Registered no: 7934306

Govia Thameslink Railway Limited

Report and Financial Statements

27 June 2015

Govia Thameslink Railway Limited
Registered No: **7934306**

DIRECTORS AND PROFESSIONAL ADVISORS

Directors
W M Allan
D A Brown
D Crowther
K Down
A Gordon
C Hodgson
C Horton
B Tabary

Secretary
C Ferguson

Auditor
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The directors present their strategic report for the period ended 27 June 2015.

Review of business

The principal activity of Govia Thameslink Railway Limited ("GTR") is the operation of passenger services of Great Northern (which connects King's Lynn, Cambridge and Peterborough) and Thameslink, which runs between Bedford, Luton, Sevenoaks, Gatwick and Brighton.

The operating responsibility for these services transferred from First Capital Connect Limited ("FCC") on 14 September 2014, under a transfer scheme effected by the Department for Transport ("DFT"). These services are operated under a franchise contract with an initial term of 7 years.

GTR has early adopted Financial Reporting Standard 101 – Reduced Disclosure Framework ("FRS 101"). Advantage has been taken of the disclosure exemptions allowed under the FRS 101 and the company's parent undertaking, Govia Limited, was notified of, and did not object to the use of the EU-adopted IFRS disclosure exemptions.

The revenue risk terms of this franchise contract between GTR and the DFT result in full revenue risk being taken by the DFT, covering both passenger and Network Rail performance regime revenues. The Company collects all revenues and adjusts this revenue to reflect the amounts retained as management fees. It therefore presents its turnover as a principal rather than an agent.

For the 9 months to 27 June 2015, the key operating statistics were as follows:

	£'000
Turnover	394,423
Operating Loss before exceptional items	(2,027)
Public Performance Measure ("PPM")	85.2%
Passenger satisfaction	77%

The franchise contract with the DFT actually covers a two phase integration of two previous operators over the first 10 months. The initial period, covered by this financial reporting year, relates to the services previously operated by FCC, but the key element of the contract is the combination of the services between Brighton and London Bridge to ensure the optimisation of limited capacity. This was achieved by the integration of the Southern and Gatwick Express services on 26 July 2015. The combined operation will represent 22% of UK national rail passenger journeys.

By necessity a large part of this first financial year has been involved in the change programme required not only for the transfer of one business, but also in preparing a new organisation structure and associated systems for the integrated businesses, and the staff restructuring processes required to deliver one operating unit - which will function through five strong customer facing offerings. Govia's philosophy is to operate businesses within a devolved framework which enables companies to work closely with the communities they serve. In keeping with this the customer facing brands of Thameslink, Great Northern, Gatwick Express and Southern (Mainline and Metro) are the way in which the organisation relates to its stakeholders. The first nine months have obviously focussed on the operation of Thameslink and Great Northern services.

The franchise term covered by the contract has been structured to facilitate the transformation of passenger services, through the major Thameslink project and also the introduction of several new fleets of trains. Much of this change programme will be delivered by 2018.

Part of the rationale for the revenue risk franchise terms relates to uncertainty around the implementation of the major transformational Thameslink project, and in particular the impact on the operation of London Bridge, as it is completely redeveloped, and the major upgrade of infrastructure in the Thameslink core. The infrastructure's capability to facilitate continuing operations during this major construction project, as well as the historic issues of the reliability of the infrastructure on the Brighton Mainline, has indeed been a challenge during the early months of the Company's operations. In addition the issues around the availability of sufficient qualified driver resources has meant that the customer service has been compromised which has been reflected in disappointing results in both the National Rail Passenger Survey and the Public Performance Measure.

The infrastructure issues have been subject to several cross industry reviews and Network Rail have recently been fined by the ORR for the planning of London Bridge works with the impact on GTR's services being highlighted.

These issues have led to a need to introduce various recovery and resilience programmes which have inevitably lead to incremental costs in the period. This, combined with bringing forward the integration restructuring programmes, has had a significant effect on the profitability of this first financial period of operations.

However, many of these challenges will continue to feature during the next 12 months and the Directors will continue to pursue the industry contractual compensations mechanisms as appropriate to mitigate the financial impact.

Despite the scale of the integration and change challenges, the company has established positive working relationships with the key staff representatives groups. This positive dialogue will continue through a period of significant change.

Despite the operational challenges, some of our customers have experienced the first of several rolling stock cascades expected during the contract, with the introduction of the new class 387 trains on the Thameslink route. These new upgraded trains have been well received by our customers. Good progress has also been made in delivering a range of franchise commitments which will bring benefits to passengers and improve efficiency and service delivery in the years ahead.

Despite the cost challenges experienced during the year the Company has met all of its financial and liquidity covenants without the need to call on any further financial support from its shareholders.

Principal risks and uncertainties

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

- *Political Risks*

The rail franchising model featured strongly in the run up to the General Election and continued to feature in the Labour Party leadership contest, as well as featuring in the London Mayor's aspirations for London Rail operations. The company's senior management continue to work closely with the DFT and others on the long term strategic position. However, the existing contract has a seven year initial term, with DFT options to extend for up to 2 years. It is not anticipated that any significant political change in direction would affect the existing contract. However, the Government's spending review is expected to impact on the DFT's ability to fund service changes which passenger would like to see. The company's senior management continue to work closely with the DFT to ensure consistency of messaging to try to manage stakeholder expectations.

Whilst management work closely with union colleagues on a local level, potential major political changes and resultant policy changes with a national impact that could have a local effect are monitored by management.

- *Economic Risks*

The terms of this contract meant that the majority of revenue growth risks within the franchise pass directly to the DFT and therefore the economic risks are focussed on performance and cost control and compliance with the obligations contained in the Franchise Agreement. The impact on staff costs especially are impacted directly by the collective settlements reached by other operators especially in the London market. This market is being significantly impacted by the unprecedented demand for resources being driven by projects and schemes dealing with passenger growth. These situations are monitored closely by management but have led to negotiations resulting at higher than RPI settlements to ensure the continuity of service provision.

The performance regimes contained in the franchise agreement comprise both annual bonus and penalty mechanisms. Management continually review projections of current and forecast performance against these regimes to ensure appropriate financial treatment.

Industry contracts also contain standard variation mechanisms to cater for occasions where network capability changes necessitate service changes which will be used, where appropriate, to mitigate incremental costs arising. Failure to comply with the obligations contained in the Franchise Agreement could lead to financial penalties or, in extremis, termination of the franchise. Compliance with the Franchise Agreement terms is closely monitored by an experienced contract management team

- *Environmental Risks*

In common with all Govia companies, GTR focuses on minimising any environmental impacts. Various commitments exist within the franchise agreement to deliver a variety of schemes to manage effectively the company's environmental obligations, and this is overseen by the Head of Safety and Environment on the company's Executive.

- *Infrastructure Performance Risks*

Network Rail has responsibility for infrastructure performance which impacts the company; both organisations continue to work closely together to understand the underlying causation of delays and agree improvement strategies which will minimise disruption to our customers. Network Rail has a large and complex plan for significant major asset improvements. In addition to the Alliance Board established between Network Rail and the company, Govia and Network Rail have also introduced a joint senior performance board to ensure that this area receives the highest level of attention. However, the well publicised problems with the Thameslink project and particularly the operation of London Bridge has been the subject of ORR review, leading to a fine being levied on Network Rail. However, as one of the train operators affected, GTR's reputation continues to be impacted significantly, as has been reflected in the recent customer satisfaction surveys, but due to nature of the contract, the compensation payments from Network Rail flow directly to the DFT. GTR continues to work closely with its key passenger stakeholders to communicate what it is doing to address the issues and has planned customer information system improvements under development.

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

The Company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors and Group trading balances, arise directly from the Company's operating activities.

The main risks associated with the Company's financial assets and liabilities are set out below. Given that the majority of the risks outlined below derive from transactions with other companies within The Go-Ahead Group plc ("Group"), 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 a group level.

Credit risk is the risk that one party will cause a financial loss for the other party. Given that the majority of third party Company debtors are with public or quasi-public bodies (DFT etc.) these parties are not considered to pose a significant credit risk.

Interest rate risk is mitigated due to the Company investing the majority of surplus cash in fixed rate interest yielding bank deposit accounts. Interest is charged at a variable rate on Group loans and therefore financial assets, liabilities, interest income, interest charges and cash flows can be affected by movements in interest rates.

Liquidity risk is mitigated by managing cash generated by its operations in line with Group policies. The Company aims to mitigate liquidity risk by managing the return of bank deposits at defined times in any four week cycle. A cash sweeping facility also exists with the ultimate parent Company. Further information regarding the way the Group manages liquidity risk can be found in the Group financial statements. Capital expenditure is approved at Group level.

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

- *Ongoing review of emerging issues*

Review of wider economic risks and uncertainties by the Group's audit committee encompasses emerging risks, such as the impact of the European working time directive on holiday pay, and considers the impact of each on the Group. Where appropriate, specific legal or other professional advice is sought to support its assessment.

The strategic report was approved by the Board of Directors on 15 October 2015 and signed on their behalf by:

K Down
Director
15 October 2015

Directors' report

at 27 June 2015

The directors present their report for the year ended 27 June 2015.

Dividends

Ordinary dividends of £nil (2014: £nil) were paid during the year.

Future developments

As mentioned in the Strategic Report, GTR's franchise comprises the phased integration of two previous operators. The incorporation of the Southern and Gatwick Express operations was achieved on 26 July 2015. The revised integrated management and administration staff structure was effective from 31 July 2015.

The next twelve months will focus on improving the operational and financial performance of the whole company. Key to delivering this is the significant timetable change in December 2015, the objective of which is to optimise the use of the constrained Brighton Mainline route by removing conflicting competitive train paths. However, the underlying reliability of the network infrastructure will continue to be of significant concern in relation to the company's ability to operate at the levels of punctuality that our customers should expect. Cost control, in the absence of the performance compensation from Network Rail, which like passenger revenue passes directly to the DFT, will of course continue to be of the highest importance, despite the cost pressures being added by industry issues

The next eighteen months will see significant milestones delivered by the company, as it plays a key role in the transformation of services as a result of the Thameslink programme investments. This includes the opening of Three Bridges maintenance depot in July 2015 and the new Siemens class 700 Thameslink trains entering passenger service from spring 2016.

Elsewhere on the operating area, new trains will also be introduced on the Gatwick Express services from early 2016. Our customers should also start to see the result of our customer service and information investments.

As capacity and crowding are expected to continue to be a challenge the directors and management expect to work with the DFT to try to develop affordable customer focussed solutions where possible.

Financial instruments

Details of financial instruments are provided on the strategic report on page 4.

Management and staff

The Company is committed to involving all employees in its performance and development. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting the day-to-day operations of the Company. The Company recognises that increasing the level of employee engagement with the Company's objectives can increase motivation and performance, and invests in programmes to measure and develop engagement.

Discussions take place regularly with trade unions representing the employees on a wide range of issues. .

It is the Company's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the Company.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management objectives and policies are described in the strategic report on pages 2–5.

The Company has considerable financial resources, together with a Franchise Agreement with the DfT to provide passenger railway services. The directors believe that the Company is well placed to manage its business risks successfully during the franchise term.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and to meet its liabilities when they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 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 secretary) may incur to third parties in the course of acting as directors (or secretary) or employees of the Company or of any associated Company.

Directors

W M Allan
B Auger (resigned 11 June 2015)
D A Brown
D Crowther (appointed 14 July 2014)
K Down
A Gordon
C Hodgson
C Horton
B Tabary (appointed 11 June 2015)

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

Directors' statement as to disclosure of information to auditors

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 auditors are aware of that information.

Auditor

Following an audit tendering process Ernst & Young LLP will resign as auditor with effect from the 2015 Annual General Meeting, a resolution to appoint Deloitte LLP will be put to the members at that Annual General Meeting.

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

By order of the board

K Down
Director

15 October 2015

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Govia Thameslink Railway Limited

We have audited the financial statements of Govia Thameslink Railway Limited for the year ended 27 June 2015 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 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement (set out on page 8), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 June 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kathryn Barrow (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 October 2015

Govia Thameslink Railway Limited

Income statement

for the year ended 27 June 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Turnover	3	394,423	-
Operating costs	4(a)	(396,450)	-
Operating loss		(2,027)	-
Interest receivable and similar income	7	304	-
Interest payable and similar charges	8	(644)	-
Costs of restructuring	4(b)	(8,784)	
Loss on ordinary activities before taxation		(11,151)	-
Tax on loss on ordinary activities	9	2,116	-
Loss for the year from continuing operations		(9,035)	-

Govia Thameslink Railway Limited

Statement of comprehensive income

for the year ended 27 June 2015

	Notes	2015 £'000	2014 £'000
Profit for the year from continuing operations		(9,035)	-
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gains on defined benefit pension plan	15	3,500	-
Tax relating to items that will not be reclassified	9	(700)	-
Other comprehensive income for the year, net of tax		2,800	-
Total comprehensive income for the year		(6,235)	-

Statement of changes in equity

for the year ended 27 June 2015

	Share capital £'000	Retained earnings £'000	Total Equity £'000
At 29 June 2013 and 28 June 2014	-	-	-
Profit for the year	-	(9,035)	(9,035)
Re-measurement gains on defined benefit pension plan net of tax	-	2,800	2,800
Total comprehensive income for the year	-	(6,235)	(6,235)
Issue of share capital	5,000	-	5,000
Share based payments	-	88	88
Equity dividends paid	-	-	-
At 27 June 2015	5,000	(6,147)	(1,147)

Govia Thameslink Railway Limited
Registered No: **7934306**

Balance sheet

at 27 June 2015

	Notes	*2015* *£'000*	*2014* *£'000*
Fixed assets			
Tangible assets	11	7,327	-
Current assets			
Stocks		3,150	-
Debtors	12	60,856	-
Cash at bank		183,853	-
		247,859	-
Creditors: amounts falling due within one year	13	(252,813)	-
Net current liabilities		(4,954)	-
Total assets less current liabilities		2,373	-
Provisions	14	(3,520)	-
Net liabilities		(1,147)	-
Share capital	18	5,000	-
Retained earnings		(6,147)	-
Total equity		(1,147)	-

The financial statements were approved by the Board of Directors and authorised for issue on 15 October 2015 and signed on their behalf by:

K Down
Director

15 October 2015

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

These financial statements of Govia Thameslink Railway Limited (the "Company") for the year ended 27 June 2015 were authorised for issue by the Board of Directors on October 2015 and the balance sheet was signed on the Board's behalf by K Down. Govia Thameslink Railway Limited is incorporated, domiciled and has its registered office in England and Wales.

The Company is required to comply with international accounting requirements under IAS 1 *Presentation of Financial* Statements, except in extremely rare circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to 'present fairly' its financial statements. On that basis, the Company has departed from the requirements of IAS 19 *Employee Benefits (revised)* and has accounted for its contractual but not legal obligations for the Railways Pension Scheme (RPS) under the terms of its UK rail franchise agreements. Details of the background and rationale for this departure are provided in note 15.

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

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

2. Accounting policies

2.1 Basis of preparation

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

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

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

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

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 July 2012 for the purposes of the transition to FRS 101.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operating existence for the foreseeable future and meet its liabilities as they fall due. At the balance sheet date the company had net current liabilities of £4,954,000 including balances due to other group undertakings of £17,456,000.

The Company meets its day to day working capital requirements through use of its cash resources, however it is dependent on continuing financial support being available from its ultimate parent undertaking. The directors have received confirmation that financial support will continue to be available to the company in the foreseeable future by way of support from its immediate and ultimate parent undertaking The Go-Ahead Group plc. The Company's forecasts and projections demonstrate its ability to operate within the level of its current arrangements. As such, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.2 Judgements and key sources of estimation 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 from these estimates.

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

- the measurement of defined benefit pension obligations requires the estimation of future changes in salaries, inflation and the selection of a suitable discount rate, as set out in note 15;
- 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 14; and
- the measurement of franchise commitments, comprising lease obligations on vehicles, depots and stations, is based on management's assessment of most probable outcomes, supported where appropriate by valuations from professional external advisers, as set out in note 14.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Contract and franchise accounting
Judgements are made on an ongoing basis with regards to recoverability of amounts due and the carrying value of related assets and liabilities arising from contracts and the current franchise. Regular forecasts are compiled on the outcome of these contracts and franchise arrangements, which require assessments and judgements relating to the expected level of turnover and costs and, in cases where options exist, the life of the contract or franchise.

2.3 Significant accounting policies

Turnover
Turnover is recognised to the extent that it is probable that the income will flow to the Company and that the value can be reliably measured. Turnover is measured at the fair value of the consideration received and receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Turnover comprises the following:

Rendering of services
Turnover includes payments to the Company by Network Rail under operational performance regimes, and revenue from services related to passenger train operations, such as commission from tickets sold, rolling stock maintenance, advertising concessions and car parking.

2.3 *Significant accounting policies*

Turnover (continued)

Rental income

Rental income is generated from rental of surplus properties and subleasing of rolling stock and railway infrastructure access. It is accounted for on a straight-line basis over the lease term.

Franchise subsidy receipts

Franchise subsidy receipts from the DFT are treated as turnover.

Turnover is adjusted to reflect the payment of passenger revenue and performance regime receipts to the DFT, in accordance with the terms of the franchise contract between the Company and the DFT.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

Depreciation is calculated so as to write off the cost of an asset, less estimated residual value, over the shorter of the remaining life of the franchise and the below lives:

Plant & equipment - 1 to 7 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a straight-line basis over the period of the lease.

At the end of certain operating leases the Company has an obligation to return the assets to the lessor in an appropriate condition. The anticipated cost of meeting these return conditions are included within provisions in the financial statements.

Operating lease incentives

The Company recognises the aggregate effect of operating lease incentives as an element of rental expense. The value of the incentive is included within accruals and deferred income, and amortised over the life of the lease.

2.3 *Significant accounting policies (continued)*

Operating lease income

Operating lease income is credited to the income statement on a straight line basis over the duration of the related contract.

Retirement benefits

The Company operates a defined benefit pension scheme. The cost of this is recognised in the income statement. As discussed below, the Company has invoked the provisions of IAS 1 Presentation of Financial Statements and has departed from the requirements of IAS 19 (revised) in respect of the Rail Pension Schemes (RPS). See note 15 for additional clarification.

The Company is responsible for funding its own section of the RPS whilst it operates the franchise. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability or asset is recognised in line with IAS 19 (revised), although this is offset by a franchise adjustment so that the net liability or asset (including as appropriate the impact of any minimum funding requirements) represents the deficit or surplus that the Company expects to fund or benefit from during the franchise term. This represents a departure from IAS 19 (revised) so as to present fairly the Company's financial performance and position in respect of its obligations for the RPS.

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. 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.

Share based payment transactions

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.

Franchise handover

The award of rail franchises does not meet the definition of a business, as defined in IFRS 3 (revised in 2007) and therefore has not been accounted for as a business combination; nor does it fall to be accounted for as a service concession using either the financial asset or intangible asset models in IFRIC 12, due to the various parties involved within the franchise. Details of the assets and liabilities transferred on franchise handover, assessed on an individual basis, are within note 21.

Exceptional items

The Company presents as exceptional items on the face of the income statement those material items of revenue or expense which, because of the size or the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow better understanding of financial performance.

3. Turnover

Turnover is derived from the Company's ordinary activities, all of which are in the UK and continuing.

	2015	*2014*
	£'000	*£'000*
Rendering of services	24,494	-
Rental income	6,897	-
Franchise subsidy receipts	363,032	-
	394,423	-

4(a) Operating costs

	2015	*2014*
	£'000	*£'000*
Staff costs (note 5)	105,635	-
Operating lease and rental charges – Rail access	94,101	-
Operating lease and rental charges – Vehicle and rolling stock	59,020	-
Operating lease and rental charges – Other	8,740	-
Auditor's remuneration – audit services	94	-
Auditor's remuneration – non-audit services	11	-
Depreciation of tangible fixed assets	1,611	-
Other operating costs	127,238	-
	396,450	-

4(b) Exceptional items

	2015	*2014*
	£'000	*£'000*
Costs of restructuring	8,784	-

Restructuring costs relate to the change programme and preparation of a new organisation structure and associated systems for the integrated businesses with the former Southern Railway franchise, and the staff restructuring processes required to deliver one operating unit.

5. Staff costs and numbers

	2015	*2014*
	£'000	*£'000*
Wages and salaries	87,850	-
Social security costs	7,185	-
Other pension costs (note 15)	10,600	-
	105,635	-

The monthly average number of employees during the year was as follows:

	2015	*2014*
	No.	*No.*
Administration and supervision	392	-
Maintenance and engineering	396	-
Operations	1,263	-
	2,051	-

6. Directors' emoluments

	2015	*2014*
	£'000	*£'000*
Aggregate emoluments in respect of qualifying services	535	-

	2015	*2014*
	No.	*No.*
Number of directors accruing benefits under defined benefit schemes	2	-
Number of directors who exercised share options	-	-

The amounts in respect of the highest paid director are as follows:

	2015	*2014*
	£'000	*£'000*
Emoluments	207	-

7. Interest receivable and similar income

	2015	*2014*
	£'000	*£'000*
Bank interest receivable	304	-

8. Interest payable and similar charges

	2015	*2014*
	£'000	*£'000*
Other finance charges	608	-
Interest payable to group undertakings	36	-
	644	-

9. Taxation

(a) Tax recognised in the income statement

The tax credit is made up as follows:

	2015	*2014*
	£'000	*£'000*
Current tax:		
UK corporation tax	(1,349)	-
Total current tax	(1,349)	-
Deferred tax:		
Origination and reversal of temporary differences	(767)	-
Total deferred tax (note 9(d))	(767)	-
Total reported in the income statement (note 9(c))	(2,116)	-

9. Taxation (continued)

(b) Tax relating to items recognised outside of the income statement

	2015 *£'000*	*2014* *£'000*
Tax on re-measurement gains on defined benefit pension plan	700	-

(c) Factors affecting current tax charge

A reconciliation of taxation applicable to accounting loss before tax at the statutory tax rates for the years ended 27 June 2015 and 28 June 2014 is shown below.

The tax assessed on the profit on ordinary activities for the year is the standard rate of corporation tax in the UK. On 1 April 2015 the standard rate of corporation tax changed from 21% to 20% (2014: 21% on 1 April 2014 from 23%). Any future tax charges and movements in deferred tax will be impacted by enacted changes in the rate of corporation tax.

The differences are reconciled below:

	2015 *£'000*	*2014* *£'000*
Accounting profit on ordinary activities before tax	(11,151)	-
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.75% (2014: 22.5%)	(2,314)	-
Expenses not deductible for tax purposes	169	-
Effect of changes in tax rate	29	-
Tax reported in the income statement	(2,116)	-
Effective tax rate	19.0%	

(d) Deferred tax

The movements in deferred tax in the income statement and in equity, and constituents of the deferred tax asset shown within debtors, are as follows:

	2015 *£'000*	*2014* *£'000*
Deferred tax asset		
Accelerated capital allowances (included in debtors note 12)	67	-

The movements in deferred tax in the income statement and in equity are as follows:

	28 June 2014 *£'000*	*Recognised in income statement* *£'000*	*Recognised in equity* *£'000*	*27 June 2015* *£'000*
Accelerated capital allowances	-	67	-	67
Retirement benefit obligations	-	700	(700)	-
	-	767	(700)	67

9. Taxation (continued)

A reduction in the UK corporation tax rate from 23% to 21% came into effect on 1 April 2014. A further reduction in the UK corporation tax rate from 21% to 20% came into effect on 1 April 2015.

As proposed in the Summer Budget 2015, the rates of corporation tax are going to be reduced to 18% in 2020, with an interim reduction to 19% in 2017. These proposals were included in the draft Finance Bill 2015 which was not substantively enacted at the balance sheet date, therefore the currently enacted 20% rate has been applied to deferred tax liabilities/assets at the year end.

10. Dividends

	2015	*2014*
	£'000	*£'000*
Equity dividends on ordinary shares paid in the year	-	-

11. Tangible fixed assets

	Plant & Equipment £'000
Cost:	
At 28 June 2014	-
Tangible assets transferred on franchise handover	6,900
Additions	2,038
At 27 June 2015	8,938
Depreciation:	
At 28 June 2014	-
Provided during the year	1,611
At 27 June 2015	1,611
Net book value:	
At 27 June 2015	7,327
At 28 June 2014	-

12. Debtors

	2015	*2014*
	£'000	*£'000*
Trade debtors	52,661	-
Prepayments and accrued income	6,279	-
Deferred taxation (note 9(c))	67	-
Corporation tax	1,849	-
	60,856	-

13. Creditors: amounts falling due within one year

	2015	*2014*
	£'000	*£'000*
Amounts owed to group companies	17,456	-
Trade creditors	14,142	-
Other taxation and social security	2,592	-
Other creditors	40,061	-
Central government creditor	5,545	-
Deferred season ticket income	46,193	-
Accruals and deferred income	126,824	-
	252,813	-

Other creditors include pension contributions payable amounting to £151,000 (2014: £nil).

14. Provisions

	Uninsured claims	*Franchise commitments*	*Total*
	£'000	*£'000*	*£'000*
At 29 June 2013 and 28 June 2014	-	-	-
Provisions transferred on franchise handover	-	214	214
Provided in year (after discounting)	83	3,223	3,306
At 27 June 2015	83	3,437	3,520

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 six years.

Franchise commitments comprise lease return obligations on vehicles, depots and stations.

15. Retirement benefit obligations

Employees of Govia Thameslink Railway Limited participate in the defined benefit section of the Railways Pension Scheme (RPS), a funded defined benefit scheme.

The Govia Thameslink section of the RPS is open to new entrants. The Company is currently contributing 15.36% of Section Pay to the scheme. The RPS is a shared costs scheme, with assets and liabilities split 60%/40% between the franchise holder/employee respectively. The RPS sections are all open to new entrants and the assets and liabilities of each Company's section are separately identifiable and segregated for funding purposes. The latest re-measurement valuation of the RPS was carried out with an effective date of 31 December 2013.

It is our experience that all pension obligations to the RPS cease on expiry of the franchises without cash or other settlement, and therefore the obligations recognised on the balance sheet under IAS 19 (revised) are only those that are expected to be funded during the franchise term. Participation in the RPS is therefore considered to only expose the company to a short-term cashflow risk. The total surplus or deficit is adjusted by way of a "franchise adjustment" which includes an assessment of surpluses or deficits from future cash contributions. However, in spite of our past experience and that of other train operating companies proving otherwise, our legal obligations are not restricted. On entering into a franchise, the operator becomes the designated employer for the term of the contract and under the RPS scheme rules is obliged to meet the schedule of contributions agreed with the scheme trustees and actuaries, in respect of which no funding cap is set out in the franchise contract.

IAS 19 (revised) would require the Company to account for its legal obligation under the formal terms of the RPS and its constructive obligation under the terms of each franchise agreement. Following industry practice, the Company has concluded that the appropriate accounting policy for the RPS to ensure that the financial statements present fairly the Company's financial position, financial performance and cash flows, is to recognise its constructive but not its legal RPS defined benefit obligations. In all other respects the Company's accounting policy is consistent with IAS 19 (revised). In doing so, the Company has applied the true and fair override and departed from the requirements of IAS 19 (revised) in order to achieve a fair presentation of the Company's obligations regarding its rail schemes and prevent gains arising on transfer of the existing RPS deficits to a new franchise owner at exit.

The franchise adjustment applied to reduce the Company's total obligations under IAS 19 (revised), is in respect of the deficit projected to exist at the end of each current franchise term and which the Company will not be required to fund.

The contributions made by the Company in the year were £7.1m (2014: £nil).

The valuation used for IAS 19 (revised) disclosures has been based on the draft re-measurement valuation as at 31 December 2013 in order to assess the liabilities of the scheme at 27 June 2015, 28 June 2014 and 29 June 2013. Scheme assets are stated at their market value at the respective balance sheet dates. The expected return on assets has been derived from the expected returns from each of the main assets classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available), and the views of investment organisations. These have been combined, based on the asset portfolio of the section, to determine the overall asset return assumption.

Main assumptions:

	2015 %
Rate of increase in salaries	4.3
Rate of increase in pensions in payment	2.3
Rate of increase in deferred pensions	2.3
Discount rate	3.8
Inflation assumptions:	
RPI	3.3
CPI	2.3

*Increases are set at RPI for the first five salary reviews as per the draft results of the re-measurement valuation at 31 December 2013.

15. Retirement benefit obligations (continued)

The most significant non-financial assumption is the assumed rate of longevity. The table below shows the life expectancy assumptions used in the accounting assessment based on the life expectancy of a male member of the pension scheme at age 65.

	At 27 June 2015
Pensioner	22
Non – Pensioner	24

The mortality assumptions adopted as at 27 June 2015 are based on the result of the latest funding valuation as at 31 December 2013.

In making the valuation, the above assumptions have been used. For rail pension schemes, the following is an approximate sensitivity analysis of the impact of the change in the key assumptions. In isolation, the following adjustments would affect the defined benefit obligation (DBO) as shown.

Assumption	*Change in assumption*	*Effect on DBO%*
Discount rate	Increase of 0.1%	(2.0)
Price inflation	Increase of 0.1%	2.0
Rate of increase in salaries	Increase of 0.1%	0.5
Rate of increase of pensions in payment	Increase of 0.1%	1.1
Increase in life expectancy of pensioners or non-pensioners	Increase of 1 year	3.1

The fair value of the scheme assets are:

	2015	
	Value	
	£'000	*%*
Equities	298,342	95.5
Properties	12,808	4.1
Others	1,250	0.4
Total market value of assets	312,400	

None of the assets are invested in property occupied by the reporting entity or the entity's own financial instruments.

Funding position of the Company's pension arrangements:

	2015
	£'000
Employer's 60% share of pension scheme:	
Liabilities at the end of the year	(411,000)
Assets at fair value	312,400
Gross deficit	(98,600)
Franchise adjustment	98,600
Pension scheme liability	-

15. Retirement benefit obligations (continued)

An analysis of the defined benefit cost for the year ended 27 June 2015 is as follows:

	2015
	£'000
Service cost	10,300
Administration costs	300
Interest cost on net liabilities	2,200
Interest on franchise adjustments	(2,200)
Pension cost	10,600

Analysis of change in the employers' share of the pension scheme liabilities over the financial year:

	2015
	£'000
Employer's 60% share of pension scheme liabilities at start of year	-
Franchise adjustment (100%)	-
	-
Liability movement for members share of assets (40%)	11,500
Service cost (60%)	10,300
Interest cost (60%)	8,100
Interest on franchise adjustment (100%)	(2,200)
Re-measurement gain due to experience (60%)	(5,900)
Re-measurement loss due to financial assumptions (60%)	40,600
Benefits paid (100%)	(8,400)
GTR franchise award – Employers' share of pension scheme liabilities (60%)	354,800
GTR franchise award - Franchise adjustment (100%)	(63,000)
Franchise adjustment movement (100%)	(33,400)
	312,400
Employer's 60% share of the franchise adjustment	98,600
Employer's 60% share of pension scheme liabilities at end of year	411,000

Analysis of change in the pension scheme assets over the financial year:

	2015
	£'000
Fair value of assets at start of year (100%)	-
Interest income of plan assets (60%)	5,900
Re-measurement gain on assets (60%)	4,800
Company contributions (100%)	7,000
Benefits paid (100%)	(8,400)
Administrative expenses incurred (100%)	(600)
GTR franchise award (60%)	291,800
Members 40% share of movement of assets	11,900
Fair value of assets at end of year (100%)	312,400

We consider the company contributions expected to be paid in the year to June 2016 to be the principal risk to which membership of the RPS exposes the Company. Estimated contributions in the financial year:

	£'000
Estimated company contributions in financial year 2016	9,400
Estimated employee contributions in financial year 2016	6,200
Estimated total contributions in financial year 2016	15,600

15. Retirement benefit obligations (continued)

Departure from the requirements of IAS 19 (revised)

The franchise adjustment applied to reduce the Company's total obligations under IAS 19 (revised), is in respect of the deficit projected to exist at the end of the franchise term and which the Company will not be required to fund.

If the Company had accounted for the rail scheme in accordance with the full provisions of IAS 19 (revised) the following adjustments would have been made to the financial statements:

	2015 *£'000*
Balance sheet	
Defined benefit pension plan	(98,600)
Deferred tax asset	19,720
	(78,880)
Other comprehensive income	
Re-measurement gains	(33,400)
Tax on re-measurement gains	6,680
	(26,720)
Income statement	
Operating costs – franchise adjustment	(2,200)
Deferred tax charge	440
	(1,760)

Experience gain recognised in other comprehensive income:

	2015 *£'000*
Loss on pension scheme liabilities	(34,700)
Experience gains on assets	4,800
Franchise adjustment movement	33,400
Total gain recognised in other comprehensive income during the year	3,500

Risks associated with defined benefit plans

Despite remaining open to new entrants and future accrual, the risks posed by the RPS are limited, as under the franchise arrangements, the train operating companies are not responsible for any residual deficit at the end of a franchise. As such, there is only short term cashflow risk within this business.

16. Commitments

Operating lease commitments – company as lessee
The Company has entered into commercial leases on certain properties and other items. Renewals are at the option of the lessee. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 27 June 2015 and 28 June 2014 were as follows:

	Rail contracts 2015 £'000	*Rail contracts 2014 £'000*
Within one year	362,422	-
In the second to fifth years inclusive	2,149,192	-
Over five years	605,258	
	3,116,872	-

Operating lease commitments – company as lessor
The Company holds agreements under which they lease rolling stock, and agreements with Network Rail for access to the railway infrastructure (track, stations and depots).

Future minimum rentals receivable under non-cancellable operating leases as at 27 June 2015 and 28 June 2014 were as follows:

	Rail contracts 2015 £'000	*Rail contracts 2014 £'000*
Within one year	10,318	-
In the second to fifth years inclusive	62,053	-
Over five years	17,245	
	89,616	-

Performance bonds
The Company has provided bank guaranteed performance bonds of £20,000,000 (2014: £nil), season ticket bonds of £61,611,230 (2014: £nil) and loan guarantee bond of £36,250,000 to the DfT in support of the Company's rail franchise operations.

These bonds are counter-indemnified by the shareholders of Govia Limited, the Company's parent company.

17. Related party transactions

	The Go-Ahead Group plc & Subsidiary Companies	
	2015 £'000	*2014 £'000*
Purchases from related party	46,450	-
Sales to related party	4,604	-
Interest payable to related party	36	-
Amounts owed to related party	17,456	-
Amounts owed from related party	514	-

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

The Company enters into arms length transactions with various Go-Ahead Group companies for the provision of certain services including hire of staff, train maintenance and rail replacement bus services. Part of the amounts owed to related parties includes a loan amount of £5m from Govia Limited.

18. Share capital

		Allotted, called up and fully paid		
		2015		*2014*
	No.	*£'000*	*No.*	*£'000*
Ordinary shares of £1 each	5,000,000	5,000	1	-

On 20 August 2014, the share capital of Govia Thameslink Railway Limited was increased by 4,999,999 ordinary shares to 5,000,000 ordinary shares of £1 each.

19. Share based payments

Share incentive plan
The Company participates in an 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 is open to all group employees (including executive directors) who have completed at least six months service with a group company at the date they are invited to participate in the plan.

The SIP permits 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 has, so far, made awards of partnership shares only. Under these awards, the group invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the group at the prevailing market price. Under the terms of the scheme, certain tax advantages are available to the group and employees.

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 2015 was £88,000 (2014: £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.

The weighted average fair value of options granted during the year was £25.99 (2014: nil).

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

	2015	*2014*
Outstanding at the beginning of the year	–	–
Granted during the year	10,705	–
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding at the end of the year	10,705	–

At the year end, no options were exercisable.

The weighted average remaining contractual life of the options was 2.0 years (2014: nil).

20. Restricted cash

Included within cash at bank is an amount of £183,853,000 (2014: £nil) held, which cannot be distributed by means of a dividend.

21. Non cash flow movement

During the year ended 27 June 2015, certain asset and liabilities were transferred to Govia Thameslink Railway Limited on Franchise handover. Cash received by Govia Thameslink Railway as a result of the rail franchise handover is detailed below:

	2015
	£'000
Tangible fixed assets	6,900
Inventories	5,250
Trade and other receivables	7,124
Trade and other payables	(53,900)
Provisions	(214)
Cash and cash equivalents	34,840
	-

22. Ultimate parent company

The immediate parent company of Govia Thameslink Railway Limited is Govia Limited.

In the directors' opinion the Company's ultimate parent company and controlling party is The Go-Ahead Group plc which is also the parent undertaking of the group of undertakings for which group financial statements are drawn up. The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff.