

The Great Rolling Stock Company PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

The Great Rolling Stock Company PLC

Registered in England and Wales: Number 03086382

Registered Office: c/o Angel Trains Limited, 123 Victoria Street, London, SW1E 6DE

The Great Rolling Stock Company PLC

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The Great Rolling Stock Company PLC

Officers and Professional Advisers

Directors:

M. Brown
A. Lowe
D. Jordan
M. Prosser

Company secretary:

N. Holas

Registered office:

c/o Angel Trains Limited
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 03086382

The Great Rolling Stock Company PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report on The Great Rolling Stock Company PLC (the 'Company') for the year ended 31 December 2020.

REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of finance, including long-term finance leasing to other group companies, which involves the use of financial derivatives where appropriate to support the acquisition of train rolling stock. There are no direct employees or stakeholders, except its shareholders and debt providers. A comprehensive business review is carried out at a group level by the ultimate parent company, Willow Topco Limited ("the Group").

During the year, the Company took the opportunity to reduce its overhedged position by early terminating an interest rate swap. Whilst the Company remains overhedged at the end of the year, the Group forecasts this to be a short to medium term position. During the year, the company continued to hold other interest rate swaps in designated and formerly designated relationships.

The Company's total external senior debt at 31 December 2020 was £2,338.9m (2019: £1,979.7m). The net increase of £359.2m was due to £887.7m amortising debt drawn, partly offset by contractual repayments of £342.8m on bonds and bank debt, and a £185.7m decrease in the Revolving Credit Facility.

The directors are satisfied with the Company's underlying performance during the year despite recording a loss which was mainly attributable to larger than expected fair value movements on interest rate swaps that are not currently designated in a hedge relationship. In future, the Company will continue to provide finance to other group companies to support the investment in assets at economic returns that properly reward the capital investment and long-term residual value risk. The Company will be guided by its ultimate parent company, Willow Topco Limited, in seeking further opportunities for growth.

The Company's financial performance is presented in the Income Statement on page 15. The loss for the financial year was £6,078,000 (2019: £16,535,000) and this was transferred to reserves.

The directors do not anticipate any material change in either the type or level of activities of the Company.

KEY PERFORMANCE INDICATORS

Other losses for the year were £31,248,000 (2019: £32,403,000), primarily as a result of fair value losses recognised on interest rate swaps and amounts recycled from cash flow hedge reserves in relation to interest rate swaps no longer held in hedge relationships. Revenue increased by 4.7% and cost of sales decreased by 5.3%. Administrative expenses increased by 6.1% mainly due to an increase in other professional fees.

At the end of the year, the financial position showed total assets of £2,775,224,000 (2019: £2,356,904,000) representing an increase of 17.7%. This includes the carrying value of finance lease receivables due from other group companies of £824,111,000 compared to £880,681,000 at the previous year end. Other non-current assets include loans receivable of £1,308,572,000 (2019: £852,840,000) and deferred tax assets of £40,115,000 (2019: £17,693,000).

The key performance indicator that the directors consider is the ratio of loan and lease receivables to loans payable. The loan ratio in 2020 was 1.01 (2019: 0.98), with a target ratio below 1.20 being considered by the directors to be an efficient utilisation of group funding by the Company.

The Great Rolling Stock Company PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

STRATEGY

The strategy of the Company is to ensure the objectives are executed, which are primarily to manage its asset risk profile and maintain the long term profitability of the Group.

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.

The Company proactively engages with its stakeholders to maximise value and secure long-term success and is continually striving to improve its impact. We set out below our key stakeholders groups, their material issues and how we engage with them.

Shareholders – The Company attaches considerable importance to communications with its direct shareholders as well as the shareholders 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 virtual 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.

Debt providers - Our debt providers play an important role in our business and we maintain a proactive, open and transparent relationship with them. Regular meetings are held with our diverse group of debt providers and credit rating agency to keep them informed about relevant areas of the business. We provide them with regular financial updates, twice-yearly investor reports and debt investor presentations.

LOOKING FORWARD

The Company's role is to support the critical objective of the Group in the short to medium term of re-leasing successfully all the rolling stock vehicles that are coming towards the end of their current lease and/or franchise at rates that meet the expectations of the shareholders.

PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS

The Company's portfolios of financial instruments principally comprise of loans, deposits, interest rate swaps and payables. Applying International Accounting Standards (IAS) in conformity with the requirements of the 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 20.

From the perspective of the Company, except for the above, the principal risks and uncertainties are integrated with the principal risks of the Group, and are not managed separately. The Group has an Internal Control Framework that is designed to monitor its risks, including financial, operational, regulatory, credit and reputational risks. The Framework includes processes to review 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.

The Great Rolling Stock Company PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

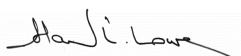
PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS (continued)

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

The Great Rolling Stock Company PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

FUTURE DEVELOPMENTS

For information on future developments, refer to the 'looking forward' section of the Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and 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 (IASs) in conformity with the requirements of the Companies Act 2006.

Under Companies Act 2006, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IASs 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.

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.

Directors' confirmations

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 they 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.

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 activities.

The Great Rolling Stock Company PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

DIVIDENDS

The directors recommend that no dividend be paid (2019: £nil). The directors do not anticipate any material change in either the type or level of activities of the Company.

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 occurred:

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

PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS

The Company's portfolios of financial instruments principally comprise of loans, deposits, interest rate swaps and payables. Applying IFRSs, 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 20.

From the perspective of the Company, except for the above, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Willow Topco Limited, which include those of the company, are discussed in Willow Topco Limited's annual report.

During the year, the outbreak of Coronavirus (COVID-19) continued to spread causing a global pandemic and economic disruption. 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 offering support to train operating companies by applying emergency measure agreements and subsequently in September 2020, upon their expiry, providing them with the opportunity to transition into emergency recovery measures agreements 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.

In considering the impact on the Company, 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 company in conjunction with the broader Group has assessed projected debt covenant compliance under both a normal and stress situation without any breaches being identified.

The Great Rolling Stock Company PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

DIRECTORS INDEMNITY COVER

No director has been granted Qualifying Third Party Indemnity Provisions during the year or as at the date of approval of the financial statements.

FINANCIAL RISK MANAGEMENT

The major risks associated with the Company's business are market risk, liquidity risk, capital risk and credit risk. The management of these risks is carried out at Group level by its ultimate parent company. Interest rate risk is partially mitigated through the use of hedging (see Note 20 for further details of the Hedging Policy) and liquidity risk is managed by monitoring cash flow forecast and ensuring the Groups liquidity requirements to meet operational needs and ensuring it does not breach covenants on its external borrowing facilities. 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. Risk management policies are detailed in note 20.

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 Group 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 Group has modelled the carbon emissions from the diesel fleet portfolio and estimates that the fleet contributes 480,000 metric tonnes of CO₂e. 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 Group 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.

The Great Rolling Stock Company PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Greenhouse gas emissions and energy use data used by the Group 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 CO₂e	Gas consumption
	60.12
Scope 2 emissions in metric tonnes CO₂e	Purchased 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 M²	66.98

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

As the offices were mostly unused, all non-essential office equipment was switched off.

POST BALANCE SHEET EVENTS

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

The Great Rolling Stock Company PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GREAT ROLLING STOCK COMPANY PLC

Report on the audit of the financial statements

Opinion

In our opinion, The Great Rolling Stock Company PLC'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 loss and cash flows for the year 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.

Our opinion is consistent with our reporting to the Audit Committee.

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.

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

- Cash flow hedge accounting.
- Impact of Covid-19

Materiality

Overall materiality: £6,200,000 (2019: £1,128,000) based on 0.5% of total assets.

- Performance materiality: £5,200,000 (2019: £800,000).

We scoped our audit to gain sufficient audit assurance over all material financial statement line items.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

The Great Rolling Stock Company PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GREAT ROLLING STOCK COMPANY PLC (continued)

Our audit approach (continued)

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations were those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries in order to increase revenue or misappropriate assets, and management bias in accounting estimates and judgemental areas of the financial statements such as hedge accounting. Audit procedures performed by the engagement team included

- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit and Risk Committee;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, .
- Identifying and testing journal entries, in particular any journal entries posted with, posted at unusual times, or backdated items;
- Reviewing internal audit reports.

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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The Great Rolling Stock Company PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GREAT ROLLING STOCK COMPANY PLC (continued)

Key audit matter

Cash flow hedge accounting

The Company uses interest rate swaps to hedge floating rate debt and has adopted cash flow hedge accounting as permitted by IFRS 9.

Hedge accounting is inherently complex and because the Company hedges a portfolio of debt which has a shorter maturity than the related swaps, the Directors must assess whether the forecast future debt is highly probable in order to continue hedge accounting. When hedge accounting is discontinued, further judgements are required in relation to whether the underlying transactions are still expected to occur. This will then drive the accounting treatment of the existing cash flow hedge reserve balance recognised till that date. The application of the accounting rules requires judgement and the result is dependent on expectations of the level and nature of future debt requirements amongst other factors.

As a result of this level of judgment, and the focus we placed on this area, we consider it a key audit matter.

How our audit addressed the key audit matter:

Our testing in this area included:

- We obtained a schedule of the actual and forecast future debt and the related hedge positions, and confirmed key terms with external counterparties.
- We tested whether forecast debt was highly probable, by comparing it to the Company's projections used for business planning purposes and by confirming that the expected usage of the debt was consistent with the asset holdings across the group of entities the Company is part of.
- For derivatives that are in hedging relationships, we reviewed and tested the hedge accounting documentation and effectiveness testing performed for compliance with accounting requirements.
- We independently revalued 100% of the derivative fair values used in the hedge accounting calculations.
- We tested the amounts released from the cash flow hedging reserve for discontinued hedges by comparing the future expected cash flows to the company's projections. We also tested that the related cash flow hedge reserve balance is being released in line with these debt cash flows.
- We involved our treasury and derivative valuation testing specialists in our testing in this area

Our testing did not identify any exceptions and we concluded that the treatment adopted was supported by the evidence we obtained.

Impact of COVID-19

The global COVID-19 pandemic, and the associated restrictions imposed by governments have adversely affected the UK population and economy.

The majority of the Group's employees have been working remotely since March 2020, while other COVID-19 impacts on the Group include reduced passenger demand and government intervention in rail contracts.

As at 31 December 2020, vaccines had received regulatory approval and had begun to be administered in some countries. However, there remains significant uncertainty over the successful rollout and efficacy of the vaccines, the future mutation and spread of the virus, the extent and the impact of government measures and the economic outlook.

Our planning and execution of our audit has given specific consideration to the impact of COVID-19 on the company. In assessing management's analysis of the impact of COVID-19 on the financial statements, we have undertaken the following procedures:

- In areas where management is required to estimate future financial performance of the company when preparing the financial statements, we considered the appropriateness of the forecasts and the extent to which they have been impacted by COVID-19. In particular, we considered the impact on forecast debt and related hedge accounting.
- Reviewed management's going concern assessment, which considered the potential impact of COVID-19 on future profitability and liquidity for the company and the wider Group;

The Great Rolling Stock Company PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GREAT ROLLING STOCK COMPANY PLC (continued)

Impact of COVID-19 (continued)

Management has considered the impact of COVID-19 when preparing the financial statements.

- Considered the impact of COVID-19 on the company's internal control environment through our audit procedures and inquiries of management.

As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates. The audit was performed on the Company which has one main business line. We performed testing over all material financial statement line items.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£6,200,000 (2019: £1,128,000)
How we determined it	0.25% of total assets.
Rationale for benchmark applied	The company operates as a funding entity for the wider Group, and given this, loss before taxation is not considered an appropriate benchmark. We applied 0.25% of total assets in 2020, rather than the 1% of cost of sales as in 2019, as total assets is considered an appropriate benchmark for a funding entity.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5,200,000 (2019: £800,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £310,000 (2019: £56,400) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The Great Rolling Stock Company PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GREAT ROLLING STOCK COMPANY PLC (continued)

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting including the impact of COVID-19 (for both the company and the wider Group).
- Understanding management's going concern forecasts and related stresses and assessing their reasonableness. This included recalculating the impact on key financial covenants under a plausible but severe stress.
- We agreed the debt refinancing schedule for the company to source documentation and confirmed that sufficient committed facilities are available to refinance all debt repayments coming due in at least a year from the date of signing the financial statements.
- Obtaining evidence that the Group's parent entity, Willow Topco Limited, has received assurance from its shareholders that the shareholder loan notes will not need to be repaid for a period of at least one year from the date of signing of the financial statements.

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.

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.

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 the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and have 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 the Directors' Report.

The Great Rolling Stock Company PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GREAT ROLLING STOCK COMPANY PLC (continued)

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 5, the directors are responsible for the preparation of the financial statements 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. 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.

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.

Other required reporting

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 directors' remuneration 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 (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2021

The Great Rolling Stock Company PLC

Registered Number 03086382

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£'000	£'000
Revenue	2	131,115	125,188
Cost of sales	4	<u>(106,800)</u>	<u>(112,820)</u>
Gross profit		24,315	12,368
Administrative expenses	5	<u>(556)</u>	<u>(524)</u>
Operating profit		23,759	11,844
Other losses	6	<u>(31,248)</u>	<u>(32,403)</u>
Loss before income tax		(7,489)	(20,559)
Income tax credit	7	<u>1,411</u>	<u>4,024</u>
Loss attributable to owners of the parent	18	<u>(6,078)</u>	<u>(16,535)</u>

The notes on pages 20 to 44 form an integral part of these financial statements.

The Great Rolling Stock Company PLC

Registered Number 03086382

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Loss for the year	(6,078)	(16,535)
Other comprehensive (expense)/income:		
<i>Items that may be subsequently reclassified to profit and loss</i>		
<i>Cash flow hedges</i>		
Losses arising during the year	(99,740)	(70,527)
Recycling of amounts from cash flow hedge reserve to profit and loss	9,586	9,045
Gains taken to profit or loss	6,888	3,438
Tax on items taken directly to equity	17,909	10,022
Other comprehensive (expense)/income for the year	(65,357)	(48,022)
Total comprehensive (expense)/income for the year attributable to owners of the parent	(71,435)	(64,557)

The notes on pages 20 to 44 form an integral part of these financial statements.

The Great Rolling Stock Company PLC

Registered Number 03086382

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

		Called up share capital	Hedging reserve	Capital reserve	Accumulated losses	Total Equity
	Note	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	19,18	140,000	(59,911)	200,000	(77,355)	202,734
Loss for the year		-	-	-	(16,535)	(16,535)
Other comprehensive (expense)/income						
Cash flow hedges						
Losses arising during the year		-	(70,527)	-	-	(70,527)
Recycling of amounts from cash flow hedge reserve to profit and loss		-	9,045	-	-	9,045
Gains taken to profit or loss		-	3,438	-	-	3,438
Tax on items taken directly to equity		-	10,022	-	-	10,022
Total comprehensive (expense)/income		-	(48,022)	-	(16,535)	(64,557)
At 1 January 2020		140,000	(107,933)	200,000	(93,890)	138,177
Loss for the year		-	-	-	(6,078)	(6,078)
Other comprehensive (expense)/income						
Cash flow hedges						
Losses arising during the year		-	(99,740)	-	-	(99,740)
Recycling of amounts from cash flow hedge reserve to profit and loss		-	9,586	-	-	9,586
Gains taken to profit or loss		-	6,888	-	-	6,888
Tax on items taken directly to equity		-	17,909	-	-	17,909
Total comprehensive (expense)/income		-	(65,357)	-	(6,078)	(71,435)
At 31 December 2020	19,18	140,000	(173,290)	200,000	(99,968)	66,742

The notes on pages 20 to 44 form an integral part of these financial statements.

The Great Rolling Stock Company PLC

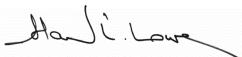
Registered Number 03086382

BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Finance lease receivables	11	761,712	818,273
Deferred tax assets	8	40,115	17,693
Derivative financial instruments	17	31,657	35,397
Loans and receivables	10	1,308,572	852,840
Investments	12	363,564	363,564
		<hr/>	<hr/>
		2,505,620	2,087,767
Current Assets			
Finance lease receivables	11	62,399	62,408
Trade and other receivables	10	5	-
Cash and cash equivalents	10	7,200	74
Current tax assets	14	-	6,655
Loans and receivables	10	200,000	200,000
		<hr/>	<hr/>
		269,604	269,137
Current Liabilities			
Trade and other payables	13	(110,194)	(96,436)
Loans payable	15	(84,024)	(342,775)
Current tax liabilities	14	(3,101)	-
		<hr/>	<hr/>
		(197,319)	(439,211)
		<hr/>	<hr/>
Net current assets/(liabilities)		72,285	(170,074)
		<hr/>	<hr/>
Total assets less current liabilities		2,577,905	1,917,693
Non-current liabilities			
Loans payable	15	2,235,039	1,623,580
Derivative financial instruments	17	276,124	155,936
		<hr/>	<hr/>
		2,511,163	1,779,516
Equity attributable to owners of the parent			
Called up share capital	19	140,000	140,000
Capital reserve	18	200,000	200,000
Hedging reserve	18	(173,290)	(107,933)
Accumulated losses	18	(99,968)	(93,890)
		<hr/>	<hr/>
Total equity		66,742	138,177
Total equity and non-current liabilities		2,577,905	1,917,693

The notes on pages 20 to 44 form an integral part of these financial statements.

The financial statements on pages 15 to 44 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

The Great Rolling Stock Company PLC

Registered Number 03086382

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Cash flows from operating activities		
Cash received from customers	71,436	76,105
Cash paid to suppliers and group companies	(5,708)	(1,554)
Cash generated from operations	<u>65,728</u>	<u>74,551</u>
Income taxes received/(paid)	6,655	(3,385)
Interest paid	(102,365)	(104,437)
Net cash used in operating activities	<u>(29,982)</u>	<u>(33,271)</u>
Cash flows from investing activities		
Interest received	13	3,917
Principal elements of lease payments	<u>56,170</u>	<u>58,316</u>
Net cash generated from investing activities	<u>56,183</u>	<u>62,233</u>
Cash flow from financing activities		
Proceeds of new loans	614,144	189,400
Payments for debt issue costs	(647)	(2,128)
Repayment of loans	(772,096)	(70,375)
Issue of new loans to group companies	(402,363)	(290,450)
Repayment of amounts borrowed by group companies	<u>541,889</u>	<u>144,630</u>
Net cash used in financing activities	<u>(19,073)</u>	<u>(28,923)</u>
Net increase in cash and cash equivalents	7,128	39
Cash and cash equivalents at the beginning of the year	74	36
Effect of foreign exchange rate changes	(2)	(1)
Cash and cash equivalents at the end of the year	<u>7,200</u>	<u>74</u>

The notes on pages 20 to 44 form an integral part of these financial statements.

Non cash transactions are disclosed in note 23.

The Great Rolling Stock Company PLC

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Significant Accounting Policies

General

The Great Rolling Stock Company PLC 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.

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 Company's financial statements have been prepared on the going concern basis. The directors consider the Company to be a going concern based on the underlying profitability (excluding fair value movements) and the ability to access liquidity, if required, from within the Group and by drawing on committed financial facilities, to enable it to meet its liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements.

The financial statements are prepared under the historical cost convention as modified by the revaluation of derivative instruments. The preparation of financial statements in conformity with IFRS 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 consolidated 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 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).

These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.

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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying accounting policies

The critical judgements 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 relate to the accounting treatment of interest rate swaps designated as hedging instruments. The Company seeks to apply cash flow hedge accounting where permissible under IFRS 9. Highly probable floating rate debt that is not already contained within a cash flow hedge is assessed for appropriateness to be included within a new designated hedge relationship.

The Great Rolling Stock Company PLC

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

1. Significant Accounting Policies (continued)

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

Keys sources of estimation uncertainty

The fair value of financial instruments that are not traded in an active market (such as over-the-counter interest rate swaps) is determined by using valuation techniques. The Company engages with a third party provider to establish the appropriate valuation techniques and inputs into the corporate model such as observable yield curves. Forecast floating rate debt is used to estimate amounts to be recycled from the cash flow hedge reserve to the income statement, in line with the original hedged item cash flows.

The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting year. Information regarding valuation techniques and inputs used in determining the fair value of derivatives is disclosed in note 20.

Adoption of the new and revised Standards

At the date of authorisation of these financial statements, the following standards, amendments and interpretations to existing standards were effective for the accounting year beginning on or after 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

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 years 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'

Finance lease income is allocated to accounting years so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases held with other group companies.

Interest 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.

Cost of sales - interest expense

Cost of sales comprises interest payable on external loans and swap interest payable. It is recognised on an effective interest rate basis..

Finance leases

Contracts to lease assets to customers continue to be classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer in accordance with IFRS 16.

Finance lease receivables are stated in the balance sheet at the amount of net investment in the lease, being the present value of the future minimum lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The Great Rolling Stock Company PLC

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

1. Significant Accounting Policies (continued)

Taxation

Tax expense represents the sum of the current tax and deferred tax.

Current tax 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 years and it further excludes items that are never taxable or deductible.

The Company's liability for current 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.

Financial assets

The Company classifies financial assets in the following measurement categories: those to be subsequently measured at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The classification is determined on initial recognition.

The Company classifies loans receivable, finance lease receivable, trade and other receivables and cash and cash equivalent as 'finance assets at amortised cost'. Derivative financial instrument assets not held within cash flow hedge relationships are classified as derivative financial instruments held for trading at FVPL.

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 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.

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.

The Great Rolling Stock Company PLC

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

1. Significant Accounting Policies (continued)

Impairment of financial assets

The Company tests for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

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.

Loan payables

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

Where there is any substantial change in the terms of the loans payable, it is considered whether this is a modification or extinguishment of a financial liability in accordance with IFRS 9. If a non-substantial modification is deemed to have taken place, the carrying value of the loan is amended to include any modification gain or loss, new transaction costs and subsequently re-measured at amortised cost. The modification gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. Where it is considered an extinguishment has taken place, the carrying value is derecognised from the balance sheet, with any difference to the consideration paid recognised in the income statement within cost of sales.

Trade and other payables

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

Fair value

Fair values of financial instruments that are traded in active markets are determined by quoted market bid prices at the close of business on the balance sheet date. For financial instruments not traded in active markets, fair values are determined using valuation techniques. Such techniques may include using recent arm's length market transactions, current fair values of similar financial instruments, discounted cash flow analysis, option pricing models, or other commonly used valuation models.

Derivative financial instruments and hedging activities

The Company's activities expose it primarily to the financial risk of changes in interest rates. The Company uses derivative financial instruments (primarily interest rate swaps) to hedge its risks associated with significant interest rate risk arising from loans payable. The Company does not use derivative financial instruments for speculative purposes.

The significant interest rate risk arises from the variability of cash flows on floating rate loans. The Company's policy is to convert a proportion of its floating rate debt to fixed rates using interest rate swaps. The Company designates these as cash flow hedges of interest rate risk. For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a highly probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Derivative financial instruments are recognised at fair value on inception and are subsequently remeasured to their fair value at the end of each reporting period. Derivative fair values are determined from quoted prices in active markets where available. Credit and debit valuation adjustments are not made given the impact is not currently considered material.

The Great Rolling Stock Company PLC

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

1. Significant Accounting Policies (continued)

Derivative financial instruments and hedging activities (continued)

The Company enters into one type of hedge relationship; hedges of the variability in cash flows from a recognised asset or liability or a forecast transaction (cash flow hedges). Hedge relationships are formally documented at inception. The documentation includes the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. This includes details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. The Company documents its risk management objective and strategy for undertaking hedge transactions. If a hedge relationship no longer meets the documented risk management objective or other qualifying criteria such as existence of economic relationship, credit risk not dominating value changes or the hedge ratio no longer being consistent with the risk management strategy, hedge accounting must be discontinued.

In 2019, the Company elected to early adopt the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' (the Amendment) which was effective from 1 January 2020, applying it retrospectively to its hedge accounting relationships, and providing the required disclosures note 20. The Amendment was in response to changes to inter-bank offered rate (IBOR) benchmark interest rates which are expected to be phased out by the end of 2021. The adoption of the Amendment enabled the Company to retain effective hedge accounting relationships in respect of interest rate swaps and issued or forecast borrowings that currently reference LIBOR and have a maturity beyond the end of 2021, when benchmark inter-bank offered rates are expected to be phased out. An assessment of changes required to these instruments is continues to address the forthcoming replacement of LIBOR.

Cash flow hedges that qualify for hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument is recognised directly in the cash flow hedge reserve within equity. The gain or loss relating to ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Hedge accounting is discontinued entirely when the hedge relationship no longer meets the risk management objective or no longer complies with the qualifying criteria, when the hedging instrument is sold or terminated. Hedge accounting is discontinued for only part of the hedge relationship for the volume of the hedged item, were it is no longer part of the hedge relationship, or where part of the volume of a forecast transaction is no longer highly probable.

On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealised gain or loss recognised in equity is reclassified to profit or loss when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss. Where the forecast transaction is no longer expected to occur; the cumulative unrealised gain or loss that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit and loss and are included in other gains/(losses). These, and other related items are included within other gains/(losses) are presented below operating profit.

Investment in subsidiaries

Investments in subsidiaries are initially measured at fair value and subsequently measured at cost. An impairment loss is recognised in the income statement when there is objective evidence that the investment is impaired.

The Great Rolling Stock Company PLC

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

1. Significant Accounting Policies (continued)

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, Willow Topco Limited. 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.

Share capital

Ordinary shares are classified as equity.

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 dates 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 items, are presented in the income statement within 'other gains/(losses)'.

2. Revenue

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Finance lease income from group undertakings	71,040	75,711
Interest received - group	60,061	49,475
Other interest receivable	14	2
	131,115	125,188

Finance lease income relates to amounts due from lessees for the provision of rolling stock.

All revenue relates to United Kingdom operations.

3. Directors' and employees' emoluments

During the year, none of the directors received any remuneration for their services to the Company (2019: £nil). The directors are employed by a fellow Group company and services to this company are considered incidental and no apportionment is made. The Company itself has no employees (2019: £nil).

The Great Rolling Stock Company PLC

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

4. Cost of sales

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Swap interest payable	20,416	20,317
Other interest payable	86,384	92,503
	<hr/>	<hr/>
	106,800	112,820
	<hr/>	<hr/>

Other interest payable includes interest due on external loans held by the Company, including an amount of £2,065,000 relating to the amortisation of loan fees during the year (2019: £2,001,000).

5. Administrative expenses

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Management fees	477	478
Other expenses	79	46
	<hr/>	<hr/>
Total administration expenses	556	524
	<hr/>	<hr/>

(Loss)/profit before income tax for the year is stated after charging auditors' remuneration for audit services during the year of £19,250 (2019: £18,690). In addition to the auditors' remuneration stated above, fees charged by the auditors for other non-audit services during the year were £nil (2019: £9,000) for professional services.

6. Other losses

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Currency translation losses	(2)	(1)
Recycling of amounts from cash flow hedge reserve	(8,812)	(10,676)
Hedge ineffectiveness on cash flow hedges	(773)	1,631
Fair value losses on derivative instruments	<hr/>	<hr/>
	(21,661)	(23,357)
	<hr/>	<hr/>
	(31,248)	(32,403)
	<hr/>	<hr/>

Recycling of amounts from cash flow hedge reserve includes cumulative losses reclassified in line with the hedged item from previously terminated hedge relationships of £8,812,000 (2019: £10,676,000).

The Great Rolling Stock Company PLC

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

7. Income tax credit

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

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Current tax charge/(credit)		
Current tax charge/(credit) on profits for the year	1,664	(4,866)
Adjustments in respect of prior years	-	114
Current tax charge/(credit)	1,664	(4,752)
Deferred tax credit		
Origination and reversal of temporary differences	(3,111)	814
Adjustments in respect of prior years	(7)	-
Effect of tax rate change	43	(86)
Deferred tax (credit)/charge	(3,075)	728
Income tax credit	(1,411)	(4,024)

The total credit for the year can be reconciled to the accounting loss as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Loss before income tax		
	(7,489)	(20,559)
Expected tax credit at 19.00% (2019: 19.00%)		
	(1,423)	(3,906)
Other timing differences	(24)	(32)
Effect of change in tax rate	43	(86)
Adjustments in respect of prior years	(7)	-
Taxation credit for the year	(1,411)	(4,024)

In addition to the above, an increase in deferred tax assets of £19,346,000 (2019: £8,232,000 increase) was credited through equity relating to hedging interest rate swaps.

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

At the 2016 Budget, 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 credit to the income statement for the year.

The Great Rolling Stock Company PLC

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

8. Deferred tax assets

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior year.

	Other	Deferred tax on derivative instruments	Total
	£'000	£'000	£'000
At 1 January 2019	101	10,088	10,189
Credit to equity	-	9,201	9,201
Effect of change in tax rate in equity	-	(969)	(969)
Charge to the income statement for the year	(13)	(801)	(814)
Effect of change in tax rate in income statement	1	85	86
At 31 December 2019	89	17,604	17,693
Credit to equity	-	17,223	17,223
Effect of change in tax rate in equity	-	2,124	2,124
Credit to the income statement for the year	(12)	3,130	3,118
Effect of tax rate change in income statement	10	(53)	(43)
At 31 December 2020	87	40,028	40,115

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 credit to the income statement for the year, and closing deferred tax assets are provided at 19.00%. This is based on the projected rate that deferred tax at the balance sheet date was 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 would have increased by £11,260,000.

The Great Rolling Stock Company PLC

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

9. Financial assets and liabilities by category

	31 December 2020	Note			
		Derivatives held for trading at FVPL	Derivatives used for hedging	Financial assets at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000
Assets as per balance sheet					
Derivative financial instruments	17	31,657	-	-	31,657
Loans receivable	10	-	-	1,508,572	1,508,572
Finance lease receivable	11	-	-	824,111	824,111
Trade and other receivables	10	-	-	5	5
Cash and cash equivalents	10	-	-	7,200	7,200
Total		31,657	-	2,339,888	2,371,545
Liabilities as per balance sheet					
Derivative financial instruments	17	54,157	221,967	-	276,124
Loans payable	15	-	-	2,319,063	2,319,063
Trade and other payables	13	-	-	110,194	110,194
Total		54,157	221,967	2,429,257	2,705,381
31 December 2019					
		Derivatives held for trading at FVPL	Derivatives used for hedging	Financial assets at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000
Assets as per balance sheet					
Derivative financial instruments	17	35,397	-	-	35,397
Loans receivable	10	-	-	1,052,840	1,052,840
Finance lease receivable	11	-	-	880,681	880,681
Cash and cash equivalents	10	-	-	74	74
Total		35,397	-	1,933,595	1,968,992
Liabilities as per balance sheet					
Derivative financial instruments	17	56,176	99,760	-	155,936
Loans payable	15	-	-	1,966,355	1,966,355
Trade and other payables	13	-	-	96,436	96,436
Total		56,176	99,760	2,062,791	2,218,727

The Great Rolling Stock Company PLC

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

10. Financial assets at amortised cost

Cash and cash equivalents

Cash and cash equivalents comprise of cash held by the Company and as at 31 December 2020 was £7,200,000 (2019: £74,000). The carrying amount of these assets approximates to their fair value.

Loans receivable

	31 December 2020	31 December 2019
	£'000	£'000
Amounts falling due within one year		
Loans to intermediate parent company	<u>200,000</u>	<u>200,000</u>
Amounts falling due after more than one year		
Loans to intermediate parent and other group undertakings	<u>1,308,572</u>	<u>852,840</u>

As at 31 December 2020, the Company had loans issued to Angel Trains Group Limited (formerly Willow Bidco Limited) of £716,003,000 (2019: £nil). The loan is unsecured, bearing interest at the weighted average cost of debt of the senior facilities for the Group plus a margin. There is no fixed maturity date. As the Company has confirmed to other Group companies that they will not be calling any loans for repayment within the next 12 months all amounts due are shown as being due after more than one year. The directors consider that the carrying amount of the Company's floating rate loans receivable approximates to their fair value.

As at 31 December 2020, the Company had loans issued to Angel Trains Rolling Stock Limited £544,572,000 (2019: £nil). The loan is unsecured, bearing interest at the weighted average cost of debt of the senior facilities for the Group plus a margin. There is no fixed maturity date. As the Company has confirmed to other Group companies that they will not be calling any loans for repayment within the next 12 months all amounts due are shown as being due after more than one year. The directors consider that the carrying amount of the Company's floating rate loans receivable approximates to their fair value.

As at 31 December 2020, the Company had loans issued to Angel Trains Limited £47,997,000 (2019: £nil). The loan is unsecured, bearing interest at the weighted average cost of debt of the senior facilities for the Group plus a margin. There is no fixed maturity date. As the Company has confirmed to other Group companies that they will not be calling any loans for repayment within the next 12 months all amounts due are shown as being due after more than one year. The directors consider that the carrying amount of the Company's floating rate loans receivable approximates to their fair value.

During the year, as part of the group restructure, the Company's loan to Willow Rolling Stock UK Limited was repaid (2019: £852,840,000). The loan was unsecured, bearing interest at the weighted average cost of debt of the senior facilities for the Group plus a margin. There was no fixed maturity date.

During the year, as part of the group restructure, the Company's loan to Willow Rolling Stock UK Limited £200,000,000 (2019: £200,000,000) was transferred to Angel Trains Group Limited (formerly Willow Bidco Limited). Included in the loan at 31 December 2020 is interest of £nil (2019: £nil). The loan is unsecured, interest free and is repayable on demand. The Company has given assurances that the receivable will not be called within a period of one year from the date of signing the financial statements, if doing so would result in the recipient Company no longer being a going concern. The directors consider the carrying value of the Company's interest free loan receivable to approximate its fair value.

The Great Rolling Stock Company PLC

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

10. Financial assets at amortised cost (continued)

Trade and other receivables

	31 December 2020	31 December 2019
	£'000	£'000
Amounts falling due within one year		
Trade and other receivables	5	-

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

11. Finance lease receivables

	Minimum lease payments 2020	Minimum lease payments 2019	Present value of minimum lease payments 2020	Present value of minimum lease payments 2019
	£'000	£'000	£'000	£'000
Amounts receivable under finance leases				
Within one year	123,139	127,611	62,399	62,408
In the second to fifth years inclusive	429,558	454,569	208,538	215,670
After five years	770,395	868,523	553,174	602,603
	1,323,092	1,450,703	824,111	880,681
Less: unearned finance income	(498,981)	(570,022)	0	0
Present value of minimum lease receivables	824,111	880,681	824,111	880,681

The finance leases are held with other Group companies. The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to 8.40% (2019: 8.40%) per annum.

The fair value of lease receivables is based on cash flows discounted using a weighted average cost of borrowings rate of 4.54% (2019: 4.90%) as at 31 December 2020 was £1,015,579,000 (2019: £1,074,448,000).

The Great Rolling Stock Company PLC

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

12. Investments

	Shares in group undertakings	£'000
Cost and net book value		
At 1 January 2019		<u>363,564</u>
At 31 December 2019		<u>363,564</u>
At 31 December 2020		<u>363,564</u>

During the year ended 31 December 2020, the directors did not deem it necessary to impair investments.

Details of the Company's investment in subsidiaries at 31 December 2020 are as follows:

Entity	Year end	Business	Country of registration/ place of business	Holding of investment	Percentage interest %
Angel Leasing Company Limited	31 December	Leasing	England and Wales	Ordinary Shares	100%

The registered office for the Company's subsidiary is 123 Victoria Street, London, SW1E 6DE.

13. Trade and other payables

	31 December 2020	31 December 2019
	£'000	£'000
Accruals	19,853	27,508
Other payables	<u>90,341</u>	<u>68,928</u>
	<u>110,194</u>	<u>96,436</u>

Accruals principally comprise amounts outstanding for accrued interest on the bonds issued.

At 31 December 2020, the Company owed £90,341,000 (2019: £68,928,000) to another Group company in respect of an outstanding settlement for interest rate swap terminations during the last two years. The directors consider that the carrying amount of other payables approximates their fair values, due to their short term nature.

The Great Rolling Stock Company PLC

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

14. Current tax (liabilities)/assets

	31 December 2020	31 December 2019
	£'000	£'000
Current tax (liabilities)/assets	<u>(3,101)</u>	6,655

At 31 December 2020, the Company had current tax liabilities of £3,101,000 payable to (2019: £6,655,000 current tax assets receivable from) other Group companies. The amounts payable to/(receivable by) other Group companies are unsecured and will be settled within the next 12 months.

15. Loans payable

	31 December 2020	31 December 2019
	£'000	£'000
Amounts falling due within one year		
External loans	<u>84,024</u>	342,775
Amounts falling due after one year		
External loans	2,254,831	1,636,875
Less unamortised fees	(24,254)	(13,295)
Loans from group undertakings	<u>4,462</u>	-
	<u>2,235,039</u>	1,623,580

The external loans included above are repayable as follows:

	31 December 2020	31 December 2019
	£'000	£'000
Within one year	84,024	342,775
Between one and two years	95,255	65,075
Between two and five years	355,989	516,775
Over five years	<u>1,803,587</u>	1,055,025
	<u>2,338,855</u>	1,979,650

The Great Rolling Stock Company PLC

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

15. Loans payable (continued)

The effective interest rates paid were as follows:

	31 December 2020	31 December 2019
External loans - fixed	4.03%	4.94%
Loans from group undertakings	<u>5.54%</u>	-

The fair value of the Company's external loans is calculated using the weighted average cost of funding. Borrowings of £1,555,958,000 (2019: £1,472,700,000) are arranged at fixed interest rates and expose the Company to fair value interest rate risk.

As at 31 December 2020, the Company had a loan with Angel Leasing Company Limited of £4,462,000 (2019: £nil). This loan is unsecured, and bears interest at the weighted average cost of debt of the Group's senior facilities plus a margin and has no fixed maturity date. The directors have received confirmation from its lenders that they will not be calling any loans for repayment within the next 12 months.

For the year ending 31 December 2020, the directors estimate the fair value of the Company's fixed rate loans to be as follows:

	31 December 2020	31 December 2019
	£'000	£'000
External loans - fixed	<u>1,877,028</u>	1,708,799

The fair value of the secured bonds is based on quoted prices in active markets, and in accordance with the fair value hierarchy within IFRS 13, they have been categorised as Level 1. The fair value of the secured notes is based on referenced UK pound sterling gilt rates, and in accordance with the fair value hierarchy within IFRS 13, they have been categorised as Level 2. Further details of the various levels can be found within note 1.

The directors consider that the carrying amount of the Company's variable rate borrowings approximates to their fair value. In the context of the fair value hierarchy set out in IFRS13, these variable rate borrowings are included within Level 2.

Borrowings	Maturity	Notes	Nominal interest rate	31 December 2020	31 December 2019
				£'000	£'000
Bonds					
£500m Notes	2035	Amortising	6.875%	344,600	366,700
£300m Notes	2020	Bullet	6.250%	-	300,000
£400m Notes	2031	Amortising	6.500%	328,000	340,000
£60m Notes	2023	Amortising	LIBOR + margin	60,000	60,000
£60m Notes	2031	Amortising	6.500%	49,200	51,000

The Great Rolling Stock Company PLC

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

15. Loans payable (continued)

Borrowings	Maturity	Notes	Nominal interest rate	31 December 2020 £'000	31 December 2019 £'000
Bank Loans and Notes					
Senior £137.5m	2024	Bullet	LIBOR + margin	137,500	137,500
Senior £137.5m	2029	Amortising	LIBOR + margin	116,875	123,750
Senior RCF £350m*	2025	Bullet	LIBOR + margin	-	185,700
Senior Notes £30m	2031	Bullet	Fixed coupon	30,000	30,000
Senior Notes £200m	2034	Amortising	Fixed coupon	200,000	200,000
Senior Notes £100m	2037	Amortising	Fixed coupon	100,000	100,000
Senior Notes £85m	2032	Amortising	Fixed coupon	85,000	85,000
Senior Notes £300m	2033	Amortising	Fixed coupon	300,000	-
Senior £396.5m**	2027	Amortising	LIBOR + margin	160,034	-
Senior Notes £430.4m***	2027	Amortising	Fixed coupon	427,646	-

Where amortising borrowings have not changed from prior years, amortisation is due to start in future years.

*During the year, the Company gave notice to extend the availability period of the Revolving Credit Facility (RCF) by a further 12 months to 2025.

**During the year, the Company entered into a secured £396,500,000 Senior Term Facility on a 3 month floating interest rate based on 3 month LIBOR plus margin. The amount drawn down and outstanding up to 31 December was £160,034,000. The facility is repayable in instalments between 2020 and 2027. This facility was raised to refinance other loans of the Group.

***During the year, the Company entered into a secured £430,450,000 Senior Notes Purchase Agreement on a fixed coupon rate. The amount drawn down and outstanding up to 31 December was £427,646,000. The facility is repayable in instalments between 2020 and 2027. This facility was raised to finance the procurement of a contracted new trains on order.

The above debt facilities and bonds are secured on the fixed assets, which mainly comprise rolling stock, of companies under 100% direct, or indirect ownership, of the ultimate parent undertaking Willow Topco Limited.

16. Contingent liabilities

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

Willow Holdco 1 Limited:

£325,000,000 (of which £325,000,000 (2019: £200,000,000) has been drawn down) Junior loan agreements.

Angel Trans Group Limited (formerly Willow Bidco Limited) and Angel Trains Limited:

£2,140,983,000 (of which £1,557,055,000 (2019: £861,950,000) remains outstanding) Senior loan and revolving facilities agreements.

The Great Rolling Stock Company PLC

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

17. Derivative financial instruments

	31 December 2020	31 December 2020	31 December 2019	31 December 2019
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Non-current portion				
Interest rate swaps - used for hedging	-	221,967	-	99,760
Interest rate swaps - held for trading	31,657	54,157	35,397	56,176
Total non-current derivative financial instruments	<u>31,657</u>	<u>276,124</u>	<u>35,397</u>	<u>155,936</u>

As at 31 December 2020, the Company had interest rate swap assets of £31,657,000 (2019: £35,397,000) that are subject to master netting arrangements that can be offset against interest rate swap liabilities on default.

Interest rate swap instruments contained within formerly designated relationships are measured as fair value through profit or loss. Any remaining cumulative losses previously recognised directly in other comprehensive income are reclassified to profit or loss over periods when profit or loss is impacted by the hedged item within other gains/(losses). Amounts taken to profit or loss during the year are detailed in note 6.

The fair value of interest rate swaps held by the Company is calculated as the present value of the estimated future cash flows based on observable yield curves. As such, these instruments are measured using Level 2 valuations within the IFRS 13 fair value hierarchy, details of which can be found in note 1. Further details of derivative financial instruments are provided in note 20.

18. Reserves

	Capital reserve	Hedging reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000
At 1 January 2019	200,000	(59,911)	(77,355)	62,734
Loss recognised on cash flow hedges:				
Interest swaps (net of tax)	-	(48,022)	-	(48,022)
Loss for the year	-	-	(16,535)	(16,535)
At 1 January 2020	200,000	(107,933)	(93,890)	(1,823)
Loss recognised on cash flow hedges:				
Interest swaps (net of tax)	-	(65,357)	-	(65,357)
Loss for the year	-	-	(6,078)	(6,078)
At 31 December 2020	200,000	(173,290)	(99,968)	(73,258)

The Great Rolling Stock Company PLC

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

18. Reserves (continued)

As at 31 December 2020, the Company had included within 'Hedging reserves', £155,389,000 (2019: £82,801,000) relating to continuing cash flow hedges. Hedging reserves are considered to be non-distributable, therefore, the total reserves distributable to the Company's shareholders are £100,032,000 (2019: £106,110,000).

19. Called up share capital

	31 December 2020	31 December 2019
	£	£
Authorised:		
140,000,100 (2019: 140,000,100) Ordinary shares of £1	140,000,100	140,000,100
Issued, called up and fully paid:		
140,000,001 (2019: 140,000,001) Ordinary shares of £1	140,000,001	140,000,001

The Company has one class of £1 ordinary shares which carry no right to fixed income.

20. Financial risk management

The major risks associated with the Company's business are market risk, liquidity risk, capital risk and credit risk. The management of these risks is carried out on a group level by the ultimate parent company, Willow Topco Limited (the Group). 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 is not materially exposed to currency risk as nearly all its assets and liabilities are UK based and denominated in pound sterling; there was an insignificant amount of foreign currency transactions during the current and prior years.

Cash flow interest rate risk management

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company enters into interest rate swaps to mitigate the risk of rising interest rates. The Group's policy is to maintain a minimum fixed rate profile of 75% of its committed senior debt. This is achieved by either issuing fixed rate debt or converting a proportion of its floating rate debt to fixed rate debt. 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. Where permissible under IFRS 9, the Group designates these as cash flow hedges of interest rate risk. Swaps previously held within hedging relationships that have been discontinued are assessed on an ongoing basis to be included within new hedge relationships. The Company does not use derivative financial instruments for speculative purposes however due to the refinancing activity that took place during 2017 and 2019, at Company level, there are periods within the short term where floating rate debt exposures are exceeded by derivative financial instruments held due to a portion of forecast floating rate debt not meeting highly probable requirements. This position (£366,990,000 notional at 31 December 2020) is expected to continue for the medium term though the Company will continue to assess how these derivatives will be used as part of future financing needs.

The Great Rolling Stock Company PLC

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

20. Financial risk management (continued)

Market risk (continued)

Cash flow interest rate risk management (continued)

Interest rate swaps issued in pounds sterling with a notional of 937.3m (2019: 427.0m) currently reference LIBOR, and are designated as cash flow hedges. An assessment of changes required to these instruments continued during the year. As noted in the accounting policies section, the Company early adopted 'Interest Rate Benchmark Reform – Amendments to IFRS 7, IAS 39 and IFRS 9' in 2019, concluding that a change in the LIBOR interest rate benchmark arrangements would not be considered a modification to the hedging instrument and would not impact the hedge relationship.

Effects of hedge accounting on the financial position and performance

The cumulative effect of the interest rate swaps held in designated relationships on the Company's financial position and performance are as follows:

	31 December 2020	31 December 2019
	£'000	£'000
Derivative financial instruments - interest rate swaps		
Carrying amount (liability)	(221,967)	(99,760)
Notional amounts	937,329	426,995
Maturity date	2027 - 2049	2026 - 2049
Hedge ratio *	1:1	1:1
Change in fair value of outstanding hedge instruments since 1 January	(107,477)	(67,089)
Change in value of hedge item used to determine hedge effectiveness	(108,250)	(65,460)
Weighted average hedged rate for the year	1.6%	1.7%

* the notional profile of the designated interest rate swaps and loans matched on inception, therefore the hedge ratio is 1:1.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Company enters into interest rate swaps that have similar critical terms as the hedged item, such as reference date, reset dates, payment dates, maturities and notional amounts. Prospective testing is carried out using the cumulative dollar offset method with the hypothetical derivative approach whereby the change in fair value of the hedging instrument is compared to the change in fair value of the hedge item attributable to the hedged risk. Hedge ineffectiveness may occur due to mismatches in critical terms between the hedging instrument and the hedged item such as notional amounts and interest reset frequencies. The lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item is recognised through other comprehensive income, if the effectiveness requirements of IFRS 9 are continued to be met.

The Company does not hedge 100% of its loans, therefore the hedged item is identified as a portion of the outstanding loans up to the notional amount of the swaps that have not been previously included in another hedge designation. As most of the critical terms matched during the year, the Company's economic relationships were highly effective.

The Great Rolling Stock Company PLC

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

20. Financial risk management (continued)

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the issued variable rate debt cash flow exposures. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as at the reporting date.

Interest rate swap contracts

Derivative Financial instruments - Liabilities

Outstanding receive floating pay fixed rate	Average contracted fixed interest rate	Average contracted fixed interest rate	Notional principal amount	Notional principal amount	Fair value liabilities	Fair value liabilities
	2020	2019	2020	2019	£'000	£'000
					£'000	£'000
Within 1 year	-	-	-	-	-	-
Between 1 and 2 years		-	-	-	-	-
Between 2 and 5 years	5.09%	-	182,877	-	(31,657)	-
Over 5 years	1.68%	2.33%	1,433,605	1,342,261	(244,467)	(155,936)
			1,616,482	1,342,261	(276,124)	(155,936)

Derivative Financial instruments - Assets

Outstanding receive floating pay fixed rate	Average contracted fixed interest rate	Average contracted fixed interest rate	Notional principal amount	Notional principal amount	Fair value assets	Fair value assets
	2020	2019	2020	2019	£'000	£'000
					£'000	£'000
Between 2 and 5 years	5.09	-	182,877	-	31,657	-
Over 5 years	-	3.91	-	262,745	-	35,397
			182,877	262,745	31,657	35,397

The interest rate swaps were settled on a 3 and 6 monthly basis using 3 and 6 month GBP LIBOR respectively. The Company settles the difference between the fixed and floating interest on a net basis.

The Great Rolling Stock Company PLC

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

20. Financial risk management (continued)

Derivative Financial instruments - Assets (continued)

Interest rate swaps that exchange fixed rate interest amounts for floating rate interest amounts reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. During the year, the interest rate swap payments were settled every 3 and 6 months with loan interest payments settled monthly and quarterly as eligible under the Senior Facilities Agreement 2018 (restated). This is due to the Group taking advantage of short term basis mismatch that existed during the year between 1 month vs 6 month and 3 month vs 6 month GBP LIBOR.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's:

- Loss for the year ended 31 December 2020 would increase by £46,417,000 (2019: £50,514,000) and decrease by £46,417,000 (2019: £50,514,000) mainly as a result of the changes in fair value of fixed rate instruments no longer in hedge relationships.
- Cash flow hedge reserves current deficit would decrease by £194,617,000 (2019: £164,497,000) and increase by £194,617,000 (2019: £164,497,000) respectively mainly as a result of the changes in fair value of fixed rate instruments.

The increase/decrease in sensitivity for Company profit mostly relates to interest rate swap contracts that are no longer meeting the requirement for cash flow hedge accounting. This is expected to be short term in nature as they form part of the Company's medium to long term funding strategy.

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 equity attributable to owners of the Company, comprising issued capital, reserves and accumulated losses as disclosed in notes 18 and 19.

Credit risk

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

The Company's principal financial assets are finance lease receivables, derivative instruments, cash and cash equivalents, 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 its guarantees as disclosed in note 16.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are other Group companies and banks with high credit ratings assigned by international credit-rating agencies. For derivative financial instruments refer to note 17.

The credit risk on group undertakings is limited because the undertakings are solvent, under common control and the directors are confident of them continuing as going concerns. The credit on group undertakings is not past due.

Loan Ratio

The key performance indicator that the directors consider is the ratio of loan and lease receivables to loans payable. The loan ratio in 2020 was 1.01 (2019: 0.98). A target ratio of below 1.20 is considered by the directors to be an efficient utilisation of group funding by the Company.

The Great Rolling Stock Company PLC

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

20. Financial risk management (continued)

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 mismatching of maturities across the balance sheet. For loans payable refer to note 15. For trade and other payables refer to note 13.

(a) Financing arrangements

The Company has access to the following undrawn borrowing facilities at the end of the reporting period:

	2020 £'000	2019 £'000
Expiring beyond one year (senior facilities and notes)	585,520	464,300

The Company has an upper drawdown limit on the senior revolving credit facility of £350,000,000 (2019: £350,000,000) of which £350,000,000 was undrawn as at 31 December 2020 (31 December 2019: £164,300,000).

During the year, the Company entered into £396,500,000 Term Facility (2019: £nil) of which £235,620,000 was undrawn as at 31 December 2020 (31 December 2019: £nil).

(b) Maturities of financial liabilities

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, except for net settled derivative financial instruments, which are included at their fair value. As a result, these amounts do not reconcile to the amounts disclosed on the balance sheet except for trade and other payables where discounting is not applied.

	Within one year	Between one and two years	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000	£'000
2020					
Trade and other payables	110,194	-	-	-	110,194
Loans payable external	84,024	95,255	355,989	2,017,309	2,552,577
Interest payable on external loans	85,083	84,663	158,939	359,206	687,891
Loans from group undertakings	-	4,462	-	-	4,462
Interest payable on loans from group undertakings	247	-	-	-	247
Derivative financial instruments	-	-	31,657	244,467	276,124
Total	279,548	184,380	546,585	2,620,982	3,631,495

The Great Rolling Stock Company PLC

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

20. Financial risk management (continued)

Liquidity risk (continued)

	Within one year	Between one and two years	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000	£'000
2019					
Trade and other payables	96,438	-	-	-	96,438
Loans payables external	342,775	65,075	516,775	1,055,025	1,979,650
Interest Payable	85,533	73,558	200,636	295,089	654,816
Derivative financial instruments	-	-	-	155,936	155,936
Total	524,746	138,633	717,411	1,506,050	2,886,840

At year end, the Company had access to undrawn borrowing facilities of £563,722,000 (2019: £464,300,000).

21. 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.

22. Related party transactions

In addition to the subsidiary listed in note 12 and parent companies listed in note 21, the Company has related party relationships with the directors and the following subsidiaries of Willow Topco Limited:

- Angel Trains Holding Limited *
- Angel Trains Rolling Stock Limited *
- Angel Trains Group Limited **
- Willow Holdco 1 Limited *
- Willow Holdco 2 Limited *
- Angel Infrastructure Limited **
- Willow Rolling Stock UK Limited ***
- Angel Trains Limited **
- Angel Trains Capital Limited **
- Angel Trains Consulting Limited **
- Angel Locomotive Leasing 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.

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

22. Related party transactions (continued)

Trading transactions

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

Accounts with	Income /Interest received	Purchases /Interest paid	Amounts owed from related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
2020				
Parent				
Fellow Subsidiaries	58,984	33,976	947,660	296,620
Total	72,118	917	1,416,680	4,462
Total	131,102	34,893	2,364,340	301,082
2019				
Fellow Subsidiaries	49,475	42,660	1,086,877	211,275
Total	75,711	496	880,681	-
Total	125,186	43,156	1,967,558	211,275

23. 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 £51,695,000 by way of increasing loans receivable by £51,695,000.
- The Company paid interest of £2,147,000 by way of increasing loans payable by £2,147,000.

24. Reconciliation of liabilities arising from financing activities

	Loans Payable (Note 15)	Derivative financial instruments (Note 17)	Total
	£'000	£'000	£'000
At 1 January 2019			
Financing cashflows	1,847,418	145,996	1,993,414
Non-cash changes	116,897	-	116,897
	2,001	9,940	11,941
At 31 December 2019	1,966,316	155,936	2,122,252
Financing cashflows	(159,038)	30,491	(128,547)
Non-cash changes	511,785	89,697	601,482
At 31 December 2020	2,319,063	276,124	2,595,187

'Non- cash changes' include amortisation of financing costs to profit and loss during the year.

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

25. 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.