

Registered No: 08578455

Go-Ahead London Rail Replacement Services Limited

Annual Report and Financial Statements

Year ended 27 June 2020



Registered No: 08578455

Directors

D A Brown
J Trayner
D A Cutts
R Harrington
M J Slattery
E Brian

Company Secretary

C Ferguson

Auditor

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

Registered office

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

Go-Ahead London Rail Replacement Services Limited

Registered No: 08578455

Directors' Report

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

Go-Ahead London Rail Replacement Services Limited (the "Company") is a wholly owned subsidiary of The Go-Ahead Group plc (the "Group").

Results and Dividends

The profit after taxation for the year ended 27 June 2020 amounted to £1,114,000 (2019: £1,083,000). No dividends were paid or proposed during the year (2019: £3,000,000).

Principal Activity

The Company's principal activity is the operation of rail replacement bus services.

The services provided by the company have had limited impact from COVID-19 with both planned and emergency rail replacement services being necessary throughout the pandemic.

Review of the Business

The Company has continued to provide planned and emergency rail replacement services for train operating companies. The company aims to provide as much of the services in-house, sub-contracting to third party operators when necessary.

Principal Risks and Uncertainties

The volume of rail replacement business can fluctuate as by nature much of it is based on third party project plans and non-planned activity, this means that resourcing needs to be flexible.

Future developments

The outlook remains positive. We have a strong reputation for reliability and service. There is a planned maintenance programme across the rail network and the Company continues to provide rail replacement services during periods of planned and emergency downtime on the network.

Financial Risk Management Objectives and Policies

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

Interest rate risk

All surplus cash is swept by the ultimate parent company, which is invested at a Group level.

Credit risk

The Company's debtors are within the Go-Ahead Group and the Company does not consider these parties to be a significant credit risk.

Go-Ahead London Rail Replacement Services Limited

Directors' Report (continued)

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations in line with Group policies. A cash sweeping facility exists with the ultimate parent company and therefore further information regarding the liquidity risk can be found in the Group financial statements. Capital expenditure is approved at Group level.

Foreign currency risk

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

Risks associated with COVID-19

The Company reduced vehicle mileage in response to the COVID-19 situation and as a result, fuel usage reduced. Due to the timing of the reduction in volumes, hedging volumes were altered in advance of year end and in respect of the forthcoming year based upon revised assumptions as outlined in our going concern scenarios. The COVID-19 situation means that there is greater estimation uncertainty in our forecast fuel consumption; however, the Government's current support via CBSSG and its desire to operate as close to 100% of existing services during this period of support, mitigates and reduces the commodity price risk and sensitivity.

Risks associated with Brexit

The Company has considered risks associated with Brexit and concluded that there is minimal impact

Directors

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

D A Brown

J Trayner

D A Cutts

R Harrington

M J Slattery

E Brian

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

Management and Staff

The Company uses the services of staff employed by London General Transport Services Limited, the parent. The average number of staff utilised during the year was 54 (2019: 47). Payroll costs relating to these staff are recharged from the parent undertaking, London General Transport Services Limited.

Small company exemptions

The directors were entitled to take advantage of the small companies' exemptions from the requirement within section 414 B of the Companies Act 2006 from preparing a Strategic Report.

Go-Ahead London Rail Replacement Services Limited

Directors' Report (continued)

Going concern

The Company is a wholly owned subsidiary of The Go-Ahead Group plc (the Group). The going concern status of the Company is therefore intrinsically linked with the operational existence of the Group and on the continued provision of Group support. The Group's Annual Report and Financial statements for the year ended 27 June 2020 were prepared on a going concern basis and full details of the going concern assessment can be found on pages 60-62 of this report. See note 2.

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Details of the going concern assessment are as follows:

Background

The COVID-19 pandemic has had a significant impact on the business of the Company.

During the crisis, the Company has had three priorities: to safeguard the health and wellbeing of our colleagues and customers; to play our role in society in challenging times; and to protect our business.

In response to COVID-19, we have taken decisive action to protect our business by reducing our cost base, reducing our capital expenditure and reducing the effect of the revenue downturn on our Cash flow. Where possible, we have frozen capital expenditure and chosen to lease rather than buy necessary vehicles to reduce cash outflows. Cost reduction actions included the use of the Government's Coronavirus Job Retention Scheme and a freeze on all discretionary expenditure.

Going concern assessment

The directors' used the financial forecasts prepared for business modelling and liquidity projection purposes as the basis for its assessment of the Company's ability to continue as a going concern for at least 12 months from the date of the financial statements. As part of this assessment, the Company has also considered the FRC Company Guidance (updated 20 May 2020) (COVID-19), which has encouraged companies to assess current forecasts (corporate plans) with more vigour, consider the impact of different potential scenarios along with a likelihood assessment, and consider both the uncertainty and the likely success of any realistic mitigations. The directors' have recognised the challenges around reliably estimating and forecasting the effects of COVID-19 on our business.

Key areas of forecasting uncertainty include the extent and duration of COVID-19 restrictions in the UK and across the world. The forecasts were modelled using the base case described below and based on the Company's three-year corporate plan.

The base case

Passenger demand risk is borne by train operating companies. Services are contracted on a fixed rate basis and payments have been maintained through the crisis at pre-COVID-19 levels. Whilst all clients are expected to come under some financial pressure, there is no evidence that this will have an immediate impact on contractual payments or financial support. Consequently, the base case for the business is consistent with pre-COVID-19 operational performance.

Go-Ahead London Rail Replacement Services Limited

Directors' Report (continued)

Going concern (continued)

Reasonable worst case scenario

This included assessing forecasts of severe but plausible downside scenarios related to our principal risks, notably the extent to which the recovery in passenger demand and levels of government support are less favourable than assumed in our base case forecasts.

In the Group going concern assessment, in addition to the base case and the reasonable worst case scenario, the Board has reviewed reverse stress tests, in which the Group has assessed the set of circumstances that would be necessary for the Group to breach the limits of its covenant tests.

Liquidity and covenant testing

The Group provides a letter of Group support to the Company, assuring financial support for a period of at least 12 months from the date of approval of the financial statements. The Group has a strong balance sheet and good liquidity with no debt maturities ahead of 2024. The At 27 June 2020, the Group had adjusted net debt of £965.9m (£321.6m on a pre-IFRS 16 basis) and unutilised facilities and cash of £229.8m. The adjusted net debt to EBITDA ratio was 1.96 times, comfortably within the target range and allowing adequate headroom on our primary bank covenant of 3.5 times. Further information is given in the section on liquidity and covenant testing in the Group Annual Report and Accounts.

Mitigating action

At a Group level, the Board has considered all mitigations that would be within their control if faced with a short term material EBITDA reduction that would reduce covenant headroom. These include cost efficiencies, additional restructuring, reduction or postponement of capital expenditure, extended suspension of dividend payments, and sale of other assets.

Other mitigations could be considered in more severe circumstances, including requests for amendments or waivers of covenants, raising further equity, sale and leaseback of vehicles, disposal of properties and disposal of investments or other assets.

Going concern statement

The directors have assessed, in light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The directors confirm they are satisfied that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing these financial statements. We have obtained confirmation from The Go-Ahead Group plc that they will continue to provide financial support for a period of at least twelve months from the date of approval of the balance sheet.

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' indemnities

The Go-Ahead Group plc ("Group") maintains directors' and officers' liability insurance, for both the plc and its subsidiaries, which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its, and its subsidiaries, directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 27 June 2020 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Go-Ahead London Rail Replacement Services Limited

Directors' Report (continued)

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be put to the members at the company's Annual General Meeting.

Directors' Responsibilities for Audit Information

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 auditors, 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 auditors in connection with preparing their report) of which the Company's auditors are 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.

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

Approved by the Board and signed on their behalf:



E Brian
Director

18 December 2020

Go-Ahead London Rail Replacement Services 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 FRS101 "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.

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

Independent Auditor's Report

to the members of Go-Ahead London Rail Replacement Services Limited

Report on the audit of the financial statements

In our opinion the financial statements of Go-Ahead London Rail Replacement Services 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 11.

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

to the members of Go-Ahead London Rail Replacement Services 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.

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; or
- the directors were not entitled to take advantage of the small companies' exemption 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.

Anthony Matthews

Anthony Matthews, FCA (Senior Statutory Auditor), for and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom
18 December 2020

Go-Ahead London Rail Replacement Services Limited

Income Statement

for the year ended 27 June 2020

| | Notes | 2020 £000 | 2019 £000 |
|---|-------|--------------|--------------|
| Revenue | 3 | 27,019 | 27,497 |
| Operating costs | 4 | (25,644) | (26,160) |
| Operating profit | 4 | 1,375 | 1,337 |
| Profit before taxation | | 1,375 | 1,337 |
| Tax on profit | 7 | (261) | (254) |
| Profit for the year from continuing operations | | 1,114 | 1,083 |

The Company had no items of income during the current and prior year, other than the profit for the year from continuing operations. 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 | Retained earnings £000 | Total equity £000 |
|--|-------|-----------------------|------------------------------|----------------------|
| At 30 June 2018 | | - | 2,934 | 2,934 |
| Profit and total comprehensive income for the year | | - | 1,083 | 1,083 |
| Equity dividends paid | 8 | - | (3,000) | (3,000) |
| At 29 June 2019 | | - | 1,017 | 1,017 |
| Profit and total comprehensive income for the year | | - | 1,114 | 1,114 |
| At 27 June 2020 | | - | 2,131 | 2,131 |

Go-Ahead London Rail Replacement Services Limited

Registered No: 08578455

Balance Sheet

as at 27 June 2020

| | Notes | 2020 £000 | 2019 £000 |
|--|-------|--------------|--------------|
| Assets | | | |
| Current assets | | | |
| Debtors: amounts due from Group undertakings | 9 | 2,392 | 1,271 |
| Total assets | | <u>2,392</u> | <u>1,271</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Current tax liabilities | 7 | (261) | (254) |
| Total liabilities | | <u>(261)</u> | <u>(254)</u> |
| Net assets | | <u>2,131</u> | <u>1,017</u> |
| Capital and reserves | | | |
| Share capital | 10 | - | - |
| Retained earnings | | 2,131 | 1,017 |
| Total equity | | <u>2,131</u> | <u>1,017</u> |

The financial statements were approved for issue by the board of directors and signed on their behalf by:



E Brian
Director

18 December 2020

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 Go-Ahead London Rail Replacement Services Limited (the "Company") for the year ended 27 June 2020 were authorised for issue by the board of directors on 18 December 2020 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

2.1 Basis of preparation

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

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

The financial statements have been prepared on a historical cost basis, as modified by the fair value of financial instruments, and in accordance with applicable accounting standards. 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 not yet effective:

- 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*;
- the requirement of paragraph 17 of IAS 24 *Related Party Transactions*;
- the requirements of 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 62, B64(d), B64(e), B64(g), B64(h), B64(j)-(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66, B67 of IFRS3 *Business Combinations*;
- 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
- 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.

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

Notes to the Financial Statements

for the year ended 27 June 2020

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 27 June 2020:

- IFRS 16 Leases
- 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 standards and interpretations had no material impact on the Company's financial position or related performance.

2.2 Critical accounting judgements and key sources of estimation uncertainty

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

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

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:

- **Going concern**

During the financial year, and up to the date of signing the annual report and accounts, the COVID-19 pandemic has had a significant impact on the Company. Whilst the Company has seen positive trends emerging in the past few weeks, it is difficult to assess what the long-term impact of the pandemic will be to the wider economy and, in particular, the transport section in which the Company operates. Owing to this, the going concern assessment is considered a critical accounting judgement. However, the directors have considered the Company's current and future prospects and continue to adopt the going concern basis of preparation as they are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Please refer to the directors' report for the Company's going concern statement.

Key sources of estimation uncertainty

In the director's view, there are no key sources of estimation uncertainty that could have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year.

Notes to the Financial Statements

for the year ended 27 June 2020

2.3 Significant accounting policies

Revenue

The revenue of the Company mainly comprises income from road passenger transport and rail passenger transport. 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.

An explanation of the main revenue stream is set out below:

Contract revenue

Contract revenue mainly relates to revenue for ancillary services to other bus and rail passenger service providers, for rail replacement services.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

Further detailed information is provided in the going concern statement in the directors' report and is therefore not replicated here.

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.

Notes to the Financial Statements

for the year ended 27 June 2020

3. Revenue

The revenue and profit before tax are attributable to the one principal activity of the Company.

An analysis of revenue by class of business is given below:

| | 2020 £000 | 2019 £000 |
|------------------|---------------|---------------|
| Contract revenue | <u>27,019</u> | <u>27,497</u> |

An analysis of revenue by geographical market is given below:

| | 2020 £000 | 2019 £000 |
|----------------|---------------|---------------|
| United Kingdom | <u>27,019</u> | <u>27,497</u> |

4. Operating Profit

Operating costs:

| | 2020 £000 | 2019 £000 |
|--------------------------------|---------------|---------------|
| Materials and external charges | 23,676 | 24,459 |
| Staff costs | <u>1,968</u> | <u>1,701</u> |
| | <u>25,644</u> | <u>26,160</u> |

Audit fees for the audit of the financial statements are borne by another Group undertaking. The total audit fee for this Group undertaking is £124,000 (2019: £101,000) and it is not practical to split the fee between the entities.

5. Staff Costs

Staff are employed by the parent undertaking and their costs are recharged.

Notes to the Financial Statements

for the year ended 27 June 2020

6. Directors' Emoluments

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Aggregate emoluments in respect of qualifying services | - | - |

Certain directors are also directors of London General Transport Services Limited. These directors received total remuneration of £1,193,000 (2019: £1,265,000) from London General Transport Services Limited during the year, but it is not practical to allocate this between their services as directors of London General Transport Services Limited and their services to the Company.

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 11.

7. Taxation

(a) Tax recognised in the income statement

The tax charge is made up as follows:

| | 2020 £000 | 2019 £000 |
|---------------------------------------|--------------|--------------|
| <i>Current tax:</i> | | |
| UK corporation tax at 19% (2019: 19%) | 261 | 254 |
| Total current tax | <u>261</u> | <u>254</u> |

(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%).

The differences are reconciled below:

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Profit before tax | <u>1,375</u> | <u>1,337</u> |
| At UK corporation tax rate of 19% (2019: 19%) | 261 | 254 |
| Tax reported in the income statement (note 7(a)) | <u>261</u> | <u>254</u> |

The tax assessed on the profit for the year is the same as the standard rate of corporation tax.

Notes to the Financial Statements

for the year ended 27 June 2020

7. Taxation (continued)

(c) Current tax liabilities

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Current tax liability at start of year | 254 | 69 |
| Corporation tax reported in income statement (note 7(a)) | 261 | 254 |
| Paid in the year | (254) | (69) |
| Current tax liability at end of year | <u>261</u> | <u>254</u> |

(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.

8. Dividends

| | 2020 £000 | 2019 £000 |
|--------------------------------------|--------------|--------------|
| Paid during the year | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2020 | <u>-</u> | <u>3,000</u> |

There were no dividends proposed as at 27 June 2020 (2019: £nil).

9. Related Party Transactions

The Company is a 100% subsidiary of The Go-Ahead Group plc. Advantage has been taken of the exemption in paragraph 8(k) of the Financial Reporting Standard 101 and transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, have not been disclosed.

The Go-Ahead Group plc owns 65% of the ordinary shares in GOVIA Limited. The Company enters into arms-length transactions with various subsidiaries of GOVIA Limited, for the provision of certain services including train cleaning, train berthing and rail replacement bus services. Details of these transactions are as follows:

| | 2020 | | 2019 | |
|------------------------------|--|---|--|---|
| | Govia Thameslink Railway £000 | London and Southeastern Railway Ltd £000 | Govia Thameslink Railway £000 | London and Southeastern Railway Ltd £000 |
| Purchases from related party | - | - | - | - |
| Sales to related party | <u>20,698</u> | <u>6,321</u> | <u>22,170</u> | <u>5,327</u> |

Notes to the Financial Statements

for the year ended 27 June 2020

9. Related Party Transactions (continued)

The following shows the amounts due to/from related parties as at the year-end:

| | 2020 | | 2019 | |
|--------------------------|--|--|--|---|
| | Amounts due from related parties £000 | Amounts due to related parties £000 | Amounts due from related parties £000 | Amounts due to related parties £000 |
| Other Group subsidiaries | <u>2,392</u> | <u>-</u> | <u>1,271</u> | <u>-</u> |

10. Share Capital

| | Allotted, called up and fully paid 2020 | | 2019 | |
|----------------------------|--|----------|------|----------|
| | No. | £000 | No. | £000 |
| Ordinary shares of £1 each | 1 | <u>-</u> | 1 | <u>-</u> |

11. Ultimate Parent Company and Controlling Party

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