Angel Trains Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Angel Trains Limited
Registered in England and Wales: Number 2912655
Registered Office: 123 Victoria Street, London, SW1E 6DE

Angel Trains Limited

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Angel Trains Limited

OFFICERS AND PROFESSIONAL ADVISERS

Directors:	M. Brown A. Lowe D. Jordan M. Prosser
Company secretary:	N. Holas
Registered office:	123 Victoria Street London SW1E 6DE
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Registered in England and Wales: Number 2912655

Angel Trains Limited

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report on Angel Trains Limited (the "Company") for the year ended 31 December 2020.

REVIEW OF THE BUSINESS

The principal activity of the Company continues to be the provision of railway rolling stock to train operators under operating leases.

On 21 December 2020, the Company acquired Angel Trains Rolling Stock Limited ("ATRSL") from Angel Trains Holdings Limited, another Group entity. The transaction was recorded at book value and the Company will continue to prepare company-only accounts. The focus of this entity is the procurement of 665 class 720 vehicles, with all the trains anticipated to be delivered by the end of 2021.

New Trains

During 2020, the Company successfully project managed and delivered into passenger operation the remaining 3 x 5-car Hitachi AT300 bi-mode intercity trains (Class 802), leased by Hull Trains Company Ltd ("First Hull Trains"). The contract value is circa £64.2m

There were no new train procurements for the year ending 31 December 2020

Refranchising & Re-leasing

As at 31 December 2020, the Company owned 3,645 rolling stock vehicles.

The following leases were extended during the year as a result of short-term franchise awards/extensions;

- London & South Eastern Railway Ltd – The franchise was extended from March 2020 to October 2021, extending the lease of 200 Class 465 and 86 Class 466 vehicles. In addition, 150 Class 707 vehicles cascaded into the franchise in September 2020 from First MTR South Western Trains Ltd.
- Great Western Railway Ltd – The franchise was extended from March 2020 to March 2023, extending the lease of 41 HST vehicles, 6 Class 150, 88 Class 165 and 63 Class 166 vehicles. An additional 19 HST vehicles were also leased as part of the extension.
- Cross Country Trains Ltd – The franchise was extended from October 2020 to October 2024, extending the lease of 21 HST vehicles.

The following leases were extended or entered into during the year outside of the refranchising process:

- Abellio East Anglia Ltd – 216 Class 317 vehicles were extended from various dates in 2020 up to various dates in 2021. Additionally, 84 Class 360 vehicles that were due to cascade to Abellio East Midlands Ltd in August 2020 were extended until February 2021. They will still cascade to Abellio East Midlands Ltd after this date.
- Arriva Rail North Ltd – 10 Class 153 vehicles were extended from December 2020 to May 2021.
- Keolis Amey Wales Cymru Ltd – 30 Class 142 vehicles were extended from June 2020 to December 2020.
- Keolis Amey Wales Cymru Ltd – 4 Class 153 vehicles were cascaded from Abellio East Midlands Ltd and a lease to Keolis Amey Wales Cymru Limited was entered into from November 2020 to July 2021.
- First MTR South Western Trains Ltd – 150 Class 707 vehicles were extended from March 2020 to August 2020.
- Abellio ScotRail Ltd – 18 Class HST vehicles were extended from January 2020 to various dates until March 2023.
- Abellio East Midlands Ltd – 68 Class HST and 4 Class 153 vehicles were extended from January 2020 to May 2021.

REVIEW OF THE BUSINESS (continued)

Refranchising & Re-leasing (continued)

As a result of the Coronavirus (Covid-19) pandemic, patronage levels decreased significantly, resulting in a majority of franchise train operators requiring financial assistance from the Government. After an initial period of financial assistance under the original franchise terms, in September 2020, the Government announced that Emergency Recovery Measures Agreements ("ERMAs") would come into effect. As part of these ERMAs, franchise agreements were terminated and a revised termination date and subsequent National Rail Contracts (NRC), with optional extension dates, became effective.

Refurbishment Projects & Future Developments

Throughout 2020, the Company continued to engage with the supply chain to ensure the successful completion of modification programmes on all fleets, operating beyond 31 December 2019, in order to comply with Persons of Reduced Mobility regulations. Approximately, 99% of the required units have been successfully completed.

The remaining units have received dispensation to continue passenger service or were already undergoing modification and are expected to complete works during 2021. This investment will ensure that these vehicles are capable of continuing in passenger service.

In general, our suppliers continue to perform well under challenging circumstances and have not been materially affected by the Covid-19 pandemic. The Company continues to monitor the supply base in ensuring that their continued focus remains on quality and delivery of our projects.

Progress continues with the Company's innovative self-charging hybrid research and development project in partnership with Magtec Limited and Chiltern Railways to convert an existing Diesel Multiple Unit (DMU) to a Hybrid, using battery technology. The comprehensive conversion works are currently being undertaken on a Class 165 trial unit with performance testing targeted for spring 2021 with the expected performance benefits of the trial being significant reduction in CO_2, NO_x, Particulate Matter and noise, coupled with an estimated fuel saving of 25% for train operators.

Other Financial & Business Matters

During the year, new leases were entered into with nine franchisees (including two franchise extensions) and all vehicles with an economic value are leased. In addition to the 157 vehicles marked for disposal, the Company has 2 vehicles which are off-lease but these have no economic value and are to be retained for spares if no re-lease opportunity presents itself.

The full and long-term impact of the Covid-19 pandemic is still evolving. The Company will continue to work closely with the Department for Transport, customers and suppliers as the macro economic environment develops.

KEY PERFORMANCE INDICATORS

The Company's financial performance is presented in the Income Statement on page 15. The profit after tax for the year ended attributable to the owners was £48.5m (2019: £94.0m).

Revenue and cost of sales increased by 1.8% and 14.7% respectively, driven by increases in capital rentals, higher heavy maintenance and depreciation due to the increase in vehicles delivered during the year and late 2019. Other income fell by 5.4%. Operating profit for the year decreased by 9.8% compared to 2019.

At the end of the year, the financial position showed total assets of £1,839.9m (2019: £1,808.0m). This includes the net book value of property, plant and equipment and right-of-use assets of £1,697.4m compared to £1,701.2m at the previous year. Other non-current assets comprise of investments in subsidiaries of £0.1m (2019: £nil), having acquired Angel Trains Rolling Stock Limited during the year.

KEY PERFORMANCE INDICATORS (continued)

The other key performance indicator that the directors consider is the percentage of rolling stock (excluding vehicles held for disposal) on lease, which stood at 100.0% at 31 December 2020 (2019: 100.0%) against a target of 95.0%.

The key performance indicators that the directors consider are interest cover, leverage (Net Debt / Earnings Before Interest, Tax, Depreciation and Amortisation) and net present value of future rentals. Interest cover and leverage ratios can be derived from the financial statements. The directors are satisfied with the current level of the ratios. The directors do not anticipate any material change in either the type or level of activities of the Company.

STRATEGY

The Company's strategy is divided across three main themes: meet our customers' expectations, re-lease our existing portfolio and renew our portfolio.

The strategy is supported by having trains at all stages of the 25-40 year asset lifecycle, which manages the asset risk profile and helps protect the long term profitability of the business. This is supported by the spread of the portfolio across different vehicle types, i.e. high speed intercity, regional and urban (commuter) trains. The benefit of this portfolio approach is that the Company is not beholden to any one market sector or manufacturer.

On the 23 March 2020, the government announced the introduction of emergency measures to support and sustain necessary rail operations as train franchise operators faced significant revenue uncertainty as a result of the Covid-19 pandemic. The Department for Transport temporarily suspended normal franchise agreements and transferred all revenue and cost risk to the government for an initial period of six months. Initially all franchise train operators transitioned onto Emergency Measures Agreements, ("EMAs") enabling greater flexibility and transferring revenue and cost risk to the government, where they continued to operate services day-to-day for a small predetermined management fee. After the initial six-month period of financial assistance under the original franchise terms, in September 2020, the Government announced that Emergency Recovery Measures Agreements ("ERMAs") would come into effect. As part of these ERMAs, franchise agreements were terminated and a revised termination date and subsequent National Rail Contracts (NRC), with optional extension dates, became effective providing a future NRC programme to provide industry stability. The Company has actively continued to engage with the Department for Transport and supported all train operators during this challenging and uncertain period for the UK rail industry.

Following the completion of the Williams Rail industry review in December 2019, the Company awaits the government publication of a White Paper on its recommendations with any reforms expected to be implemented as soon as practicable thereafter. The purpose of the Rail Review is to ensure that the United Kingdom's vital rail services continue to benefit passengers and that it supports a stronger economy. The 'root and branch' review will consider all aspects of the industry including greater train and track integration, regional partnerships and value for money.

The Company welcomes the Rail Review and participated in the initial industry-wide request for information. The Company will continue to support the review recommendations when published and believes its approach to embracing competition, fostering innovation and improving the customer experience through the continued involvement and participation of the ROSCOs is consistent with the review's objectives.

SECTION 172 (1) STATEMENT

The Board of directors has acted in a way that it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so has had regard to the matters set out in section 172(1) of the Companies Act 2006 (the "Act"). The Company adopted The Wates Corporate Governance Principles for Large Private Companies.

We proactively engage with our stakeholders to maximise value and secure long-term success and are continually striving to improve our impact. Details of the engagement activities in relation to stakeholders are provided below:

Employees - The Directors understand the importance of the Company's employees to the long-term success of the business and are proud that the Company is certified to a Gold standard by Investors in People.

Given Covid-19 and remote working in 2020, the Company enhanced its communication with employees through regular internal all staff emails, intranet blogs and virtual staff updates from the Chief Executive Officer and other Executives about the Companys performance, plans and future outlook, which provides employees with an opportunity to ask questions on the Company's goals and direction.

In 2020, we launched our new "virtual managers' charter", which sets minimum standards that employees can expect for virtual working, including one-to-ones, team meetings, flexible working, and support. As with our existing charter, it builds on our values, intent based leadership principles, performance behaviours and the philosophy behind Investors in People.
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We listen to our employees through our regular pulse surveys, including safety culture surveys to enhance our safety culture. The feedback received and areas of improvement are discussed by the Senior Leadership Team and the Board. The Company made improvements based on the feedback received from the surveys.

In 2020, the Company invested c.£130k in learning and development and delivered approximately 430 staff training days. Externally facilitated remote management training to leaders and wellbeing workshops for all employees were held. A Mental Health First Aider group to support employees' mental health and a Diversity, Equality and Inclusion Committee to develop a more inclusive culture were established in 2020. Workplace diversity, health and mental wellbeing continue to be priorities.

Customers - Our customers are fundamental to our business and the Company continually strives to exceed their expectations. The Board regularly reviews how to maintain positive relationships with our customers and monitors engagement through customer surveys, run by an external company to ensure the results are independent. The results of these surveys are reviewed by the Board and the findings are used to improve customer engagement. Our dedicated Customer Service team has regular engagement meetings with our key customers to anticipate trends and preferences.

Feedback and complaints from our key customers are discussed at our Senior Operational Asset meetings with senior level employees and critical issues are escalated to the Board for further guidance on effectively meeting our customers' needs.

Suppliers – We develop strong and collaborative long-term relationships with our suppliers comprising of manufacturers and maintainers of rolling stock. Our procurement team engages both formally and informally on a regular basis to secure effective performance from the supply chain and support has been provided to suppliers during Covid-19.

Supplier issues are subject to discussion and approval at board level so that the Board is aware of their concerns. During 2020, a review of developing our supply base through collaborative and new practices that can support our business goals was undertaken. Further work is underway to develop engagement plans for suppliers.

SECTION 172 (1) STATEMENT (continued)

Suppliers (continued)
We carry out externally facilitated supplier feedback surveys and the results are reviewed by the Board to continually improve supplier engagement.

Shareholders – The Company attaches considerable importance to communications with its direct shareholders as well as the shareholders of the ultimate parent company, Willow Topco Ltd ("the Group") and engages with them on a regular basis. Open and frequent dialogue with investors enables them to fully understand the Group's strategy, objectives and governance. The Company had a successful strategy day event in November 2020 where it had direct input from shareholders.

We have engaged with our shareholders to assess the impact of the Covid-19 in both the short, medium and long term.

Environment - The state of the environment is of great concern to us and we are always looking to ways to reduce our environmental impact.

In 2020, the Sustainability Committee, responsible for Environmental, Social, and Governance activities within the Group set out a clear sustainability plan to further enhance our climate change activities. Furthermore, details of the Sustainability Report issued by the Committee can be found within the Directors Report on page 10.

We continue to invest significant time and money into developing a cleaner, greener and smarter Hybrid traction drive system in converting an existing Diesel Multiple Unit (DMU) to a Hybrid, using battery technology. We are committed to reducing carbon emissions for each of our fleet and a number of digital transformation and decarbonisation work streams are being progressed.

Industry Regulators - Reports and other forms of publication issued by the Company's principal industry regulators from time to time are discussed by the Board and the deliberations are appropriately minuted. The directors have direct dialogue with the industry regulators, giving them an understanding of their requirements and intentions, which will then be brought into the discussions of the Board.

Directors attend political, economic and regulatory forums to maintain effective working relationships with the government and industry regulatory authorities. The Company continues to maintain a transparent relationship with its industry regulators.

PEOPLE & DIVERSITY

The Company continues to report on gender equality in accordance with the Government Equalities Office initiative "Think, Act, Report" which aims to encourage companies to share their progress in reporting gender equality. The Group recognises the benefit both it and the industry would receive from a more gender balanced workforce and is committed to increasing the number of women throughout the organisation and, more generally, to furthering the success of women in the rail sector. The Company undertakes voluntary gender equality analysis reporting by publishing an annual diversity report on its website each year. A plan to increase diversity in the workforce has been presented to the Group Board, and will continue to be implemented in 2021 and beyond.

The Investors in People Gold accreditation has been retained, against the new higher standard, and there is an action plan for continued success at the next re-accreditation.

LOOKING FORWARD

The Company will support the Williams Rail Industry review recommendations when published and believes its approach to embracing competition, fostering innovation and improving the customer experience through the continued involvement and participation of the ROSCOs is consistent with the review's objectives.

With the advent of ERMAs and subsequent NRCs, the critical objective for the Company in the short to medium term will be responding to a number of NRCs to successfully re-lease all the vehicles at rates that meet the expectations of the shareholders as well as identifying key new build procurement opportunities to renew and develop the portfolio.

During this time, it will be also be necessary to continue to invest in enhancements and modification programmes on selective fleets to ensure the rolling stock maintains its required utility and competitiveness. We employ a strong and committed team whose experience and depth of relationships within the rail industry gives us confidence that these challenges can be achieved.

PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS

The Company's portfolios of financial instruments principally comprise of loans, deposits and payables.

Applying international accounting standards (IAS) in conformity with the requirements of Companies Act 2006, all portfolios are considered to be held for non-trading purposes. The directors are responsible for considering risk management issues that arise across the Company's financial instrument portfolios. Risk management policies are detailed in note 28.

In addition to Financial risk management the Group has an Internal Control Framework that is designed to monitor other risks, including operational, regulatory, credit and reputational risks. The Framework includes processes for reviewing the effectiveness of the Group's system of internal control. The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority.

Since the outbreak of Coronavirus (COVID-19), management has put procedures in place to ensure the health, safety and wellbeing of all staff and other stakeholders. Whilst the long term impact is inherently uncertain, management are actively monitoring the situation and where necessary taking appropriate actions.

The announcement by the UK Government on the 23 March 2020 and subsequently in September 2020 offering support to train operating companies by providing them with the opportunity to transition into ERMAs and subsequent NCRs is considered a strong indication of the importance the rail industry has to the economy. The agreements effectively push the risks of costs and revenue onto the government for an initial period.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failure, fraud or inadequate internal financial controls and procedures.

The Company manages this risk through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review. The Company also maintains contingent facilities to support operations in the event of disaster.

By order of the board

A. Lowe
Director
29 March 2021

Angel Trains Limited
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

No interim dividend was paid during the year (2019: £105.0m). The directors do not propose the payment of a final dividend (2019: £nil). The Company's financial performance is presented in the Income Statement on page 15. The profit after tax attributable to the owners for the year was £48.5m (2019: £94.0m) and this was transferred to reserves. The decrease in profit after tax mostly relates to an increase in cost of sales as maintenance performance obligations have been brought forward and as a result, will no longer need to occur in the future. During the year, revenue and cost of sales increased by 1.8% and 14.7% respectively. These factors resulted in a decrease in operating profit compared to 2019 of 9.8%.

At the end of the year, the financial position showed total assets of £1,839.9m (2019: £1,808.0m) representing an increase of 1.8%. This includes the net book value of property, plant and equipment and right-of-use assets of £1,697.4m compared to £1,701.2m at the previous year end. Other non-current assets comprise of investments in subsidiaries of £0.1m (2019: £nil).

DIRECTORS AND COMPANY SECRETARY

The present directors and company secretary are listed on page 1. Those who have served during the year and up to the date of signing this report are listed below. During the year, the following changes took place:

Directors	Resigned	Appointed
A. Lowe		
K. Tribley	1 September 2020	
D. Jordan		
M. Prosser		
M. Brown		13 July 2020

Company Secretary

N. Holas

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006. Under Companies Act 2006, 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;
- state whether applicable IAS in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

LOOKING FORWARD

For information on future developments, refer to the "Looking forward" section of the Strategic Report.

PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS

Refer to "Principal risks, uncertainties and use of financial instruments" within the Strategic Report on page 7.

GOING CONCERN

These financial statements are prepared on a going concern basis. The Company continues to comply with the requirements of the Group's debt covenants, with performance underpinned by positive cash flows from the Company's operations despite a negative net current liabilities position. The Directors having made appropriate enquiries, have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future.

COVID-19 continues to spread across the globe causing a global pandemic and economic disruption. Further details are disclosed in Principal risks and uncertainties. In considering the impact on the Group, the Group has analysed the potential impact on forecasts and liquidity and has concluded there are no material impacts that would affect its conclusion on going concern. In particular:

- Strong liquidity position - Committed facilities are available that more than cover all debt repayments coming due within one year from the date of signing the accounts.
- The Group has assessed projected debt covenant compliance under both a normal and stress situation without any breaches being identified.

DIRECTORS INDEMNITY COVER

No directors have been granted Qualifying Third Party Indemnity Provisions.

EMPLOYEE ENGAGEMENT

Refer to "Section 172 (1) Statement – Employees" within the Strategic Report on pages 5 and 6.

STAKEHOLDER ENGAGEMENT

Refer to "Section 172 (1) Statement - Our Key Stakeholders" within the Strategic Report on pages 5 and 6.

FINANCIAL RISK MANAGEMENT

The main financial risk the Company faces is interest rate risk. However, this risk is mitigated at Group level through the use of hedging (see the Notes to the Financial Statements for further details of the Hedging Policy). The directors consider that the Group's exposure to price risk, liquidity risk or credit risk is less significant given the mitigants it has in place.

SUSTAINABILITY REPORT

In recent years, the Company has directed its investment towards electric, bi-mode and hybrid rolling stock which supports the industry effort towards decarbonisation.

Governance

The Company has established a sustainability policy and management system which is supported by a risk assessment of the material climate related physical and transition risks, which are monitored and addressed by our Sustainability Steering Group.

Our decarbonisation road map sets out a plan for projects and initiatives that support more energy efficient rolling stock with lower emissions, in line with the industry strategy.

Leased Asset Carbon Emissions

The Company has modelled the carbon emissions from the diesel fleet portfolio and estimates that the fleet contributes 480,000 metric tonnes of C02e. The withdrawal and scrappage of the Class 142 DMU fleet reduced this overall CO2e emission by 2.2% in 2020. Other planned initiatives would lead to further reductions.

A similar modelling exercise to assess the electric fleet portfolio is planned for 2021. By the UK Net Zero date of 2050, the classic diesel fleet will have reached end of life and is expected to have been withdrawn from service.

Environmental Performance & Resilience to Climate Related Risks

The Company has not suffered from any minor or major environmental incidents as a result of its operations. We maintain registers of hazardous materials (i.e. refrigerants, toxic chemicals) which are used in the construction, operation and maintenance of our fleets.

STREAMLINED ENERGY AND CARBON REPORTING

Greenhouse gas emissions and energy use data used by the Company in its business activities involving the combustion of gas and fuels, the purchase of electricity and fuel used in vehicles operated on its behalf, in both kWh and tCO2e are as follows:

	Year Ended 31 December 2020
Energy consumption used to calculate emissions (kWh)	**633,102**
Energy consumption break down (kWh)	
• Natural gas	326,953
• Electricity	283,387
• Reimbursed fuel	22,763
Scope 1 emissions in metric tonnes CO2eGas consumption	60.12
Scope 2 emissions in metric tonnes CO2ePurchased electricity	66.07
Scope 3 emissions in metric tonnes CO2e	
Reimbursed Mileage and Electricity T&D	13.26
Total gross emissions in metric tonnes CO2e	**139.58**
Intensity ratio Kgs CO2e per M^2	**66.98**

STREAMLINED ENERGY AND CARBON REPORTING (continued)

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in Kilogrammes CO2e M2.

Measures taken to improve energy efficiency

This has been an exceptional year due to COVID19 and the company has had staff working from home for over half of the reporting period. As the offices were mostly unused, all nonessential office equipment was switched off.

POST BALANCE SHEET EVENTS

Further outbreaks of new strains of COVID-19 continue to spread across the globe including the United Kingdom causing a global pandemic and economic disruption. Management continue to monitor the situation and are taking actions where necessary to reduce sensitivity to any economic shocks. This is considered a non-adjusting event and as the situation is rapidly evolving it is not practicable to quantify the potential financial impact. However, given the robust financial and liquidity position of the Company any impact is not considered to affect the going concern of the Company.

Except for the above, there have been no significant events between the year end and the date of approval of the financial statements which would require a change or an additional disclosure in the financial statements.

Approved by the Board of Directors and signed on its behalf.

A. Lowe
Director
29 March 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGEL TRAINS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Angel Trains Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to the going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGEL TRAINS LIMITED (continued)

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the entity and industry, we considered the principal risks of non-compliance with laws and regulations, including those that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the extent to which non-compliance might have a material effect on the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGEL TRAINS LIMITED (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls).

Our audit testing might include testing complete populations of certain transactions and balances. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, 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 these opinions, 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.

<u>Other required reporting</u>

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Luke Hanson

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2021

Angel Trains Limited

Registered Number 2912655

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £'m	Year ended 31 December 2019 £'m
Revenue	2	390.7	383.8
Cost of sales		(198.3)	(172.9)
Gross Profit		192.4	210.9
Administrative expenses		(24.4)	(24.4)
Other income	3	5.3	5.6
Operating profit		173.3	192.1
Finance income	4	3.3	3.2
Finance costs	6	(94.3)	(81.0)
Profit before income tax		82.3	114.3
Income tax expense	8	(33.8)	(20.3)
Profit attributable to the owners		**48.5**	**94.0**

The notes on pages 21 to 55 form an integral part of these financial statements.

Angel Trains Limited

Registered Number 2912655

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£'m	£'m
Profit for the financial year		48.5	94.0
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Actuarial loss on defined benefit pension scheme	29	(9.0)	(4.2)
Tax on items taken directly to equity		1.7	0.7
Total other comprehensive expense for the year		(7.3)	(3.5)
Total comprehensive income for the year attributable to the owners		**41.2**	**90.5**

The notes on pages 21 to 55 form an integral part of these financial statements.

Angel Trains Limited

Registered Number 2912655

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Retained earnings	Total equity
	£'m	£'m	£'m
At 1 January 2019	**172.3**	**123.7**	**296.0**
Profit for the year	-	94.0	94.0
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	-	(4.2)	(4.2)
Tax on items taken directly to equity	-	0.7	0.7
Total comprehensive income	-	90.5	90.5
Dividends	-	(105.0)	(105.0)
At 31 December 2019	**172.3**	**109.2**	**281.5**
Profit for the year	-	48.5	48.5
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	-	(9.0)	(9.0)
Tax on items taken directly to equity	-	1.7	1.7
Total comprehensive income	-	41.2	41.2
At 31 December 2020	**172.3**	**150.4**	**322.7**

The notes on pages 21 to 55 form an integral part of these financial statements.

Angel Trains Limited

Registered Number 2912655

BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	31 December 2020 £'m	31 December 2019 £'m
Assets			
Non-current assets			
Property, plant and equipment	12	643.7	633.5
Right-of-use assets	13	1,053.7	1,067.7
Investments	15	0.1	-
Loans receivable	14,16	-	48.5
		1,697.5	1,749.7
Current assets			
Inventories	10	0.4	0.5
Contract assets	11	8.9	11.1
Current tax assets	19	16.0	-
Trade and other receivables	16	22.9	33.2
Cash and cash equivalents	16	94.2	13.5
		142.4	58.3
Current liabilities			
Trade and other payables	18	(103.8)	(76.6)
Current tax liabilities	19	-	(7.2)
Lease liabilities	13	(48.5)	(49.3)
Contract liabilities	21	(46.2)	(42.0)
Deferred profit	23	(4.7)	(5.8)
		(203.2)	(180.9)
Net current liabilities		(60.8)	(122.6)
Total assets less current liabilities		1,636.7	1,627.1
Non-current liabilities			
Loans payable	14,17	585.5	592.5
Retirement benefit obligation	29	25.9	16.4
Trade and other payables	18	6.9	4.7
Deferred tax liabilities	20	167.4	155.0
Lease liabilities	13	508.2	552.7
Deferred profit	23	20.1	24.3
		1,314.0	1,345.6

Angel Trains Limited

Registered Number 2912655

BALANCE SHEET AS AT 31 DECEMBER 2020 (continued)

	Note	31 December 2020 £'m	31 December 2019 £'m
Equity attributable to owners of the parent			
Called up share capital	25	172.3	172.3
Retained earnings		150.4	109.2
Total equity		322.7	281.5
Total equity and non-current liabilities		1,636.7	1,627.1

The notes on pages 21 to 55 form an integral part of these financial statements.

The financial statements on pages 15 to 55 were approved by the Board of Directors and authorised for issue on 29 March 2021. They were signed on its behalf by:

A. Lowe
Director

Angel Trains Limited

Registered Number 2912655

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Cash flows from operating activities:		
Cash receipts from customers	410.3	429.8
Cash paid to suppliers and employees	(52.6)	(71.9)
Cash generated from operations	357.7	357.9
Income taxes paid	(41.5)	(10.8)
Interest paid	(48.4)	(52.1)
Net cash generated from operating activities	**267.8**	**295.0**
Cash flows from investing activities:		
Interest received	0.5	0.4
Purchase of property, plant and equipment	(138.9)	(229.9)
Payments to acquire subsidiaries, net of cash acquired	0.1	-
Net cash used in investing activities	**(138.3)**	**(229.5)**
Cash flows from financing activities:		
Payments of dividends	-	(105.0)
Repayment of lease liabilities	(45.1)	(47.0)
Repayment of loans	(532.8)	(213.2)
Receipt of new loans	529.0	300.9
Issue of new loans to group companies	(37.8)	-
Repayment of loan by group company	38.0	-
Net cash used in financing activities	**(48.7)**	**(64.3)**
Net cash movement in cash and cash equivalents	80.8	1.2
Cash and cash equivalents at the beginning of the year	13.5	12.3
Cash and cash equivalents at the end of the year		
Bank balances and cash	**94.3**	**13.5**

The notes on pages 21 to 55 form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS - FOR THE YEAR ENDED 31 DECEMBER 2020

1. Significant Accounting Policies

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

General

Angel Trains Limited is a private company, limited by shares and is incorporated and domiciled in England and Wales. The address of the registered office is on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report and Directors' Report.

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, applicable to companies reporting under International Financial Reporting Standards (IFRS).

The financial statements are prepared under the historical cost convention and on the going concern basis. The preparation of financial statements in conformity with IAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In accordance with IFRS 13, fair value measurements and/or disclosures in these financial statements are categorised according to the inputs used in valuation techniques into three levels within a fair value hierarchy. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Critical accounting judgements 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 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 accounting policies

The following are the critical judgements, apart from those involving estimates (see 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.

Revenue recognition

Revenue for non-capital income (i.e. predominantly maintenance lease rentals 'contracts'), the Company's primary obligation is to maintain customers rolling stock in an operational condition. The Company achieves this by undertaking various maintenance activities over the period of the contract. To determine the correct revenue recognition, the Company determines whether multiple contracts should be combined and accounted for as one single contract and a single performance obligation or, a single contract (including combined contracts accounted for a single contract) should be accounted for as more than one performance obligation.

1. Significant Accounting Policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Keys sources of estimation uncertainty

Useful lives of property, plant & equipment

As described in the property, plant and equipment accounting policy note below, the Company periodically reviews the useful economical lives. In recent years, the directors determined that the useful economical lives of certain rolling stock should be shortened or extended, due to either commercial or technical changes.

For the current year the directors have considered the current estimate of useful economic lives are supportable and reasonable and therefore no material changes have been made during the year. Because of the long term nature of rolling stock there is inherent uncertainty, however directors continue to review periodically.

Forecasts and discount rates

As described in the impairment of tangible assets policy below the Company reviews the carrying amounts of its tangible assets and in particular property, plant and equipment and right-of-use assets. The assessment as to whether there are any indications of impairment of property, plant and equipment, in particular rolling stock, are dependent on the estimated future cash flows and the discount rate used to calculate a present value. Because of the long-term nature of rolling stock there is inherent uncertainty, however the Group performs a robust quarterly forecast, which is reviewed by directors.

Maintenance lease rentals

The Company has long term maintenance lease rentals contracts that fall into different financial years and can extend into multiple financial years. The estimated revenues are inherently difficult to predict and estimates are required to assess the whole life maintenance pattern of rolling stock. A significant change in one or more of these estimates may result in increases or decreases in operating profit.

Adoption of the new and revised Standards

At the date of authorisation of these financial statements, the following amended standards were effective for accounting periods beginning on 1 January 2020 but did not have a material impact on the Company's financial statements:

IFRS 3 (amendment) - 'Business combinations'
IFRS 9 (amendment) - 'Financial instruments: recognition and measurement' - Interest rate benchmark reform
IFRS 7 (amendment) - 'Financial instruments: Disclosures' - Interest rate benchmark reform
IAS 1 (amendment) - 'Presentation of financial statements'
IAS 8 (amendment) - 'Accounting policies, changes in accounting estimates and errors
Amendments to References to the Conceptual Framework in IFRS Standards'

The following standards, amendments and interpretations to existing standards have been issued but are effective for accounting periods beginning after 1 January 2020, and the Company has not early adopted them:

IFRS 17 - 'Insurance contracts'
IFRS 16 (amendment) - 'Covid-19-Related Rent Concessions'

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and sales-related taxes. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company’s activities as described below.

1. Significant Accounting Policies (continued)

Maintenance lease rentals
For most maintenance lease rentals, the customer contracts the Company to provide various maintenance activities over the period of the contract. These activities are a complex service integrating a set of tasks that could be over multiple rolling stock vehicles. The entire contract or combination of contracts is considered as one performance obligation unless more than one performance obligation exists. Because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation.

The Company also considers the potential risk where estimates may affect more than one customer contract. For each performance obligation to be recognised over time, the Company recognises revenue using an input method, based on costs incurred during the period. Revenue and the associated margin are calculated by the reliable estimates of transaction price, total expected costs and a reasonable allowance for potential risks.

Finance income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Leases

The Company as lessor
The Company has no leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Accordingly, all leases are classified as operating leases.

Payments received under operating leases (net of any incentives) are credited to the income statement on a straight-line basis over the period of the lease. Rent-free periods and payments made in advance are accounted for in a way such that the revenue income is consistent each year over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and printers). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed lease payments less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

1. Significant Accounting Policies (continued)

The Company as lessee (continued)

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers substantially all the risk and rewards but not necessarily legal ownership, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of tangible assets' policy.

Foreign currencies

The financial statements of the Company are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency). In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded using the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary asset and liabilities, and on the retranslation of monetary assets and liabilities, are included in the income statement within 'other gains/(losses)'. In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use of leasing or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of leasing or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The interest rate is capitalised at the average swap rate plus the weighted average margin of the Group's external debt. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Retirement benefit costs

Benefits for the Company's employees are provided by an Angel Trains Shared Cost Section (the 'Main Scheme'), a defined benefit scheme which is part of the Railways Pension Scheme, but its assets and liabilities are identified separately, and defined contribution retirement benefit plans.

Main Scheme

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with approximate actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

1. Significant Accounting Policies (continued)

Retirement benefit costs (continued)

Main Scheme (continued)
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Defined contribution
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Current and deferred tax
Tax expense represents the sum of current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment and right-of-use assets
Property, plant and equipment are shown at cost less any accumulated depreciation and subsequent accumulated impairment losses. On 12 June 2008, the Company entered into a sale and leaseback transaction with a fellow group company, The Great Rolling Stock Company PLC. The Company sold the rolling stock vehicles at market value and entered into a finance lease. Market value was determined as the present value of future lease payments. Deferred profit, being the difference between the carrying value and market value is recognised in the Income Statement over the finance lease term on a straight-line basis. Depreciation for these assets is charged to cost of sales.

1. Significant Accounting Policies (continued)

Property, plant and equipment and right-of-use assets (continued)
On the subsequent sale or retirement of revalued rolling stock, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits.

Depreciation is charged so as to write off the cost of these assets over their estimated useful lives, using the straight-line method, or in the case of leased buildings, the shorter lease term as follows.

	Years
Rolling stock	25 - 40
Office fixtures and fittings	5 - 10
Computer equipment	3
IT system upgrade	10
Leased buildings	Lease Term

Rolling stock in the course of construction for rental purposes is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other rolling stock, commences when the assets are ready for their intended use. Intended use is usually identified as when the construction of rolling stock is complete.

Office fixtures and fittings, computer equipment and IT system upgrade are categorised as Other within Property Plant and Equipment in note 12.

The useful economical lives and residual values are reviewed on an annual basis. The residual value exposure is the net book value of leased assets at the end of the lease term. This exposure is monitored periodically with any corrections required being made through depreciation.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised as other income or losses in the income statement.

Impairment of tangible fixed assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset (cash-generating unit).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1. Significant Accounting Policies (continued)

Inventories
Inventories represent spares used in rolling stock maintenance and are stated at the lower of cost and net realisable value. Cost represents the purchase price of the spares. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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 instrument.

Financial assets
The Company classifies loans receivable, trade and other receivables and cash and cash equivalents as 'finance assets at amortised cost': Investments in subsidiaries are measured at cost less any impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Financial assets at amortised cost
Financial assets at amortised cost 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 income statement 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.

Contract assets
Contract assets are balances due from the customers that arise when performance obligations are performed in line with the contract. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities
Financial liabilities issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The accounting policies adopted for specific financial liabilities are set out below.

Derivative financial instruments
The Company's activities expose it to the financial risks of changes in foreign exchange rates. The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and subsequently re-measured to fair value at subsequent reporting dates. Gains and losses arising from changes in the fair value of a derivative are recognised as they arise in the income statement.

1. Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments (continued)
The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Loan payables
Interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings using the effective interest rate method.

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

Contract liabilities
Contracts liabilities relating to maintenance lease rentals are balances due to customers. These arise if a maintenance lease rental exceeds the revenue recognised to date.

Investment in subsidiaries
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there is indication of potential impairment.

Provisions
Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share capital
Ordinary shares are classified as equity and have rights to receive all dividends and other distributions, made or paid on the ordinary share capital of the Company.

Consolidation exemption
The Company is exempt from the requirement to prepare consolidated financial statements, under Section 401 of Companies Act 2006 as the Company is a wholly-owned subsidiary of Willow Topco Limited (a Jersey incorporated entity) and the Company's results are consolidated within the financial statements of the parent entity. The Willow Topco Limited consolidated financial statements are available from the registered office, 27 Hill Street, St Helier, Jersey, JE2 4UA. The Company's financial statements therefore present information about the Company as an individual entity and not about the Group.

Angel Trains Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2. Revenue

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Operating lease rentals	305.7	313.6
Maintenance lease rentals	82.6	67.3
Management fees	1.3	1.3
Other revenue	1.1	1.6
	390.7	383.8

All revenue relates to United Kingdom operations.

3. Other income

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Release of deferred profit on sale and leaseback	5.3	5.6
	5.3	5.6

4. Finance income

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Interest receivable from group undertakings	2.8	2.8
Other interest receivable	0.5	0.4
	3.3	3.2

The interest receivable from group undertakings represents interest received from Angel Trains Group Limited and The Great Rolling Stock Company PLC.

5. Expenses by nature

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Changes in inventories (note 10)	0.1	0.2
Employees' emoluments (note 9)	18.4	17.6
Depreciation and impairment (note12, 13)	143.3	126.6
Advertising costs	0.1	0.1
Other expenses	60.4	52.8
Total cost of sales and administrative expenses	222.3	197.3

Auditors' remuneration for audit services provided to the Company during the year was £389,350 of which £49,950 related to work for the year ended 31 December 2019 (2019: £274,890 of which £22,000 related to work for the year ended 31 December 2018). There were no fees charged by the auditors for other non-audit services during the year (2019: £nil).

6. Finance costs

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Interest payable to group undertakings	46.4	35.4
Interest payable for lease liabilities	48.0	51.8
Interest capitalised	(0.1)	(6.2)
	94.3	81.0

7. Other losses

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Other losses	-	0.1

8. Income tax expense

The charge for taxation based on the profit for the year is based on United Kingdom corporation tax at 19.00% (2019: 19.00%) and comprises:

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

8. Income tax expense (continued)

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Current tax:		
Current tax charge on profits for the year	19.9	20.7
Adjustments in respect of prior years	(0.2)	(0.8)
Total current tax charge	**19.7**	**19.9**
Deferred tax		
Origination and reversal of temporary differences	(4.2)	1.0
Adjustments in respect of prior years	0.1	0.5
Effect of tax rate change	18.2	(1.1)
Total deferred tax	**14.1**	**0.4**
Total tax charge	**33.8**	**20.3**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Profit before taxation	82.3	114.3
Expected tax charge at 19.00% (2019: 19.00%)	15.6	21.7
Expenses not deductible	0.1	-
Effect of change in tax rate	18.2	(1.1)
Adjustments in respect of prior years	(0.1)	(0.3)
Tax charge for the year	**33.8**	**20.3**

The Company's profits for this accounting year are taxed at the main corporation tax rate of 19.00% (2019: 19.00% effective rate).

At Budget 2016, the corporation tax main rate was set to remain at 19.00% from 1 April 2019, reducing to 17.00% from 1 April 2020. Subsequently in the 2020 Budget. It was announced that the corporation tax main rate would remain at 19.00% from 1 April 2020 and 2021. This was enacted in Finance Act 2020 which received Royal Assent on 22 July 2020. The effect of the future tax rate remaining at 19.00% has been reflected in the charge to the income statement for the year.

9. Employees' emoluments

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Department	**Number**	**Number**
Executive and support functions	41	41
Customer-facing staff	30	29
Engineering and technical	50	51
	121	121

Employee costs during the year amounted to:

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	**£'m**
Wages and salaries	14.1	13.5
Social security costs	1.8	1.7
Other pension costs	2.5	2.4
	18.4	17.6

10. Inventories

	31 December 2020	31 December 2019
	£'m	**£'m**
Spares for rolling stock	0.4	0.5

During the year, £0.1m (2019: £0.2m) of inventories were recognised as cost of sales.

11. Contract Assets

	31 December 2020	31 December 2019
	£'m	**£'m**
Amounts falling due within one year		
Maintenance services	8.9	11.1

Amounts relating to contract assets are balances due from customers under maintenance contracts that arise when the Company completes performance related obligations. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

12. Property, plant and equipment

	Rolling stock	Other	Total
	£'m	£'m	£'m
Cost			
At 1 January 2019	589.5	12.3	601.8
Additions	129.4	0.7	130.1
Disposals	-	-	-
At 31 December 2019	718.9	13.0	731.9
Additions	36.6	0.2	36.8
Disposals	(0.5)	-	(0.5)
At 31 December 2020	**755.0**	**13.2**	**768.2**
Accumulated depreciation			
At 1 January 2019	76.2	7.0	83.2
Charge for the year	13.7	1.5	15.2
Impairment losses	-	-	-
Disposals	-	-	-
At 31 December 2019	89.9	8.5	98.4
Charge for the year	20.5	1.5	22.0
Impairment losses	4.4	-	4.4
Disposals	(0.3)	-	(0.3)
At 31 December 2020	**114.5**	**10.0**	**124.5**
Net book value			
At 31 December 2020	**640.5**	**3.2**	**643.7**
At 31 December 2019	**629.0**	**4.5**	**633.5**

During the year, impairment losses of £4.4m (2019: £nil) were incurred in relation to one fleet, based on management's forecast value in use ("VIU") of the fleet versus its carrying value.

In determining the VIU management discounted its forecast cash flows using a discount rate based on what it considers to be a market pre-tax weighted average cost of capital ("WACC") of 5.1%.

The cash flow projections considered current contracted rent, extension rent i.e. where an option exists to extend the lease and estimates of future re-lease rents. Forecast future rent was estimated taking into account current market conditions and past experience.

Whilst management considers the future cash flows to be highly subjective due to the longevity of the forecast period, it considers the VIU of assets to be most sensitive to changes in the discount rate assumption.

If the discount rate had been 0.5% higher/lower and all other variables remained constant the impairment would have been £14.2m / decreased such that an impairment would not have been considered necessary and provided headroom of £6.2m. If all other variables remained constant and the cashflows had been 5% lower, the impairment would have been £14.8m, and at 5% higher, the impairment would have been £2.3m.

12. Property, plant and equipment (continued)

The Company entered into a sale and leaseback transaction in 2008 with a fellow group company, The Great Rolling Stock Company PLC. The Company sold the rolling stock vehicles at market value and entered into a finance lease arrangement with The Great Rolling Stock Company PLC. For more details, refer to note 13.

Finance costs capitalised during the year and included in the cost of property, plant and equipment amounts to £0.1m (2019: £6.2m).

Included in rolling stock are assets under the course of construction of £7.3m (2019: £24.8m). No depreciation has been charged on these assets.

All rolling stock is acquired and held for use in operating leases. Other assets include office fixtures and fittings and computer equipment.

13. Leases (Company as lessee)

This note provides information for leases where the Company is a lessee. For leases where the Company is a lessor, see note 26.

a. *Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

	31 December 2020	31 December 2019
	£'m	£'m
Right-of-use assets		
Rolling Stock	1,050.4	1,063.7
Buildings	3.3	4.0
	1,053.7	**1,067.7**

	31 December 2020	31 December 2019
	£'m	£'m
Lease liabilities		
Current	48.5	49.3
Non current	508.2	552.7
	556.7	**602.0**

During the year, there were additions to the right-of-use assets of £102.9m (2019: £105.8m).

13. Leases (Company as lessee) (continued)

b. *Amounts recognised in the income statement*

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2020 £'m	Year ended 31 December 2019 £'m
Depreciation and impairment charge of right-of-use assets		
Rolling Stock	(116.2)	(110.6)
Buildings	(0.7)	(0.8)
	(116.9)	**(111.4)**
Interest expense (included within finance cost)		
Rolling Stock	(47.9)	(52.0)
Buildings	(0.2)	(0.2)
	48.1	**52.2**

During the year, impairment losses of £1.5m (2019: £nil) were incurred in relation to one fleet, based on management's forecast value in use ("VIU") of the fleet versus its carrying value.

In determining the VIU management discounted its forecast cash flows using a discount rate based on what it considers to be a market pre-tax weighted average cost of capital ("WACC") of 5.1%.

The cash flow projections considered current contracted rent, extension rent i.e. where an option exists to extend the lease and estimates of future re-lease rents. Forecast future rent was estimated taking into account current market conditions and past experience.

Whilst management considers the future cash flows to be highly subjective due to the longevity of the forecast period, it considers the VIU of assets to be most sensitive to changes in the discount rate assumption.

If the discount rate had been 0.5% higher/lower and all other variables remained constant the impairment would have been £3.5m / decreased such that an impairment would not have been considered necessary and provided headroom of £0.6m. If all other variables remained constant and the cashflows had been 5% lower, the impairment would have been £4.3m and at 5% higher, an impairment would not have been considered necessary and provided headroom of £1.3m.

During the year, the total cash outflow for leases was £45.1m (2019: £47.2m)

Angel Trains Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

14. Financial assets and liabilities by category

31 December 2020

	Note	Financial assets at amortised cost
		£'m
Assets as per balance sheet		
Contract assets	11	8.9
Trade and other receivables (excluding prepayments)	16	21.6
Cash and cash equivalents	16	94.2
Total		**124.7**

	Note	Liabilities at amortised cost
		£'m
Liabilities as per balance sheet		
Loans payable	17	585.5
Lease liabilities	13	556.7
Trade and other payables (excluding non-financial liabilities)	18	66.3
Total		**1,208.5**

31 December 2019

	Note	Financial assets at amortised cost
		£'m
Assets as per balance sheet		
Loans receivable	16	48.5
Contract assets	11	11.1
Trade and other receivables (excluding prepayments)	16	31.6
Cash and cash equivalents	16	13.5
Total		**104.7**

	Note	Liabilities at amortised cost
		£'m
Liabilities as per balance sheet		
Loans payable	17	592.5
Lease liabilities	13	602.0
Trade and other payables (excluding non-financial liabilities)	18	53.2
Total		**1,247.7**

15. Investments

Details of the Company's subsidiary at 31 December 2020 is as follows:

Entity	Year end	Principal activities	Place of business	Holding of investment	Percentage of interest %
Angel Locomotive Leasing Limited	31 December	Dormant	England and Wales	Direct holding of 1 ordinary share of £1	100%
Angel Trains Rolling Stock Limited	31 December	Leasing	Jersey	Direct holding of 100,000 ordinary share of £1	100%

16. Financial assets at amortised cost & other current assets

Loans receivable

	31 December 2020 £'m	31 December 2019 £'m
Amounts falling due after more than one year		
Amounts owed by immediate parent company	-	48.5

During the year, loans issued by the Company to Angel Trains Group Limited were repaid in full (2019: £48.5m). This loan was unsecured, beared interest at the weighted average cost of the Group's senior debt plus a margin and had no fixed maturity date. The directors considered that the carrying amount of the Company's loans receivable approximated to their fair value.

Trade and other receivables

	31 December 2020 £'m	31 December 2019 £'m
Amounts falling due within one year		
Trade receivables	0.1	0.9
Amounts owed by group companies	-	0.3
Prepayments	1.3	1.6
Other receivables	21.5	20.8
Other taxation	-	9.6
	22.9	33.2

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

16. Financial assets at amortised cost & other current assets (continued)

Cash and cash equivalents
Cash and cash equivalents comprise of cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

17. Loans payable

	31 December 2020	31 December 2019
	£'m	£'m
Amounts falling due after one year		
Loans from group undertakings	585.5	592.5

All the Company's carrying amounts are denominated in Pounds Sterling.
The effective interest rates paid were as follows:

	31 December 2020	31 December 2019
Loans from group undertakings	6.62%	7.17%

The directors consider that the carrying amount of the Company borrowings approximates to their fair value.

The amounts are unsecured and bear interest at the weighted average cost of the Group's senior debt plus a margin and have no fixed maturity date. The directors have received confirmation from the lender that they will not be calling any loans for repayment within the next 12 months.

18. Trade and other payables

	31 December 2020	31 December 2019
	£'m	£'m
Due within one year:		
Trade payables	5.0	2.5
Other taxation and social security	16.6	0.9
Other payables	3.1	3.8
Accruals and deferred income	79.1	69.4
	103.8	76.6
Due after one year:		
Other payables	6.9	4.7
	110.7	81.3

Trade and other payables principally comprise amounts outstanding for trade purchases, ongoing costs, deferred income on operating lease rentals and accruals on interest. The directors consider that the carrying amount of trade and other payables approximates their fair value.

19. Current tax assets/(liabilities)

	31 December 2020	31 December 2019
	£'m	£'m
Amounts due from/(owed to) HM Revenue & Customs	16.0	(7.2)

At 31 December 2020, the Company had current tax assets of £16.0m (2019: (£7.2m) current tax liabilities), of which £0.2m is repayable from (2019: (£7.2m) payable to) HM Revenue & Customs and £15.8m is repayable from (2019: £nil) other group companies.

20. Deferred tax liabilities

	31 December 2020	31 December 2019
	£'m	£'m
Deferred tax assets	11.6	8.7
Deferred tax liabilities	(179.0)	(163.7)
	(167.4)	(155.0)

The following are the major deferred tax assets and liabilities recognised by the Company, and the movement thereon, during the current and prior reporting periods.

Deferred tax assets

	Retirement benefit scheme	Deferred profit on sale and leaseback	Other	Total
	£'m	£'m	£'m	£'m
At 1 January 2019	2.0	6.1	0.7	8.8
Charge to the income statement for the year	-	(1.1)	-	(1.1)
Credit to equity for the year	0.8	-	-	0.8
Effect of change in tax rate to income statement	-	0.1	-	0.1
Effect of change in tax rate to equity	(0.1)	-	-	(0.1)
Adjustments to prior years	-	-	0.2	0.2
At 31 December 2019	2.7	5.1	0.9	8.7
(Credit)/charge to the income statement for the year	0.1	(1.0)	0.8	(0.1)
Credit to equity for the year	1.7	-	-	1.7
Effect of change in tax rate to income statement	0.4	0.6	0.1	1.1
Adjustments to prior years	-	-	0.2	0.2
At 31 December 2020	**4.9**	**4.7**	**2.0**	**11.6**

20. Deferred tax liabilities (continued)

Deferred tax liabilities

	Accelerated capital allowances
	£'m
At 1 January 2019	164.1
Credit to the income statement for the year	(0.1)
Adjustment relating to prior years	0.7
Effect of change in tax rate	(1.0)
At 31 December 2019	163.7
Credit to the income statement for the year	(4.3)
Adjustment relating to prior years	0.3
Effect of change in tax rate	19.3
At 31 December 2020	**179.0**

The opening deferred tax balances are reflected at a rate of 17.00%, to reflect the projected average rate that deferred tax was expected to unwind at the 31 December 2019 balance sheet date. In the Finance Act 2016 which received Royal Assent on 15 September 2016, the main rate of corporation tax was due to reduce from 19.00% to 17.00% from 1 April 2020.

In the Finance Act 2020 which received Royal Assent on 22 July 2020, it was further announced that the main rate of corporation tax would remain at 19.00% from 1 April 2020.

The effect of change in tax rate has been reflected in the charge to the income statement for the year, and closing deferred tax assets or liabilities are provided at 19.00%. This is based on the projected rate that deferred tax at the balance sheet date is expected to unwind.

In the 3 March 2021 Budget, it was announced that the main rate of corporation tax will increase to 25.00% from 1 April 2023. Had this been substantively enacted before the balance sheet date, the closing deferred tax assets or liabilities would have increased by £3.4m and £52.6m respectively.

21. Contract liabilities

	31 December 2020	31 December 2019
	£'m	£'m
Amounts falling due within one year		
Maintenance services	46.2	42.0

The directors consider that the carrying amount of contract liabilities approximates to their fair value.

22. Capital commitments

	31 December 2020	31 December 2019
	£'m	£'m
Commitments for the acquisition of property, plant and equipment & right-of-use assets	147.3	236.9

At 31 December 2020, the Company had capital commitments of £147.3m (2019: £236.9m), being the capital expenditure authorised and contracted for but not provided for in the financial statements. This commitment is for a number of capital modification projects to the existing fleets.

23. Deferred profit

Deferred profit on sale and leaseback transaction

	£'m
At 1 January 2019	35.8
Profit recognised during the year	(5.7)
At 31 December 2019	30.1
Profit recognised during the year	(5.3)
At 31 December 2020	24.8

	31 December 2020	31 December 2019
	£'m	£'m
Deferred profit		
Non-current	20.1	24.3
Current	4.7	5.8

24. Contingent liabilities

The Company is guarantor in respect of the following group undertakings:

The Great Rolling Stock Company PLC and Angel Trains Group Limited (formerly Willow Bidco Limited):
£2,140,983,000 (of which £1,557,055,000 (2019: 861,950,000) remains outstanding) Senior term and revolving credit facilities agreements.

Willow Holdco 1 Limited:
£325,000,000 (of which £325,000,000 (2019: £200,000,000) has been drawn down) Junior facility agreements.

The Great Rolling Stock Company PLC.
£4,000,000,000 (of which £781,800,000 (2019: £1,117,700,000) has been drawn down) Bond programme for the issuance of secured guaranteed notes.

Angel Trains Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

25. Called up share capital

	31 December 2020	31 December 2019
	£	£
Authorised:		
200,000,000 (2019: 200,000,000) Ordinary shares of £1 each	200,000,000	200,000,000
Issued, called up and fully paid:		
172,342,966 (2019: 172,342,966) Ordinary shares of £1 each	172,342,966	172,342,966

The Company has one class of ordinary shares which carry no right to fixed income.

26. Leases (Company as lessor)

At the balance sheet date, the Company has contracted rolling stock under operating leases with train operating companies for the following future minimum lease payments:

	31 December 2020	31 December 2019
	£'m	£'m
Within one year	336.6	244.0
Between one and two years	266.9	210.8
Between two and three years	205.3	192.0
Between three and four years	158.9	163.4
Between four and five years	56.4	129.4
Later than five years	55.3	106.4
	1,079.4	1,046.0

27. Residual value exposures

The residual value exposure is the net book value of rolling stock leased out by the Company under operating leases at the end of each expected lease term. Residual value exposure is monitored by lease on a periodic basis with any corrections being made through depreciation.

	Rail Assets 2020	Rail Assets 2019
	£'m	£'m
Expected net book value at lease expiry date		
Within one year	280.3	332.2
Between one and two years	45.3	24.6
Between two and four years	582.2	253.3
More than four years	307.8	597.5
Total	1,215.6	1,207.6

28. Risk management

The major risks associated with the Company's business are market risk, credit risk and liquidity risk. The management of these risks are carried out at a group level by the ultimate parent company, Willow Topco Limited. The Group 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.

Market risk
Market risk is defined as the risk of loss as a result of adverse changes in risk factors including interest rates and foreign exchange.

The Company’s activities expose it primarily to the financial risks of changes in interest rates and foreign exchange rates. The significant interest rate risk arises from loans. The Company's loans are with other companies within the Group and are not hedged. The Company manages its foreign exchange risk partially by using forward foreign exchange contracts to hedge a portion of its foreign exchange exposure.

Foreign currency risk management
It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments. During the year, the Company was not exposed to any material foreign exchange exposures on foreign currency transactions that required it to enter into forward foreign exchange contracts (2019: none).

28. Risk management (continued)

Interest rate sensitivity analysis
The other major sensitivity factor affecting the Company is movement in interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding since the beginning of the financial year.

A movement of +/- 1% in interest rates, when applied to statistical models and all other variables were held constant, will have the following impact on the profit in the financial statements.

	Variability	31 December 2020	31 December 2019
		£'m	£'m
Interest rates	+1%	(5.8)	(5.2)
Interest rates	-1%	5.8	5.2

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

Liquidity management within the Company focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from the undrawn commitments and other contingent obligations. For details on loans payable refer to note 17.

For trade and other payables refer to note 18. The Company policy is to negotiate and agree terms and conditions with its suppliers. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts included in the table are the contractual undiscounted cash flows. As a result, these amounts will not reconcile to the amounts disclosed on the balance sheet.

28. Risk management (continued)

Liquidity risk (continued)
The following tables detail the remaining contractual maturities for financial liabilities.

	Within one year	In the second to fifth years inclusive	Over five years	Total
31 December 2020	**£'m**	**£'m**	**£'m**	**£'m**
Trade and other payables (excluding deferred income and other taxation and social security)	83.4	6.9	-	90.3
Loans from group undertakings	-	585.5	-	585.5
Interest payable on loans from group undertakings	32.4	-	-	32.4
Lease liabilities	48.5	149.4	358.8	556.7
Interest expense related to lease liabilities	44.6	144.6	142.8	332.0
	208.9	886.4	501.6	1,596.9

	Within one year	In the second to fifth years inclusive	Over five years	Total
31 December 2019	**£'m**	**£'m**	**£'m**	**£'m**
Trade and other payables (excluding deferred income and other taxation and social security)	70.8	4.7	-	75.5
Loans from group undertaking	-	592.5	-	592.5
Interest payable on loans from group undertaking	40.7	-	-	40.7
Lease liabilities	49.3	161.3	391.4	602.0
Interest expense related to lease liabilities	48.4	157.7	174.4	380.5
	209.2	916.2	565.8	1,691.2

28. Risk management (continued)

Capital risk management
The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and share capital disclosed in note 25 and retained earnings.

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

The Company’s principal financial assets are cash and cash equivalents, contract assets, trade and other receivables and loans receivable, owed by other members of the group. The carrying amount of financial assets recorded in the financial statements represents the Company’s maximum exposure to credit risk and is a guarantor as disclosed in Note 24. The Company does not hold collateral over these balances.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The Company’s credit risk is primarily attributable to its trade, operating lease receivables and contract assets, although this is also considered limited as lease rentals are mainly payable in advance.

Trade, other receivables and contract assets ageing analysis

	31 December 2020	31 December 2019
	£'m	£'m
Not due	31.8	44.3
Total	31.8	44.3

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

29. Retirement benefit scheme

Defined benefit plan

The Company operates a final salary defined benefit scheme of its own for qualifying employees in the UK, the Angel Trains Shared Cost Section ("Section") of the Railways Pension Scheme (the "Main Scheme"). The Section has separately identifiable assets and liabilities from the remainder of the Main Scheme.

Provision for the costs of these benefits is charged to the income statement over the average remaining future service lives of the eligible employees.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31 December 2020 by independent actuaries. The results of these calculations have been based on the results of the last formal valuation of the scheme as at 31 December 2019, allowing for adjustments, on an approximate basis, to allow for differences between the valuation and IAS 19 calculations. The average contribution rate during the year for the Company's scheme is split between the Company and the employee at 19.1% and 12.1% respectively (2019: 19.1% and 11.7%) of pensionable salaries.

29. Retirement benefit scheme (continued)

Defined benefit plan (continued)
The discounted mean term of the Section's Defined Benefit Obligation ("DBO") was 21 years based on the results of the valuation as at 31 December 2019.

The Company is exposed to a number of risks relating to the Section including assumptions not being borne out in practice. The most significant risks are as follows:

Asset volatility: There is the risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section's DBO. The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.

Change in bond yields: A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.

Inflation risk: The majority of the Section's DBO is linked to inflation where higher inflation will lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.

Life expectancy: An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.

Contribution rate: The Scheme Rules give the Scheme Actuary the power to set the contribution rates for the Company if no agreement can be reached between the Trustee and the Company.

Technical Provision shortfall

The full actuarial valuation of the Section as at 31 December 2019 highlighted a Technical Provisions shortfall of £1.8m. This is considered recoverable via the existing contributions payable that were established following the last actuarial valuation based at 31 December 2016. The expected value of these contributions are forecast to be £2.3m, leaving the scheme fully funded by the time they have all been paid and providing a small surplus of £0.5m.

A consultation process to agree a recovery plan with the active members concluded in January 2021. The recovery plan that has been agreed by the trustees, is for the employer to continue with the annual instalments of £0.48m up to April 2024, with the active members' contribution to the deficit, via their section pay, reducing from 1.83% to 1.29% from 1 July 2021 through to 31 March 2025.

In addition to the above, the Future Joint Service Contribution Rate increased to 20.5% employer and 11.0% employee (65%:35% split), from 1 July 2021.

29. Retirement benefit scheme (continued)

Membership data

	31 December 2020	31 December 2019
Active members		
Number	52	52
Annual payroll (£m)	3.9	3.8
Average age	50.6	48.0
Deferred members		
Number	120	122
Total deferred pension (£m)	0.7	0.7
Average age	53.5	52.5
Pension members (including dependants)		
Number	67	63
Annual pension payroll (£m)	1.4	1.4
Average age	66.2	64.7

Asset data

The fair value of plan assets at the balance sheet date is analysed as follows:

	Value at 31 December 2020 £'m	Value at 31 December 2019 £'m
Growth assets	55.5	56.1
Government bonds	16.0	9.8
Other assets	0.7	0.9
Total asset value	**72.2**	**66.8**

The plan assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by, the Company.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the London Stock Exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

29. Retirement benefit scheme (continued)

Summary of assumptions

The significant actuarial assumptions were as follows:

	31 December 2020	31 December 2019
Discount rate	1.6 %	2.1 %
Price inflation (RPI measure)	2.7 %	3.0 %
Increase to deferred pensions (CPI measure)	2.2 %	2.0 %
Future pension increases	2.2 %	2.0 %
Expected rate of salary increase	1.2% for 1 year, 2.0% for next 2 years, then 2.7% pa thereafter	2.0% for next 3 years, then 2.9% pa thereafter

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK.

The assumed average expectation of life in years at age 65 is as follows:

	31 December 2020	31 December 2019
Male currently age 65	22.2	22.2
Male currently age 45	23.5	23.6
Female currently age 65	23.0	23.3
Female currently age 45 - other	24.5	24.8

29. Retirement benefit scheme (continued)

Defined benefit liability at end of year

The amount recognised in the balance sheet in respect of the Company's defined benefit retirement benefit plan is as follows:

	31 December 2020	31 December 2019
	£'m	£'m
Defined benefit obligation at end of year		
Active members	(40.5)	(27.8)
Deferred members	(23.6)	(21.4)
Pensioner members	(38.1)	(36.1)
Total	(102.2)	(85.3)
Value of assets at end of year	72.2	66.8
Fund status at end of year	(30.0)	(18.5)
Adjustment for the members' share of deficit	4.1	2.1
Net defined benefit liability at end of year	**(25.9)**	**(16.4)**

Reconciliation of net defined benefit liability

	31 December 2020	31 December 2019
	£'m	£'m
Opening net defined benefit liability	(16.4)	(12.0)
Employer's share of pension expense	(2.0)	(1.8)
Employer contributions	1.5	1.6
Total loss recognised in other comprehensive income	(9.0)	(4.2)
Closing net defined benefit liability	**(25.9)**	**(16.4)**

Pension expense

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Employer's share of service cost	1.6	1.4
Employer's share of administration costs	0.1	0.1
Total employer's share of service cost	1.7	1.5
Employer's share of net interest on defined benefit liability	0.3	0.3
Employer's share of pension expense	**2.0**	**1.8**

29. Retirement benefit scheme (continued)

Other comprehensive income (OCI)

	Year ended 31 December 2020 £'m	Year ended 31 December 2019 £'m
(Gain)/Loss due to liability experience	(0.3)	1.1
Loss due to liability assumption changes	12.7	8.2
Return on plan assets greater than discount rate	(3.4)	(5.1)
Total loss recognised in the OCI	**9.0**	**4.2**

Reconciliation of defined benefit obligation (DBO)

	31 December 2020 £'m	31 December 2019 £'m
Opening defined benefit obligation	85.3	73.2
Service cost	1.7	1.5
Interest cost on DBO	1.8	2.2
Loss on DBO - experience	0.3	0.8
Loss/(Gain) on DBO - demographic assumptions	0.8	(2.4)
Loss on DBO - financial assumptions	13.5	11.8
Actual benefit payments	(1.2)	(1.8)
Closing defined benefit obligation	**102.2**	**85.3**

29. Retirement benefit scheme (continued)

Reconciliation of value of assets

	31 December 2020	31 December 2019
	£'m	£'m
Opening fair value of plan assets	66.8	59.5
Interest income on assets	1.4	1.8
Return on plan assets greater than discount rate	3.8	5.8
Employer contributions	1.5	1.6
Actual benefit payments	(1.2)	(1.8)
Administration costs	(0.1)	(0.1)
Closing fair value of plan assets	**72.2**	**66.8**

The Reconciliation of Defined Benefit Obligation (DBO) and Reconciliation of Value of Assets tables above show the movement in the assets and DBO of the Section as a whole. Some of the figures therefore differ from those in the remaining disclosures, which reflect the Company's share of the costs and DBO associated with the Section.

DBO sensitivity analysis to significant actuarial assumptions

	Sensitivity	Year ended 31 December 2020 Approximate change in DBO	Year ended 31 December 2019 Approximate change in DBO
		£'m	£'m
Discount rate	-1.0% p.a	(24.7)	(21.7)
Price inflation (CPI measure)	+0.5% p.a	(11.2)	(9.8)
Salary increases	+0.5% p.a	(1.6)	(1.6)
Life expectancy	+1 year	(4.5)	(3.4)

The sensitivity figures as at 31 December 2020 are based on the DBO as noted in 'Reconciliation of defined benefit obligation' table above.

30. Dividends

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
	Pence per share	Pence per share	£'m	£'m
Dividends	-	60.93	-	105.0

No dividends (2019: £105.0m) were paid by the Company during the year to 31 December 2020.

31. Parent companies

The Company's immediate parent company and smallest group of undertakings to consolidate these financial statements is Angel Trains Group Limited (formerly Willow Bidco Limited) with registered office at 27 Hill Street, St Helier, JE2 4UA, Jersey.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the Company is consolidated is Willow Topco Limited which is incorporated and registered in Jersey. The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.

32. Related party transactions

In addition to the subsidiaries listed in note 15 and parent companies listed in note 31, the Company had related party relationships with the directors and the following members of the Group:

Angel Trains Holding Limited *
Angel Trains Group Limited**
Willow Rolling Stock UK Limited ***
Willow Holdco 1 Limited *
Willow Holdco 2 Limited *
Angel Infrastructure Limited **
The Great Rolling Stock Company PLC*
Angel Leasing Company Limited **
Angel Trains Consulting Limited **
Angel Trains Capital Limited **

* The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.
** The registered office is 123 Victoria Street, London, SW1E 6DE.
*** The registered office is c/o CMS Cameron McKenna LLP, Saltire Court, 20 Castle Terrace, Edinburgh, Scotland, EH1 2EN.

32. Related party transactions (continued)

Trading transactions

During the year, the Company had the following transactions with related parties:

31 December 2020

	Income/ Interest received	Purchases/ Interest paid	Amounts owed by related parties	Amounts owed to related parties
	£'m	£'m	£'m	£'m
Parent	2.9	1.7	-	537.5
Fellow subsidiaries	1.4	92.6	-	601.1
Total	4.3	94.3	-	1,138.6

31 December 2019

	Income/ Interest received	Purchases/ Interest paid	Amounts owed by related parties	Amounts owed to related parties
	£'m	£'m	£'m	£'m
Parent	3.1	-	48.5	-
Fellow subsidiaries	1.2	83.7	0.3	1,186.7
Total	4.3	83.7	48.8	1,186.7

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Directors emoluments

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Aggregate emoluments	1.3	1.4

Retirement benefits are accruing to 2 directors (2019: 3) under a defined benefit scheme. Retirement benefits are accruing to 2 directors (2019: none) under a money purchase pension scheme.

32. Related party transactions (continued)

Highest paid director

	Year ended 31 December 2020	Year ended 31 December 2019
	£'m	£'m
Total emoluments and amounts (excluding shares) receivable under long-term incentive scheme	0.3	1.1

For the year, the highest paid director had accrued an annual pension of £70,586 and a lump sum of £43,646 (2019: annual pension £67,105 and a lump sum £41,335).

33. Non-cash transactions

During the year, the Company entered into the following non-cash investing and financing activities which are not reflected in the Statement of Cash Flows.

The Company received interest of £2.8m by way of increasing loans receivable by £2.8m.
The Company incurred finance cost of £46.4m by way of increasing loans payable by £46.4m.

34. Reconciliation of liabilities arising from financing activities

	1 January 2020	Financing cash flows	Other changes	31 December 2020
	£'m	£'m	£'m	£'m
Loans from related parties	592.5	(3.7)	(3.3)	585.5
Lease liabilities	602.0	(45.1)	(0.2)	556.7
	1,194.5	**(48.8)**	**(3.5)**	**1,142.2**

	1 January 2019	Financing cash flows	Other changes	31 December 2019
	£'m	£'m	£'m	£'m
Loans from related parties	469.6	87.7	35.2	592.5
Lease liabilities	650.1	(47.9)	(0.2)	602.0
	1,119.7	39.8	35.0	1,194.5

'Other changes' include interest accrual and other non cash settlements during the year.

35. Events after the balance sheet date

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

Angel Trains Limited

Additional Statement Area 20

For the Year Ended 31 December 2020

Reported in £