

Company No: 3666306

ANNUAL REPORT
South Eastern Trains Limited
31 March 2010

Registered Office

One Kemble Street
London
WC2B 4AN



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SOUTH EASTERN TRAINS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2010

The directors present their report and the financial statements for the year ended 31 March 2010

Background

On 9 November 2003, pending the completion of a franchise re-tendering process run by the Department for Transport, South Eastern Trains Ltd (SET or Company) took over the running of train services in Kent and parts of Sussex, from the previous operator Connex South Eastern Limited (Connex). Following the completion of the franchise re-tendering process, the operations of South Eastern Trains were transferred to GoVia on 1 April 2006. Since 1 April 2006, the Company has been dealing with residuary issues resulting from the trading in earlier periods. This relates principally to claims handling, which includes employment tribunal claims, other employee claims and public liability claims.

Consequent upon the decision of the government to wind-up the Strategic Rail Authority (SRA), SET was transferred from the SRA to BRB (Residuary) Ltd (BRBR) via a statutory instrument on 1 April 2006. BRBR is a limited Company owned wholly by Government which is responsible for discharging a range of legacy responsibilities inherited from the British Railways Board (BRB).

Business Review

During the year, the Company continued to resolve residuary matters. The Company made payments of £133k in the year relating to employee and passenger claims. A bad debt provision of £275k was released during the year, relating to a deed of indemnity claim. Operating costs of £165k were incurred in the year. These costs included claims handling costs and professional fees relating to debt collection. Interest receivable of £44k was earned during the year on an intercompany balance due from SET's parent company, BRB (Residuary) Ltd.

Results

The Company made a profit after tax for the year of £110k (2009 £106k).

The directors do not propose a dividend for the year (2009 £nil).

The profit for the year has been transferred to reserves.

SOUTH EASTERN TRAINS LIMITED

Creditor payment policy

The Company's policy is to pay bills for all its suppliers in accordance with agreed settlement terms in line with the principles of the CBI Prompt Payment Code, which aims to encourage best practice in dealing with the payment of bills

Directors and their interest

The directors of the Company during the year were

G W. D Sutherland
P Hawthorne

None of the directors have a beneficial interest in the shares of the Company, or of any group undertaking that requires disclosure. No director had a material interest in any contract with the Company

Employees

The Company did not employ any staff directly during 2010 (2009 nil)

Auditors

The Company has retained PricewaterhouseCoopers LLP (PwC) as auditors

SOUTH EASTERN TRAINS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. The directors have taken all the steps that ought to have been taken to ensure that they are aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

For and on behalf of South Eastern Trains Ltd



G W D Sutherland
Chairman

SOUTH EASTERN TRAINS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTH EASTERN TRAINS LTD

We have audited the financial statements of South Eastern Trains Ltd for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet and the Statement of Changes in Equity, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable in law and International Accounting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit 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.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 31 March 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

SOUTH EASTERN TRAINS LIMITED

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in 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

Sarah Isted

Sarah Isted (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
80 Strand
London
WC2R 0AF

21 July 2010

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2010 £'000	2009 £'000
Finance income	3	44	332
Release of bad debt provision	5	275	-
Administrative expenses	4	(166)	(185)
Profit before income tax		153	147
Income tax expense	6	(43)	(41)
Profit for the year / total comprehensive income for the year		110	106

Notes:


- 1 All operations are continuing and there are no discontinued operations

The notes on pages 12 to 20 are an integral part of these financial statements

BALANCE SHEET

		As at 31 March		
	Note	2010 £'000	2009 £'000	2008 £'000
Assets				
Current assets				
Trade and other receivables	9	9,676	9,553	7,540
Cash and cash equivalents	8	-	8	2,252
Total assets		9,676	9,561	9,792
Equity				
Ordinary shares	13	-	-	-
Retained earnings		8,838	8,728	8,622
Total equity		8,838	8,728	8,622
Current liabilities				
Trade and other payables	11	341	383	424
Bank overdraft	10	17	-	-
Provisions for other liabilities and charges	12	480	450	746
Total liabilities		838	833	1,170
Total equity and liabilities		9,676	9,561	9,792

The financial statements on pages 8 to 20 were approved by the board of directors on 20 July 2010 and were signed on its behalf by

Chairman 

20/07/2010

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance as at 1 April 2008	-	8,622	8,622
Profit for the year	-	106	106
Balance as at 1 April 2009	-	8,728	8,728
Profit for the year	-	110	110
Balance at 31 March 2010	-	8,838	8,838

CASH FLOW STATEMENT

	Year ended 31 March		
	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from operations	14	(182)	(493)
Net cash generated from operating activities		(182)	(493)
Cash flows from financing activities			
Loans granted to parent undertaking		157	-
Repayments of borrowings		-	(1,751)
Net cash used in financing activities		157	(1,751)
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts			
		(25)	(2,244)
Cash and bank overdrafts at beginning of year		8	2,252
Cash equivalent at beginning of year		-	-
Cash, cash equivalents and bank overdrafts at end of year		(17)	8

NOTES TO THE FINANCIAL STATEMENTS

1. Background

The operations of South Eastern Trains were transferred to GoVia on 1/4/2006. Since 1/4/2006, the Company has been dealing with residuary issues resulting from the trading in earlier periods. This relates principally to claims handling, which includes employment tribunal claims, other employee claims and public liability claims.

Consequent upon the decision of the government to wind-up the Strategic Rail Authority (SRA), SET was transferred from the SRA to BRB (Residuary) Ltd (BRBR) via a statutory instrument on 1/4/06. BRBR is a limited company owned wholly by Government which is responsible for discharging a range of legacy responsibilities inherited from the British Railways Board (BRB). BRBR is incorporated in Great Britain and registered in England and Wales. The largest group of undertakings for which group financial statements are prepared and of which the Company is a member is BRB (Residuary) Limited, One Kemble Street, London WC2B 4AN.

The Company is registered in the UK, registration number 3666306, at One Kemble Street, London WC2B 4AN.

2 Accounting Policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

This is the first set of financial statements prepared by the Company in accordance with International Financial Reporting Standards ('IFRS'), in line with the adoption of IFRS by Central Government this year. Previously the Company reported under UK Generally Accepted Accounting Policies ('UK GAAP').

The Company has applied IFRS 1 - 'First time Adoption of International Financial Reporting Standards' ('IFRS') to provide a starting point for reporting under IFRS. The date of transition to IFRS is 1 April 2008. As a result of the transition to IFRS, there have been no changes to the figures presented in the statement of comprehensive income, the balance sheet or the cash flow statement, there have merely been presentational changes and additional disclosure.

b) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described below, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from the other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgments and estimates 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 financial statements are in relation to provisions for passenger and employee claims.

c) Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pounds Sterling, which is the Company's functional currency.

d) Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

- Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of change in value.

- Trade receivables and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

e) Revenue recognition

Revenue represents amounts receivable in respect of interest income. Interest income is recognised using the effective interest method.

f) Provisions

Provisions for legal claims are recognised when, the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation.

g) Income tax

The tax expense represents the sum of the current tax payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company's current tax liability is calculated using the tax rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on the temporary differences that arise when the tax authority recognises and measures assets and liabilities with rules that differ from those in the accounts. Deferred taxes are calculated under the balance sheet liability method at the rate of tax expected to prevail (subject to the rate being enacted or substantively enacted by that date) when temporary differences reverse. Deferred tax is not discounted.

Deferred tax liabilities are generally recognised for taxable temporary differences, and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

3 FINANCE INCOME

	2010 £'000	2009 £'000
Inter-company interest (see note 20)	44	332
	<u>44</u>	<u>332</u>

4 ANALYSIS OF ADMINISTRATIVE EXPENSES

	2010 £'000	2009 £'000
Employers liability insurance	(87)	50
Legal fees	245	128
Audit remuneration and expenses (for the audit of the Company financial statements)	8	7
	<u>166</u>	<u>185</u>

5 RELEASE OF BAD DEBT PROVISION

During the year, a bad debt provision of £275k was released. This relates to a deed of indemnity claim that had been fully provided in previous years. During the year, the Company received £275k in full and final settlement of the claim.

6 TAXATION

The Company is assessed in accordance with the Taxes Acts.

The tax charge for the year was £43k (2009: £41k)
The current and deferred tax rate is 28%.

The tax charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2010 £'000	2009 £'000	2008 £'000
Profit before taxation	<u>153</u>	<u>147</u>	<u>5,951</u>
Tax at UK corporation tax rate of 28% (2009 28%, 2008 30%)	43	41	1,785
Group relief	-	-	(1,785)
Tax charge for the year	<u>43</u>	<u>41</u>	<u>-</u>

7 FINANCIAL INSTRUMENTS BY CATEGORY

	Cash and cash equivalents 2010 £'000	Trade and other receivables 2010 £'000
<u>Assets</u>		
Loans and receivables	-	9,676
	-	9,676
		Trade and other payables 2010 £'000
		-
<u>Liabilities</u>		17
Loans and receivables		341
Other financial liabilities at amortised cost		358
		358
	Cash and cash equivalents 2009 £'000	Trade and other receivables 2009 £'000
<u>Assets</u>		
Loans and receivables	8	9,553
	8	9,553
		Trade and other payables 2009 £'000
		-
<u>Liabilities</u>		383
Other financial liabilities at amortised cost		383
		383

	Cash and cash equivalents 2008 £'000	Trade and other receivables 2008 £'000
<u>Assets</u>		
Loans and receivables	2,252	7,540
	<u>2,252</u>	<u>7,540</u>
		Trade and other payables 2008 £'000
<u>Liabilities</u>		
Other financial liabilities at amortised cost		-
		424
		<u>424</u>

8. CASH AND CASH EQUIVALENTS

	2010 £'000	2009 '000	2008 £'000
Cash at bank	-	8	2,252
	<u>-</u>	<u>8</u>	<u>2,252</u>

9 TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 '000	2008 £'000
Amounts falling due within one year			
- Trade receivables	297	1,007	1,026
Less Provision for impairment of trade receivables	(7)	(1,007)	(1,007)
- Corporation tax recoverable	424	478	529
-Receivables from related parties (see note 20)	8,962	9,075	6,992
	<u>9,676</u>	<u>9,553</u>	<u>7,540</u>

The effective interest rate on receivables from related parties is 0.5%

10. BANK OVERDRAFT

	2010 £'000	2009 '000	2008 £'000
Bank overdraft	17	-	-
	<u>17</u>	<u>-</u>	<u>-</u>

11 TRADE AND OTHER PAYABLES

	2010 £'000	2009 '000	2008 £'000
Amounts falling due within one year - Accruals and other deferred income	341	383	424
	<u>341</u>	<u>383</u>	<u>424</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

There is a provision in place representing passenger and employee liability claims outstanding at the year end

Passenger and employee claims:

	2010 £'000	2009 £'000	2008 £'000
At 1 April	450	746	932
Charged in year	163	101	183
Utilised in year	(133)	(397)	(369)
At 31 March	<u>480</u>	<u>450</u>	<u>746</u>

All provisions are current

13. SHARE CAPITAL

	2010 £'000	2009 £'000	2008 £'000
Authorised 1,000 (2009 1,000, 2008 1,000) ordinary shares of £1 each	1	1	1
Allotted, issued and fully paid 2 (2009 2, 2008 2) ordinary shares of £1 each:	<u>-</u>	<u>-</u>	<u>-</u>

14 CASH GENERATED FROM OPERATIONS

	2010 £'000	2009 £'000
Cash flows from operating activities		
Operating expenditure	(6)	(84)
Provisions	(133)	(397)
Changes in working capital		
- Trade and other receivables	(3)	29
- Trade and other payables	(40)	(41)
Cash generated from operations	<u>(182)</u>	<u>(493)</u>

15 RISK MANAGEMENT

The major risks associated with the Company's business are credit risk, and liquidity risk

The Company has established a comprehensive framework for managing these risks which are continually evolving as business activities change in response to market, credit, product and other developments

- Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company monitors its cash flow requirements to ensure that the Company will have sufficient liquid resources to ensure that it can meet its obligations as they fall due. It is the Company's policy to pay suppliers within 30 days of receipt of invoice

- Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of customers to meet their obligations

The Company's principal financial assets are trade and other receivables, and cash and cash equivalents. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company does not hold collateral over these balances

The credit risk is limited as the majority of financial assets are under common control and the directors are confident of them continuing as going concerns

16 PARENT UNDERTAKING

The Company is a wholly owned subsidiary of BRB (Residuary) Ltd, which produces consolidated financial statements. The financial statements for BRB (Residuary) Ltd can be obtained from One Kemble Street, London, WC2B 4AN.

The Company's ultimate parent is Department for Transport ('DfT')

17 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities (2009 nil)

18 COMMITMENTS

The Company has no commitments as at the end of the financial year (2009 nil)

19 POST BALANCE SHEET EVENT

There have been no significant events between the year end and date of authorisation of the financial statements which would require a change or additional disclosure in the financial statements.

20 RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties.

- Loans to related parties

The Company is a wholly owned subsidiary of BRB (Residuary) Ltd. At year end, BRB (Residuary) Ltd owed the Company £8,962k (2009: £9,075k, see note 9). Interest received on amount outstanding from BRB (Residuary) Ltd during the financial year was £44k (2009: £332k). The effective interest rate on the inter-company loan is 0.5%.