

*Restated – see note 2.

Amounts owed to group undertakings were repayable on demand and non-interest bearing.

No amounts fall due for payment greater than 1 year after the balance sheet date.

Southern Railway Limited

Notes to the financial statements (*continued*)

for the year ended 3 July 2021

11. Provisions

	<i>Uninsured claims £'000</i>
At 29 June 2019	377
Provided in year (after discounting)	195
Utilised in year	(123)
Released in year	(33)
Unwinding of discounting	2
	<hr/>
At 27 June 2020	418
Provided in year (after discounting)	557
Utilised in year	(400)
Released in year	(42)
Unwinding of discounting	–
	<hr/>
At 3 July 2021	533

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 two 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.

12. Related party transactions

	<i>The Go-Ahead Group plc & Subsidiary Companies</i>	
	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Purchases from related party	398	215
Amounts owed to related party	328	–
	<hr/>	<hr/>

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

Southern Railway Limited

Notes to the financial statements (continued)

for the year ended 3 July 2021

13. Called up share capital

	No.	<i>Allotted, called up and fully paid</i>	
		<i>2021</i>	<i>2020</i>
		<i>£'000</i>	<i>£'000</i>
Ordinary shares of £1 each	10,000,000	<u>2,000</u>	<u>10,000</u>

During the year the Directors signed a special resolution to reduce the issued share capital of the Company 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, and reducing the nominal value of each such ordinary share from £1.00 to £0.20.

14. Ultimate parent company

The immediate parent company of Southern Railway Limited is Govia Limited, a Company incorporated in England and Wales and registered office is 3rd Floor, 41 - 51 Grey Street, Newcastle upon Tyne, NE1 6EE. 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 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.