

# **Angel Trains Rolling Stock Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

Angel Trains Rolling Stock Limited  
Registered in Jersey: Number 124852  
Registered Office: 27 Hill Street, St Helier, Jersey, JE2 4UA

## Angel Trains Rolling Stock Limited

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## Angel Trains Rolling Stock Limited

### OFFICERS AND PROFESSIONAL ADVISERS

**Directors:**

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

**Company secretary:**

Soditic Secretaries Limited

**Registered office:**

27 Hill Street  
St Helier  
Jersey  
JE2 4UA

**Independent auditors:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

Registered in Jersey: Number 124852

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

The directors present their annual report and the audited financial statements of Angel Trains Rolling Stock Limited (the 'Company') for the year ended 31 December 2020.

**REVIEW OF BUSINESS**

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

The Company's financial performance is presented in the Income Statement on page 9. The profit after tax for the year was £7,400,000 (2019: £10,297,000) and this was transferred to reserves. At the end of the year, the financial position showed total assets of £659,397,000 (2019: £630,213,000).

On 21 December 2020, the Company was sold to a Group Company, Angel Trains Limited. The directors are satisfied with the Company's performance in the year. A comprehensive business review is carried out at a group level by the ultimate parent company, Willow Topco Limited.

Focus on the project management delivery continues with the 133 x 5-car Class 720 electric multiple units (EMU), being manufactured by Bombardier Transportation for operation on the East Anglia franchise owned by Abellio East Anglia Ltd ("Abellio"). During the year the Company took delivery of 12 Class 720 EMU's and began to receive lease rentals for the leasing of these units. The value of the contract is circa £880m

Other income represents the liquidated damages received for compensation of loss suffered as result of delays to the Class 720's EMU's. A comprehensive business review is carried out at a group level by the ultimate parent company, Willow Topco Limited.

There has been an increase to Other (losses) mainly as a result of cumulative losses being reclassified from the cash flow hedge reserve.

**Refranchising & Re-leasing**

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

**STRATEGY**

The strategy of the Company is to ensure the strategy of Willow Topco Limited and its subsidiaries (the 'Group') are executed, which are primarily to manage its asset risk profile and maintain the long-term profitability of the Group.

**KEY PERFORMANCE INDICATORS**

Given the straightforward nature of the Company's activities, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

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

**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 with any changes from 1 January 2020 noted.

<b>Director</b>	<b>Appointed</b>	<b>Resigned</b>
M. Brown A. Lowe D. Jordan M. Prosser K. Tribley	13 July 2020	1 September 2020

**Company Secretary**

Soditic Secretaries Limited

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Companies (Jersey) Law 1991 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 Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Companies (Jersey) Law 1991, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 (Jersey) Law 1991.

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

**Angel Trains Rolling Stock Limited**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**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.

**PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS**

The Company's portfolios of financial instruments principally comprise of loans, interest rate swaps and trade payables. Applying International Financial Reporting Standards (IFRS) as adopted by the European Union, 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.

From the perspective of the Company, except for the above, the principal risks and uncertainties are integrated with the principal risks of the "Group", registered in Jersey, 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.

Since the outbreak of Covid-19, management has put procedures in place to ensure the health, safety and wellbeing of all staff and other stakeholders. Whilst the long term impact is inherently uncertain, management continue to actively monitor 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 and subsequently after in September, by providing them with the opportunity to transition into ERMAs and subsequent NRCs, is considered a strong indication of the importance the rail industry has to the economy. The agreements effectively push the risks of costs and revenue onto the government for an initial period.

**RISK MANAGEMENT**

**Financial risk management**

The major risks associated with the Company's business are market risk, credit risk and liquidity risk. The management of these risks is carried out at a group level by the ultimate parent company, Willow Topco Limited. Interest rate risk is mitigated through the use of hedging (see the Notes to the Financial Statements for further details of the Hedging Policy) and liquidity risk is managed by monitoring cash flow forecasts and ensuring the Group's liquidity requirements are sufficient 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 25.

**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.

**Angel Trains Rolling Stock Limited**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

**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. The Directors having made appropriate enquiries, have reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company continues to analyse the potential impact of Covid-19 on forecasts and liquidity and has concluded there are no material impacts that would affect its conclusion on going concern. In particular:

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

**DIRECTORS INDEMNITY COVER**

No directors have been granted Qualifying Third Party indemnity provisions.

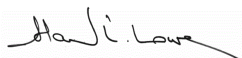
**POST BALANCE SHEET EVENTS**

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.

**LOOKING FORWARD**

Looking ahead, the critical objective of the Company in the short to medium term will be to successfully project manage and deliver the remaining Bombardier Class 720 vehicles.

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



A. Lowe  
**Director**  
29 March 2021

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGEL TRAINS ROLLING STOCK LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

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

### **Independence**

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

### **Conclusions relating to going concern**

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

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

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

### **Reporting on other information**

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

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.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGEL TRAINS ROLLING STOCK LIMITED (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, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the entity and industry, we considered the principal risks of non-compliance with laws and regulations, including those that have a direct impact on the preparation of the financial statements such as the Companies (Jersey) Law 1991 and the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 directors as a body in accordance with 113A of the Companies (Jersey) Law 1991 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANGEL TRAINS ROLLING STOCK LIMITED (continued)**

### **Other required reporting**

#### **Companies (Jersey) Law 1991 exception reporting**

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Luke Hanson  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
31 March 2021

**Angel Trains Rolling Stock Limited**

Registered Number 124852

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

		Year ended 31 December 2020	Year ended 31 December 2019
		£'000	£'000
	<b>Note</b>		
<b>Revenue</b>	2	1,135	-
Cost of sales	3	(485)	-
<b>Gross profit</b>		650	-
Administrative expenses	3	(114)	(85)
Other income	5	38,115	13,619
<b>Operating profit</b>		38,651	13,534
Finance income	4	823	697
Other losses	6	(27,968)	(965)
Finance costs	7	(2,079)	(862)
<b>Profit before income tax</b>		9,427	12,404
Income tax expense	11	(2,027)	(2,107)
<b>Profit attributable to owners of the parent</b>		7,400	10,297

The notes on pages 14 to 37 form an integral part of these financial statements.

**Angel Trains Rolling Stock Limited**

Registered Number 124852

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

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
<b>Profit for the period</b>	7,400	10,297
<b>Other comprehensive income/(expense)</b>		
<b><i>Cash flow hedges</i></b>		
Gain/(Loss) on cash flow hedge taken to equity	9,605	(12,027)
Recycling of amounts from cash flow hedge to profit and loss	3,738	1,446
Tax on items taken directly to equity	(2,268)	1,799
<b>Other comprehensive income/(expense) for the period</b>	<b>11,075</b>	<b>(8,782)</b>
<b>Total comprehensive income for the period attributable to owners of the parent</b>	<b>18,475</b>	<b>1,515</b>

The notes on pages 14 to 37 form an integral part of these financial statements.

**Angel Trains Rolling Stock Limited**

Registered Number 124852

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

	Share capital	(Accumulated losses)/ Retained earnings	Cash flow hedge reserve	Total Equity
	£'000	£'000	£'000	£'000
<b>At 31 December 2018</b>	<b>100</b>	<b>(599)</b>	<b>(2,293)</b>	<b>(2,792)</b>
Profit for the period	-	10,297	-	10,297
<b>Other comprehensive expense</b>				
Loss on cash flow hedge taken to equity	-	-	(12,027)	(12,027)
Recycling of amounts from cash flow hedge to profit and loss	-	-	1,446	1,446
Tax on items taken directly to equity	-	-	1,799	1,799
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>10,297</b>	<b>(8,782)</b>	<b>1,515</b>
<b>At 31 December 2019</b>	<b>100</b>	<b>9,698</b>	<b>(11,075)</b>	<b>(1,277)</b>
Profit for the period	-	7,400	-	7,400
<b>Other comprehensive income</b>				
Gain on cash flow hedge taken to equity	-	-	9,605	9,605
Recycling of amounts from cash flow hedge to profit and loss	-	-	3,738	3,738
Tax on items taken directly to equity	-	-	(2,268)	(2,268)
<b>Total comprehensive income</b>	<b>-</b>	<b>7,400</b>	<b>11,075</b>	<b>18,475</b>
<b>At 31 December 2020</b>	<b>100</b>	<b>17,098</b>	<b>-</b>	<b>17,198</b>

The notes on pages 14 to 37 form an integral part of these financial statements.

## Angel Trains Rolling Stock Limited

Registered Number 124852

### BALANCE SHEET AS AT 31 DECEMBER 2020

		31 December 2020	31 December 2019
	Note	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	531,713	447,739
Deferred tax assets	14	-	256
		531,713	447,995
<b>Current Assets</b>			
Current tax assets	10	234	14
Trade and other receivables	13	4,213	5,346
Cash and cash equivalents	13	123,237	176,858
		127,684	182,218
<b>Current Liabilities</b>			
Trade and other payables	20	(1,455)	(30)
Loans payable	16	(91,900)	(103,382)
		(93,355)	(103,412)
<b>Net current assets</b>		34,329	78,806
<b>Total assets less current liabilities</b>		566,042	526,801
<b>Non-current liabilities</b>			
Loans payable	16	544,572	513,348
Deferred tax liabilities	14	4,272	-
Derivative financial instruments	15	-	14,730
		548,844	528,078
<b>Equity attributable to the owners</b>			
Share capital	18	100	100
Cash flow hedge reserve	19	-	(11,075)
Retained earnings	19	17,098	9,698
<b>Total equity</b>		17,198	(1,277)
<b>Total equity and non-current liabilities</b>		566,042	526,801

The notes on pages 14 to 37 form an integral part of these financial statements.

The financial statements on pages 9 to 37 were approved by the Board of Directors and authorised for issue on 29 March 2021. They were signed on its behalf by:



A. Lowe  
Director

## Angel Trains Rolling Stock Limited

Registered Number 124852

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
<b>Cash flows from operating activities:</b>		
Receipts	45,651	8,793
Cash paid to suppliers	(4,523)	(1,772)
Interest paid	(17,764)	(14,354)
Income taxes received	14	15
<b>Net cash generated from/(used in) operating activities</b>	<b>23,378</b>	<b>(7,318)</b>
<b>Cash flows from investing activities:</b>		
Payments to acquire property, plant and equipment	(63,517)	(1,138)
Interest received	1,257	255
<b>Net cash used in investing activities</b>	<b>(62,260)</b>	<b>(883)</b>
<b>Cash flows from financing activities:</b>		
Receipt of new loans	53,115	183,861
Payment on sale of derivative instruments	(29,355)	-
Repayment of loans	(38,499)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(14,739)</b>	<b>183,861</b>
Net cash movements in cash and cash equivalents	(53,621)	175,660
Cash and cash equivalents at the beginning of the year	176,858	1,198
<b>Cash and cash equivalents at end of year</b>	<b>123,237</b>	<b>176,858</b>

The notes on pages 14 to 37 form an integral part of these financial statements.

Non cash transactions are disclosed in note 26.

## Angel Trains Rolling Stock Limited

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

#### 1. Significant accounting policies

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

##### **General**

Angel Trains Rolling Stock Limited is a private limited company incorporated in Jersey and domiciled in the United Kingdom. The address of the registered office is on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

##### **Basis of preparation of financial statements**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee interpretations as adopted by the European Union ("EU"), and the Companies (Jersey) Law 1991 applicable to companies reporting under IFRSs.

The Company's financial statements are prepared on the going concern basis and under the historical cost convention as modified by the revaluation of derivative instruments. The principal accounting policies adopted are set out below.

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

##### *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimates (see below) that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

##### *Revenue Recognition*

To determine the correct revenue recognition of other operating income management takes into account all facts and circumstances when considering recognition. Where purchase contracts of rolling stock are in combination with operating lease contracts management considers the economic substance of the transaction. This is particularly relevant if there is a delay in the manufacture of rolling stock that causes loss of operating lease revenue.

Management have determined that damages received for the delay in receiving new rolling stock represents other income rather than a discount to the price of the assets purchased.



## Angel Trains Rolling Stock Limited

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

#### 1. Significant accounting policies (continued)

##### Adoption of the new and revised Standards

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

IFRS 3 (amendment) - 'Business combinations'

IFRS 9 (amendment) - 'Financial instruments: recognition and measurement' - Interest rate benchmark reform

IFRS 7 (amendment) - 'Financial instruments: Disclosures' - Interest rate benchmark reform

IAS 1 (amendment) - 'Presentation of financial statements'

IAS 8 (amendment) - 'Accounting policies, changes in accounting estimates and errors'

Amendments to References to the Conceptual Framework in IFRS Standards'

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

IFRS 17 - 'Insurance contracts'

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

The directors anticipate that the adoption of these standards, amendments and Interpretations are either not applicable to the Company's operations or will have no material impact on the financial statements of the Company. The Company has not chosen to early adopt any other standards, amendments and interpretations to existing standards during the year.

##### Revenue

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Management have determined that damages received for the delay in receiving new rolling stock represents other income rather than a discount to the price of the assets purchased.

##### 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.

##### Taxation

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

Current tax is based on taxable profit for the year ended 31 December 2020. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current 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.

## Angel Trains Rolling Stock Limited

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

#### 1. Significant accounting policies (continued)

##### Taxation (continued)

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.

##### Leasing

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

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

##### Financial instruments

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

##### Financial Assets

The Company classifies 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.

##### 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.

##### Trade and other receivables

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

##### Loan borrowings

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

## Angel Trains Rolling Stock Limited

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

#### 1. Significant accounting policies (continued)

##### Financial instruments (continued)

##### 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.

##### Trade and other payables

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

##### Loans Payable

Interest-bearing loans are initially measured at fair value, net of transactions 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 rate 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 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, using the effective interest rate method. The modification gains or loss is calculated as the difference between the original carrying value and the modified carrying value, calculated using the modified cash flows discounted at the original effective interest rate. Where it is considered an extinguishment has taken place, the carrying value is removed from the balance sheet, with any difference to the consideration paid recognised in the income statement.

##### Derivative financial instruments

The Company's activities expose it primarily to the financial risks 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 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 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).

## Angel Trains Rolling Stock Limited

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

#### 1. Significant accounting policies (continued)

##### Financial instruments (continued)

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 IASB issued 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' (the Amendment) which is effective from 1 January 2020, with early adoption permitted. The Amendment is 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 Company has elected to early adopt the Amendment, applying it retrospectively to its hedge accounting relationships, and providing the required disclosures note 25. The adoption of the Amendment has 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 currently underway 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 losses.

##### Derivative financial instruments (continued)

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, where it is no longer part of the hedge relationship due to an adjustment to the hedge ratio, 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 losses.

## Angel Trains Rolling Stock Limited

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

#### 1. Significant accounting policies (continued)

##### **Borrowing costs**

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

##### **Share capital**

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

##### **Property, plant and equipment**

Property, plant and equipment are shown at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of these assets is charged to cost of sales. Depreciation is charged so as to write off the cost of these assets over their estimated useful lives, using the straight-line method.

The following rates are used for the depreciation of property, plant and equipment:

	<u>Years</u>
Rolling Stock	35

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

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

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

## Angel Trains Rolling Stock Limited

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

#### 2. Revenue

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Operating lease rentals	1,135	-
	1,135	-
	1,135	-

All revenue relates to United Kingdom operations.

#### 3. Expenses by Nature

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	485	-
Other expenses	114	85
	599	85
	599	85

Auditors' remuneration for audit services during the year was £19,470 (2019: £18,900). The auditors did not provide any non-audit services during the year (2019: £nil).

#### 4. Finance income

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Other interest	823	697
	823	697
	823	697

## Angel Trains Rolling Stock Limited

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

#### 5. Other income

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Other income	38,115	13,619
	38,115	13,619

Other income represents liquidated damages received during the year for late delivery of rolling stock under the contract the Company has with its supplier.

#### 6. Other losses

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Hedge ineffectiveness on cash flow hedges	-	(965)
Recycling of amounts from cash flow hedge to profit and loss	(27,968)	-
	(27,968)	(965)

Recycling of amounts from cash flow hedge reserve includes cumulative losses previously recognised in cash flow hedge reserves in relation to hedge relationships that were discontinued during the year of £27,968,000 (2019:£nil).

#### 7. Finance costs

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to group undertakings	1,010	-
Swap interest payable	3,738	1,446
Other interest payable	16,846	13,319
Amortisation of loan fees	1,427	945
Interest capitalised	(20,942)	(14,848)
	2,079	862

## Angel Trains Rolling Stock Limited

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

#### 8. Property, plant and equipment

	<b>Rolling Stock</b>
	<b>£'000</b>
<b>Cost</b>	
At 31 December 2018	431,753
Additions	15,986
At 31 December 2019	447,739
Additions	84,459
<b>At 31 December 2020</b>	<b><u>532,198</u></b>
 <b>Accumulated depreciation</b>	
At 31 December 2018	-
Charge for the year	-
At 31 December 2019	-
Charge for the year	485
<b>At 31 December 2020</b>	<b><u>485</u></b>
 <b>Net book value</b>	
<b>At 31 December 2020</b>	<b><u>531,713</u></b>
At 31 December 2019	<u>447,739</u>

Rolling stock is comprised of assets under the course of construction of £445,838,000 (2019: £447,739,000). No depreciation has been charged on these assets (2019: £nil).

#### 9. Directors' and employees' emoluments

None of the directors received any emoluments for their services to the Company during the year (2019: £nil). The Company itself has no employees (2019: none).

#### 10. Current tax assets

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Current tax assets	<u>234</u>	<u>14</u>

At 31 December 2020, the Company had current tax assets of £234,000 (2019: 14,000) receivable from other group companies. The amounts receivable from other group companies are unsecured and will be paid within the next 12 months.



## Angel Trains Rolling Stock Limited

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

#### 11. Income tax expense

The charge for taxation based on the profit for the period 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
<b>Current tax credit</b>		
Current tax credit on profits for the period	(233)	(14)
<b>Total current tax</b>	<b>(233)</b>	<b>(14)</b>
<b>Deferred tax charge</b>		
Origination and reversal of temporary differences	2,024	2,371
Adjustments in respect of prior years	(1)	-
Effect of tax rate change	237	(250)
Total Deferred tax charge	2,260	2,121
<b>Income tax charge</b>	<b>2,027</b>	<b>2,107</b>

The income tax charge differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	£'000	£'000
Profit before income tax	9,427	12,404
Expected tax charge at 19.00% (2019:19.00%)	1,791	2,357
Adjustments in respect of prior years	(1)	-
Effect of change in tax rate	237	(250)
<b>Income tax charge for the period</b>	<b>2,027</b>	<b>2,107</b>

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

At the 2016 Budget, the corporation tax main rate was set to remain at 19.00% from 1 April 2019, reducing to 17% from 1 April 2020. Subsequently in the 2020 Budget, it was announced that the corporation tax main rate would remain at 19% from 1 April 2020 and 2021. This was enacted in the Finance Act 2020 which received Royal Assent on 22 July 2020. The effect of the future tax rate remaining at 19% has been reflected in the charge to the income statement for the year.

## Angel Trains Rolling Stock Limited

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

#### 12. Financial assets and liabilities by category

31 December 2020

Note

		Financial assets at amortised cost	Derivatives used for hedging	Total
		£'000	£'000	£'000
<b>Assets as per balance sheet</b>				
Trade and other receivables	13	4,213	-	4,213
Cash and cash equivalents	13	123,237	-	123,237
<b>Total</b>		<b>127,450</b>	<b>-</b>	<b>127,450</b>

		Other financial liabilities at amortised cost	Derivatives used for hedging	Total
		£'000	£'000	£'000
<b>Liabilities as per balance sheet</b>				
Derivative financial instruments	15	-	-	-
Loan notes	16	91,900	-	91,900
Loans payable	16	544,572	-	544,572
Trade and other payables	20	1,455	-	1,455
<b>Total</b>		<b>637,927</b>	<b>-</b>	<b>637,927</b>

31 December 2019

		Financial assets at amortised cost	Derivatives used for hedging	Total
		£'000	£'000	£'000
<b>Assets as per balance sheet</b>				
Trade and other receivables	13	5,346	-	5,346
Cash and cash equivalents	13	176,858	-	176,858
<b>Total</b>		<b>182,204</b>	<b>-</b>	<b>182,204</b>

		Other financial liabilities at amortised cost	Derivatives used for hedging	Total
		£'000	£'000	£'000
<b>Liabilities as per balance sheet</b>				
Derivative financial instruments	15	-	14,730	14,730
Loan notes	16	91,900	-	91,900
Loans payable	16	524,830	-	524,830
Trade and other payables	20	30	-	30
<b>Total</b>		<b>616,760</b>	<b>14,730</b>	<b>631,490</b>

## Angel Trains Rolling Stock Limited

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

#### 13. Financial assets at amortised cost

##### Trade and other receivables

	31 December 2020	31 December 2019
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade receivables	4,213	5,346

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

##### Cash and cash equivalents

Cash and cash equivalents comprise of cash held by the Company. The carrying amount of these assets approximates to their fair value.

#### 14. Deferred taxation

	31 December 2020	31 December 2019
	£'000	£'000
Deferred tax assets	16,894	4,510
Deferred tax liabilities	(21,166)	(4,254)
	(4,272)	256

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

## Angel Trains Rolling Stock Limited

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

#### 14. Deferred taxation (continued)

##### Deferred tax assets

	Fair value of derivative instruments	Tax losses	Total
	£'000	£'000	£'000
<b>At 31 December 2018</b>	<b>541</b>	<b>1,767</b>	<b>2,308</b>
Credit to equity for the year	2,010	-	2,010
Effect of tax rate change in equity	(211)	-	(211)
Credit to income statement for the year	183	267	450
Effect of tax rate change to income statement for the year	(19)	(28)	(47)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2019</b>	<b>2,504</b>	<b>2,006</b>	<b>4,510</b>
Debit to equity for the year	(2,535)	-	(2,535)
Effect of tax rate change in equity	267	-	267
(Debit)/Credit to income statement for the year	(263)	14,651	14,388
Adjustment to previous periods	-	1	1
Effect of tax rate change to income statement for the year	27	236	263
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020</b>	<b>-</b>	<b>16,894</b>	<b>16,894</b>

## Angel Trains Rolling Stock Limited

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

#### 14. Deferred taxation (continued)

##### Deferred tax liabilities

##### Accelerated capital allowances

£'000

##### At 31 December 2018

Charge to the income statement for the year	(1,730)
Effect of change in tax rate	(2,821)
	297

##### At 31 December 2019

Charge to the income statement for the year	(4,254)
Effect of change in tax rate	(16,412)
	(500)

##### At 31 December 2020

(21,166)

Losses included within deferred tax assets are expected to be utilised against future profits within the tax group.

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 to reduce from 19.00% to 17.00% from 1 April 2020.

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

The effect of change in tax rate has been reflected in the charge to the income statement for the year, and closing deferred tax assets and liabilities 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 liabilities would have increased by £6,684,000.

#### 15. Derivative financial instruments

	31 December 2020	31 December 2019
	Liabilities	Liabilities
	£'000	£'000

##### Non-current portion

Interest rate swaps - cash flow hedges	-	14,730
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During the year, the Company novated all derivative financial instruments to a fellow Group Company, The Great Rolling Stock Company PLC which led to the termination of a designated cash flow hedge relationship that was entered into during 2017. Losses on these were recycled directly to the income statement and are detailed in note 6.

## Angel Trains Rolling Stock Limited

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

#### 15. Derivative financial instruments (continued)

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 25.

#### 16. Loans payable

	31 December 2020	31 December 2019
	£'000	£'000
<b>Amounts falling due within one year</b>		
External loans	-	11,482
Loan notes	91,900	91,900
	91,900	103,382
<b>Amounts falling due after one year</b>		
External loans	-	525,800
Less unamortised loan fees	-	(12,452)
Loans from group undertakings	544,572	-
	544,572	513,348
	<b>636,472</b>	<b>616,730</b>

As at 31 December 2020 the Company had an unsecured, interest free and repayable on demand Loan Note from a fellow group Company, Angel Trains Holdings Limited of £91,900,000 (2019: £91,900,000).

The external loans included above are repayable as follows:

	31 December 2020	31 December 2019
	£'000	£'000
Within one year	-	11,482
Between one and two years	-	22,036
Between two and five years	-	73,440
Over five years	-	430,324
	-	537,282
Less: Amount due for settlement within 12 months (shown under current liabilities)	-	(11,482)
	-	525,800

## Angel Trains Rolling Stock Limited

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

#### 16. Loans payable (continued)

The effective interest rates paid were as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
External loans - fixed	3.40%	3.43%
External loans - floating	2.75%	3.03%
Loan notes	0%	0%
Loans from group undertakings	6.54%	-

Borrowings of £nil (2019: £374,711,000) are arranged at fixed interest rates and expose the Company to fair value interest rate risk. Borrowings of £91,900,000 (2019: £91,900,000) from a Group Company are arranged interest free.

For the year ending 31 December, the directors estimate the fair value of the Company's fixed rate and interest free borrowings to be as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
External loans- fixed	-	390,608

In the context of the fair value hierarchy set out in IFRS13, these fixed and interest free borrowings are included within level 2.

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.

During the year the Company novated all external loans to a fellow group Company, The Great Rolling Stock Company PLC.

#### 17. Residual value exposures

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

	<b>Rolling Stock</b>	<b>Rolling Stock</b>
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expected net book value at lease expiry date</b>		
More than five years	72,531	-

Residual value excludes assets under the course of construction of £445,838,000

## Angel Trains Rolling Stock Limited

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

#### 18. Share capital

	31 December 2020	31 December 2019
	£	£
<b>Issued and fully paid:</b>		
100,000 (2019: 100,000) Ordinary shares of £1 each	100,000	100,000

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

#### 19. Reserves

	Cash flow hedge reserve	(Accumulated losses)/ Retained earnings	Total
	£'000	£'000	£'000
<b>At 31 December 2018</b>	(2,293)	(599)	(2,892)
Total recognised income for the period	-	10,297	10,297
Interest swaps (net of tax)	(8,782)	-	(8,782)
	(11,075)	9,698	(1,377)
<b>At 31 December 2019</b>			
Total recognised income for the year	-	7,400	7,400
Interest rate swaps (net of tax)	11,075	-	11,075
	-	17,098	17,098
<b>At 31 December 2020</b>	-	17,098	17,098

#### 20. Trade and other payables

	31 December 2020	31 December 2019
	£'000	£'000
Accruals	1,455	30

Trade and other payables principally comprise accruals for trade purchases, ongoing costs, and other income.



## Angel Trains Rolling Stock Limited

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

#### 21. Contingent liabilities

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

The Great Rolling Stock Company PLC, Angel Trains 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.

Willow Holdco 1 Limited:

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

The Great Rolling Stock Company Limited:

£4,000,000,000 (of which £781,800,000 (2019: £1,117,700,000) remains outstanding) secured guaranteed notes programme.

The Company has an ongoing dispute with a supplier. Disclosures required by IAS 37 have not been provided as permitted when disclosure of the information would prejudice seriously the position of the Company in the dispute. The directors expect no material outflow of economic benefits on this matter.

#### 22. Parent Companies

The Company's immediate parent company is Angel Trains Limited, the Company was sold from Angel Trains Holdings Limited on 21 December 2020.

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.

#### 23. Operating lease arrangements

At balance sheet date, the Company has contracted the following future minimum lease rentals:

	31 December 2020	31 December 2019
	£'000	£'000
Within one year	5,301	-
Between one and two years	5,301	-
Between two and three years	5,301	-
Between three and four years	5,301	-
Between four and five years	4,151	-
	25,355	-

At 31 December 2020, the Company had taken delivery of 60 vehicles.

## Angel Trains Rolling Stock Limited

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

#### 24. Related party transactions

The Company has related party relationships with the directors and the following fellow members of the Group:

Angel Trains Holdings Limited  
 The Great Rolling Stock Company PLC  
 Angel Leasing Company Limited  
 Willow Holdco 1 Limited  
 Willow Holdco 2 Limited  
 Angel Trains Group Limited (formerly Willow Bidco Limited)  
 Angel Trains Group Limited  
 Willow Rolling Stock UK Limited  
 Angel Trains Capital Limited  
 Angel Trains Consulting Limited  
 Angel Trains Infrastructure Limited  
 Angel Locomotive Leasing Limited

#### Trading transactions

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

##### 31 December 2020

	Income/ Interest received	Purchases/ Interest paid	Amounts owed from related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	-	79	-	-
Fellow Subsidiaries	-	1,010	-	636,472
<b>Total</b>	<b>-</b>	<b>1,089</b>	<b>-</b>	<b>636,472</b>

##### 31 December 2019

	Income/ Interest received	Purchases/ Interest paid	Amounts owed from related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	-	-	-	91,900
Fellow Subsidiaries *	-	349	-	-
<b>Total</b>	<b>-</b>	<b>349</b>	<b>-</b>	<b>91,900</b>

\* Prior year disclosure adjustment for purchases from Group Companies totaling £349,000.

## Angel Trains Rolling Stock Limited

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

#### 25. Financial risk management

The major risks associated with the Company's business are market risk, credit risk and liquidity risk. The management of these risks is carried out at a group level by the ultimate parent company, Willow Topco Limited. The Group has established a comprehensive framework for managing these risks which are continually evolving as business activities change in response to market, credit, product and other developments.

##### Market risk

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

The Company is not exposed to currency risk as all its assets and liabilities are UK based and denominated in pound sterling.

The Company's activities expose it primarily to the financial risks of changes in interest rates. The significant interest rate risk arises from loans. The Company's loans are with other companies within the Group and are not hedged.

During the year the Company novated all derivative financial instruments to a fellow Group Company, The Great Rolling Stock Company PLC.

##### *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
<b>Derivative financial instruments - interest rate swaps</b>		
Carrying amount (liability) £'000	-	14,730
Notional amounts £'000	-	266,155
Maturity date	-	2027
Hedge ratio *	-	1:1
Change in fair value of outstanding hedge instruments since 1 January £'000	-	(11,546)
Change in value of hedge item used to determine hedge effectiveness £'000	-	(12,511)
Weighted average hedged rate for the year	-	1.4%

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

## Angel Trains Rolling Stock Limited

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

#### 25. Financial risk management (continued)

##### *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 entered into interest rate swaps that had 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. As most of the critical terms matched during the year, the Company's economic relationships were highly effective.

##### *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.

##### *Interest rate swap contracts*

#### Derivative Financial instruments - Liabilities

	Average fixed interest rate 31 December 2020	Notional principal amount 31 December 2020	Fair value liabilities 31 December 2020
	%	£'000	£'000
<b>Outstanding receive floating pay fixed rate</b>			
Over 5 years	-	-	-
	Average fixed interest rate 31 December 2019	Notional principal amount 31 December 2019	Fair value liabilities 31 December 2019
	%	£'000	£'000
<b>Outstanding receive floating pay fixed rate</b>			
Over 5 years	1.45	340,259	14,730

## Angel Trains Rolling Stock Limited

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

#### 25. Financial risk management (continued)

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

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 period, the interest rate swap settlement dates coincided with the dates on which interest is settled on the underlying floating rate debt.

##### *Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates 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 period. A 1% increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

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

- Profit for the year ended 31 December 2020 would increase/decrease by £5,446,000 (2019: £1,257,000)
- Cash flow hedge reserves current deficit would increase/decrease by £nil (2019: £26,182) mainly as a result of the changes in fair value of fixed rate instruments.

#### **Credit risk**

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

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

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

## Angel Trains Rolling Stock Limited

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

#### 25. 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 risk is not considered material. The Company has borrowing facilities with other members in the Group.

Liquidity management within the Group focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the 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.

The following table details the remaining maturity for financial liabilities.

	Within one year	Between one and two years	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000	£'000
<b>2020</b>					
Trade and other payables	1,455	-	-	-	1,455
Loan notes	91,900	-	-	-	91,900
Interest payable	36,420	-	-	-	36,420
Loans from group undertakings	-	544,572	-	-	544,572
<b>Total</b>	<b>129,775</b>	<b>544,572</b>	<b>-</b>	<b>-</b>	<b>674,347</b>
	Within one year	Between one and two years	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000	£'000
<b>2019</b>					
Trade and other payables	30	-	-	-	30
Loans payable external	11,482	22,036	73,440	430,324	537,282
Interest payable	18,733	22,569	64,507	57,405	163,214
Loan notes	91,900	-	-	-	91,900
Derivative financial instruments - external	-	-	-	14,730	14,730
Loans from group undertakings	-	-	-	-	-
	<b>122,145</b>	<b>44,605</b>	<b>137,947</b>	<b>502,459</b>	<b>807,156</b>

## Angel Trains Rolling Stock Limited

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

#### 25. Financial risk management (continued)

##### Liquidity risk (continued)

Included within loan notes is £91,900,000 (2019: 91,900,000) of interest free loan notes that have no fixed maturity date.

##### Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated losses as disclosed in notes 18 and 19.

#### 26. 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 increased loans payable by £1,010,000 in settlement of interest payable of £1,010,000.

#### 27. Reconciliation of liabilities arising from financing activities

	<b>Loans payable (note 16) £'000</b>
<b>At 31 December 2018</b>	433,210
Financing cash flows - net	183,861
Non-cash changes*	(341)
<b>At 31 December 2019</b>	<b>616,730</b>
Financing cash flows - net	14,616
Non-cash changes**	5,126
<b>At December 2020</b>	<b>636,472</b>

During the year, the Company settled derivative liabilities of 29,355,000 to a Group Company.

\*Non - cash changes includes settlement of interest and commitment fees payable and amortisation of loan fees.

\*\*Non - cash changes includes amortisation of loan fees and settlement of interest payable to Group Company.

#### 28. 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.