The Great Rolling Stock Company PLC
(formerly The Great Rolling Stock Company Limited)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Great Rolling Stock Company PLC
Registered in England and Wales: Number 3086382
Registered Office: c/o Angel Trains Limited, 123 Victoria Street, London, SW1E 6DE

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The Great Rolling Stock Company PLC

Officers and Professional Advisers

Directors:	K. Tribley 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 3086382

The directors present their strategic report on The Great Rolling Stock Company PLC (the 'Company') for the year ended 31 December 2019.

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. 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 early terminated and amended a number of interest rate swaps as a result of the Department for Transport ("DfT") announcing the cancellation of the competition for the new South Eastern Franchise for which the Group had been preferred financier with the remaining franchise bidders. 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 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 13. The loss for the financial year was £16,535,000 (2018: profit £10,644,000) 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 £32,403,000 (2018: £1,836,000 gains), 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 decreased by 4.3% and cost of sales decreased by 5.1%. Administrative expenses decreased by 18.1% mainly due to a decrease in intercompany management fees.

At the end of the year, the financial position showed total assets of £2,356,904,000 (2018: £2,227,883,000) representing an increase of 5.8%. This includes the carrying value of finance lease receivables due from other group companies of £880,681,000 compared to £939,391,000 at the previous year end. Other non-current assets include loans receivable of £852,840,000 (2018: £665,615,000) and deferred tax assets of £17,693,000 (2018: £10,189,000).

The key performance indicator that the directors consider is the ratio of loan and lease receivables to loans payable. The loan ratio in 2019 was 0.98 (2018: 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.

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

We proactively engage with our stakeholders to maximise value and secure long-term success and are continually striving to improve our impact. The Company sets out below our key stakeholders' groups, their material issues and how we engage with them. It has no direct employees.

The Company has engaged with key stakeholders to assess the impact of the Coronavirus in both the short and long term.

Our Key Stakeholders

Shareholders - The Company attaches considerable importance to communications with its direct shareholders as well as the shareholders of the ultimate parent company, Willow Topco Ltd ("the Group") and engages with them on a regular basis. Open and frequent dialogue with investors enables them to fully understand the Group's strategy, objectives and governance. Site visits and individual discussions with the executive and non-executive directors are also arranged throughout the year with shareholders.

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.

Training and development

With the ever changing environment, our directors keep their knowledge and skills up-to-date. The Company currently has no non-executive directors. As required, we invite professional advisers to provide in-depth training and updates on a range of topics, including, but not limited to market trends, the economic and political environment, technological, environmental and social considerations.

All newly appointed directors had suitable induction training, including training on their section 172 and other duties, and director training was provided by an external facilitator in October 2019 and refresher courses will be provided from time to time. At management level, training and guidance was provided on writing effective board papers to ensure the impact of proposed decisions is clearly explained to the Board.

Culture

The company recognises the importance of ensuring the right culture and the Board monitors our culture to ensure we maintain our values and high standards of transparency and integrity.

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 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. 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.

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

6 April 2020

The Great Rolling Stock Company PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

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.

Company law 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 company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the Company’s auditors are unaware; and
- they have taken all the steps that 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.

DIVIDENDS

The directors recommend that no dividend be paid (2018: £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		
D. Jordan		
M. Hicks		23 July 2019
M. Prosser	23 July 2019	
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 International Financial Reporting Standards, 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 Willow Topco Limited (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.

Since year end, the outbreak of Coronavirus (COVID-19) continues 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 providing them with the opportunity to transition into temporary emergency 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 for an initial period of six months.

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.

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 the Notes to the Financial Statements 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.

POST BALANCE SHEET EVENTS

Since year end, an outbreak of a new strain of the Coronavirus (COVID-19) in China has continued to spread across the globe including the United Kingdom causing a global pandemic and economic disruption. Management continue to monitor the situation and are taking actions where necessary to reduce sensitivity to any economic shocks. This is considered a non-adjusting event and as the situation is rapidly evolving it is not practicable to quantify the potential financial impact. However, given the robust financial and liquidity position of the Company any impact is not considered to affect the going concern of the Company.

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

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

Alan C. Lowe

A. Lowe
Director
6 April 2020

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 (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 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 2019; the Income Statement, the Statement of Cash Flows and 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

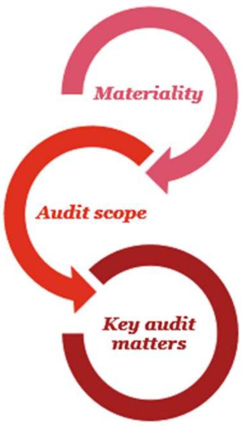
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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.

Our audit approach

Overview



- Overall materiality: £1,128,000 (2018: £1,118,000), based on 1% of cost of sales.

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

The key audit matters were:

- Cash flow hedge accounting
- Impact of Coronavirus disease 2019 (Covid-19)

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. 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.

Independent auditors' report to the members of The Great Rolling Stock Company PLC

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.

Key audit matter	***How our audit addressed the 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. Details are provided in note 1, "Derivative financial instruments and hedging activities" and in note 17. 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 forecast future debt is highly probable in order to continue hedge accounting. This is a matter of judgement and 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.	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. • 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 Coronavirus disease 2019 (Covid-19) Covid-19 is a respiratory disease that has been declared a pandemic by the World Health Organisation. The UK Government has taken significant steps to prevent the disease from spreading further including requiring all but key workers to social distance from others. Covid-19 has had a broad range of secondary impacts including on financial markets, commodity prices and credit spreads. Specifically, in relation to the rail industry, demand for train travel has dropped substantially and this has placed Train Operating Companies (TOCs) under financial stress. On March 23, 2020 the UK government announced it was suspending the current franchising regime, and that they would be replaced by Emergency Measures Agreements that transfer revenue and cost risks to the government. The Directors must assess whether the company is a going concern at the date of signing the accounts and whether any material uncertainties in relation to going concern exist. This assessment includes considering Covid-19 related developments that have arisen to date, as well as potential future impacts. We are required to consider the directors' assessment and disclosures as part of our audit.	Our testing in this area included: • We obtained management's going concern assessment, which included specific consideration of the impacts of Covid-19; • We tested the debt refinancing schedule for the Company, including confirming that sufficient committed facilities are available to refinance all debt coming due in the next year; • We performed testing on the Company's financial covenant compliance, and applied severe but plausible stresses, including in relation to rolling stock impairments, counterparty failures and movements in the fair value of unhedged interest rate swaps without noting any breaches; Based on our testing we considered the directors' adoption of the going concern basis of accounting is reasonable.

Independent auditors' report to the members of The Great Rolling Stock Company PLC

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.

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.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including but not limited to, UK Company Law and UK tax legislation. Our tests included, but were not limited to enquiries of management, review of the completeness of disclosures within the financial statements, assessment of the impact of changes in tax law, and considering the taxation implications of transactions and events in the year.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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	£1,128,000 (2018: £1,118,000).
How we determined it	1% of cost of sales.
Rationale for benchmark applied	As the company acts to raise financing for Willow Topco Limited and its subsidiaries a primary measure used by the shareholders in assessing the performance of the entity is Cost of Sales which is formed of interest expense. For the Company, cost of sales makes up the majority of total expenses, which is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £56,400 (2018: £59,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Independent auditors' report to the members of The Great Rolling Stock Company PLC

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, 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.

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 received 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 specified by law are not made; or

We have no exceptions to report arising from this responsibility.

Luke Hanson

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 April 2020

The Great Rolling Stock Company PLC

Registered Number 3086382

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019	Year ended 31 December 2018
		£'000	£'000
Revenue	2	125,188	130,817
Cost of sales	4	(112,820)	(118,888)
Gross profit		12,368	11,929
Administrative expenses	5	(524)	(640)
Operating profit		11,844	11,289
Other (losses)/gains	6	(32,403)	1,836
(Loss)/profit before income tax		(20,559)	13,125
Income tax credit/(expense)	7	4,024	(2,481)
(Loss)/profit attributable to owners of the parent	18	(16,535)	10,644

The notes on pages 18 to 42 form an integral part of these financial statements.

The Great Rolling Stock Company PLC

Registered Number 3086382

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	**£'000**
(Loss)/profit for the year	**(16,535)**	**10,644**
Other comprehensive (expense)/income:		
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges		
(Losses)/gains arising during the year	(70,527)	6,881
Recycling of amounts from cash flow hedge reserve to profit and loss	9,045	14,383
Gains taken to profit or loss	3,438	2,955
Tax on items taken directly to equity	10,022	(5,494)
Other comprehensive (expense)/income for the year	**(48,022)**	**18,725**
Total comprehensive (expense)/income for the year attributable to owners of the parent	**(64,557)**	**29,369**

The notes on pages 18 to 42 form an integral part of these financial statements.

The Great Rolling Stock Company PLC

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Called up share capital	Hedging reserve	Capital reserve	Accumulated losses	Total Equity
		£'000	£'000	£'000	£'000	£'000
At 1 January 2018	19,18	140,000	(78,636)	200,000	(87,999)	173,365
Profit for the year		-	-	-	10,644	10,644
Other comprehensive income						
Cash flow hedges						
Gains arising during the year		-	6,881	-	-	6,881
Recycling of amounts from cash flow hedge reserve to profit and loss		-	14,383	-	-	14,383
Gains taken to profit or loss		-	2,955	-	-	2,955
Tax on items taken directly to equity		-	(5,494)	-	-	(5,494)
Total comprehensive income		**-**	**18,725**	**-**	**10,644**	**29,369**
At 1 January 2019		**140,000**	**(59,911)**	**200,000**	**(77,355)**	**202,734**
Loss for the year		-	-	-	(16,535)	(16,535)
Other comprehensive expense						
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		**-**	**(48,022)**	**-**	**(16,535)**	**(64,557)**
At 31 December 2019	19,18	**140,000**	**(107,933)**	**200,000**	**(93,890)**	**138,177**

The notes on pages 18 to 42 form an integral part of these financial statements.

The Great Rolling Stock Company PLC

Registered Number 3086382

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Assets			
Non-current assets			
Finance lease receivables	11	818,273	874,443
Deferred tax assets	8	17,693	10,189
Derivative financial instruments	17	35,397	49,071
Loans and receivables	10	852,840	665,615
Investments	12	363,564	363,564
		2,087,767	1,962,882
Current Assets			
Finance lease receivables	11	62,408	64,948
Trade and other receivables	10	-	17
Cash and cash equivalents	10	74	36
Current tax assets	14	6,655	-
Loans and receivables	10	200,000	200,000
		269,137	265,001
Current Liabilities			
Trade and other payables	13	(96,436)	(28,463)
Loans payable	15	(342,775)	(66,675)
Current tax liabilities	14	-	(3,272)
		(439,211)	(98,410)
Net current (liabilities)/assets		**(170,074)**	**166,591**
Total assets less current liabilities		**1,917,693**	**2,129,473**
Non-current liabilities			
Loans payable	15	1,623,580	1,780,743
Derivative financial instruments	17	155,936	145,996
		1,779,516	1,926,739
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	(107,933)	(59,911)
Accumulated losses	18	(93,890)	(77,355)
Total equity		**138,177**	**202,734**
Total equity and non-current liabilities		**1,917,693**	**2,129,473**

The notes on pages 18 to 42 form an integral part of these financial statements.

The financial statements on pages 13 to 42 were approved by the Board of Directors and authorised for issue on 6 April 2020. They were signed on its behalf by:

A. Lowe
Director

The Great Rolling Stock Company PLC

Registered Number 3086382

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Cash flows from operating activities		
Cash received from customers	76,105	80,876
Cash paid to suppliers and group companies	(1,554)	(1,658)
Cash generated from operations	74,551	79,218
Income taxed paid	(3,385)	(109)
Interest paid	(104,437)	(116,778)
Net cash used in operating activities	(33,271)	(37,669)
Cash flows from investing activities		
Interest received	3,917	9,017
Principal elements of lease payments (2018 - Capital repayment of finance leases)	58,316	55,241
Net cash generated from investing activities	62,233	64,258
Cash flow from financing activities		
Proceeds of new loans	189,400	127,100
Payments for debt issue costs	(2,128)	(4,367)
Repayment of loans	(70,375)	(145,975)
Issue of new loans to group companies	(290,450)	(207,200)
Repayment of amounts borrowed by group companies	144,630	203,365
Net cash used in financing activities	(28,923)	(27,077)
Net increase/(decrease) in cash and cash equivalents	39	(488)
Cash and cash equivalents at the beginning of the year	36	525
Effect of foreign exchange rate changes	(1)	(1)
Cash and cash equivalents at the end of the year		
Bank balances and cash	74	36

The notes on pages 18 to 42 form an integral part of these financial statements.

Non cash transactions are disclosed in note 23.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 European Union ("EU") endorsed International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations and the Companies Act 2006 applicable to companies reporting under 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.

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. Where level 1 inputs are not available, 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

New and amended IFRS standards that are effective for the current year

Impact of amendments to IFRS 9 Financial Instruments, and IFRS 7 Financial Instruments:Disclosures
The Company has early adopted the amendments to IFRS 9 ‘Financial Instruments’ and IFRS 7 ‘Financial Instruments: Disclosures’. These relate to interbank offered rates (IBORs) reform and were endorsed by the EU on 6 January 2020. The replacement of benchmark interest rates such as LIBOR and other IBORs is a priority for global regulators. The amendments provide relief from applying specific hedge accounting requirements to hedge relationships directly affected by IBOR reform and have the effect that IBOR reform should generally not cause hedge accounting to terminate. As at 1 January 2019, the Company had five designated hedge relationships with a notional of £709,899,000 that are potentially impacted by IBOR reform due to the Company’s exposure to LIBOR. There is no financial impact from the early adoption of these amendments the implications on the wider business of IBOR reform will be assessed during 2020.

Impact of initial application of IFRS 16 Leases
In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) which became effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect on lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described below in the Company as a lessee and the Company as a lessor policy. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The company holds no leases that were previously defined as operating leases under IAS 17

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019.

1. Significant Accounting Policies (continued)

Adoption of the new and revised Standards (continued)

New and amended IFRS standards that are effective for the current year (continued)

(b) Impact on lessee accounting

Applying IFRS 16, the Company does not hold any contracts that would have previously been classified as operating leases under IAS 17, which were off balance sheet or finance leases.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. However, this has not had a material impact to the Company.

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 2019, but did not have a material impact on the Company's financial statements:

IFRS 7 (amendment) - 'Financial instruments: Disclosures' - Interest rate benchmark reform
IFRS 9 (amendment - 2017) - 'Financial instruments: recognition and measurement'
IFRS 16 - 'Leases'
IAS 19 (amendment) - 'Employee Benefits'
IAS 28 (amendment) - 'Investments in associates'
IFRIC 23 (amendment) - 'Uncertainty over income tax'
Annual improvements IFRS Standards 2015-2017 cycle

The following standards, amendments and interpretations to existing standards have been issued but are effective for accounting years beginning after 1 January 2019, and the Company has not early adopted them:

IFRS 3 (amendment) - 'Business combinations'
IFRS 9 (amendment) - 'Financial instruments: recognition and measurement' - Interest rate benchmark reform
IFRS 17 -' Insurance contracts'
IAS 1 (amendment) - 'Presentation of financial statements'
IAS 8 (amendment) - 'Accounting policies, changes in accounting estimates and errors'

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.

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.

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.

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.

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 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 20. 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 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 of 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).

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.

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 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 2019	Year ended 31 December 2018
	£'000	£'000
Finance lease income from group undertakings	75,711	80,483
Interest received - group	49,475	50,332
Other interest receivable	2	2
	125,188	130,817

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 (2018: £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 (2018: £nil).

4. Cost of sales

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Swap interest payable	20,317	24,372
Other interest payable	92,503	94,516
	112,820	118,888

Other interest payable includes interest due on external loans held by the Company, including an amount of £2,001,000 relating to the amortisation of loan fees during the year (2018: £1,841,000).

5. Administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Management fees	478	543
Other expenses	46	97
Total administration expenses	524	640

(Loss)/profit before income tax for the year is stated after charging auditors' remuneration for audit services during the year of £18,690 (2018: £17,800). The auditors did not provide any non-audit services during the year (2018: £nil).

6. Other (losses)/gains

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Currency translation losses	(1)	(1)
Recycling of amounts from cash flow hedge reserve	(10,676)	(13,090)
Hedge ineffectiveness on cash flow hedges	1,631	(1,293)
Fair value (losses)/gains on derivative instruments	(23,357)	16,220
	(32,403)	1,836

Recycling of amounts from cash flow hedge reserve includes cumulative losses reclassified in line with the hedged item from previously terminated hedge relationships of £10,676,000 (2018: £13,090,000).

7. Income tax credit/(expense)

The (credit)/charge for taxation based on the (loss)/profit for the year is based on United Kingdom corporation tax at 19.00% (2018: 19.00%) and comprises:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	**£'000**
Current tax (credit)/charge		
Current tax (credit)/charge on profits for the year	(4,866)	2,347
Adjustments in respect of prior years	114	-
Current tax (credit)/charge.	**(4,752)**	**2,347**
Deferred tax charge		
Origination and reversal of temporary differences	814	102
Effect of tax rate change	(86)	32
Deferred tax charge	**728**	**134**
Income tax (credit)/charge	**(4,024)**	**2,481**

The total (credit)/charge for the year can be reconciled to the accounting loss as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	**£'000**
(Loss)/profit before income tax	(20,559)	13,125
Expected tax (credit)/charge at 19.00% (2018: 19.00%)	(3,906)	2,494
Other timing differences	(32)	(46)
Effect of change in tax rate	(86)	32
Non deductible expense	-	1
Taxation (credit)/charge for the year	**(4,024)**	**2,481**

In addition to the above, an increase in deferred tax assets of £8,232,000 (2018: £4,570,000 a decrease of) was credited through equity relating to hedging interest rate swaps.

The Company's losses for this accounting period are taxed at the main corporation tax rate of 19.00% (2018: 19.00%).

In Finance Act 2016 which received Royal Assent on 15 September 2016, the main rate of corporation tax was reduced further to 17.00% from 1 April 2020. The effect of the future change in tax rate has been reflected in the credit to the income statement for the year.

It was announced in the 11 March 2020 Budget that the main rate of corporation tax will remain at 19.00% from 1 April 2020. However, this had not been substantively enacted at the balance sheet date.

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 2018	123	14,770	14,893
Charge to equity	-	(3,724)	(3,724)
Effect of change in tax rate in equity	-	(846)	(846)
Charge to the income statement for the year	(13)	(89)	(102)
Effect of change in tax rate in income statement	(9)	(23)	(32)
At 31 December 2018	**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 tax rate change in income statement	1	85	86
At 31 December 2019	**89**	**17,604**	**17,693**

In the Finance Act 2016 which received Royal Assent on 15 September 2016, the main rate of Corporation Tax was reduced to 17.00% from 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 or liabilities are provided for at a rate of 17.00% (opening: 17.00%).

In the 11 March 2020 Budget, it was announced that the main rate of corporation tax will remain at 19.00% from 1 April 2020. Had this been substantively enacted before the balance sheet date, the closing deferred tax assets would have increased by £2,082,000.

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

9. Financial assets and liabilities by category

31 December 2019

	Note	Derivatives held for trading at FVPL	Derivatives used for hedging	Financial assets at amortised cost	Total
		£'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**

	Note	Derivatives held for trading at FVPL	Derivatives used for hedging	Liabilities at amortised cost	Total
		£'000	£'000	£'000	£'000
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**

31 December 2018

	Note	Derivatives held for trading at FVPL	Derivatives used for hedging	Financial assets at amortised cost	Total
		£'000	£'000	£'000	£'000
Assets as per balance sheet					
Derivative financial instruments	17	47,837	1,234	-	49,071
Loans receivable	10	-	-	865,615	865,615
Finance lease receivable	11	-	-	939,391	939,391
Trade and other receivables	10	-	-	17	17
Cash and cash equivalents	10	-	-	36	36
Total		**47,837**	**1,234**	**1,805,059**	**1,854,130**

	Note	Derivatives held for trading at FVPL	Derivatives used for hedging	Liabilities at amortised cost	Total
		£'000	£'000	£'000	£'000
Liabilities as per balance sheet					
Derivative financial instruments	17	112,091	33,905	-	145,996
Loans payable	15	-	-	1,847,418	1,847,418
Trade and other payables	13	-	-	28,463	28,463
Total		**112,091**	**33,905**	**1,875,881**	**2,021,877**

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 2019 was £74,000 (2018: £36,000). The carrying amount of these assets approximates to their fair value.

Loans receivable

	31 December 2019	31 December 2018
	£'000	£'000
Amounts falling due within one year		
Loans to intermediate parent company	200,000	200,000
Amounts falling due after more than one year		
Loans to intermediate parent company	852,840	665,615

As at 31 December 2019, the Company had loans issued to Willow Rolling Stock UK Limited of £852,840,000 (2018: £665,615,000). 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 the 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.

The Company has also loaned Willow Rolling Stock UK Limited £200,000,000 (2018: £200,000,000). Included in the loan is interest of £nil (2018: £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.

Trade and other receivables

	31 December 2019	31 December 2018
	£'000	£'000
Amounts falling due within one year		
Trade and other receivables	-	17

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

11. Finance lease receivables

	Minimum lease payments 2019	Minimum lease payments 2018	Present value of minimum lease payments 2019	Present value of minimum lease payments 2018
	£'000	£'000	£'000	£'000
Amounts receivable under finance leases				
Within one year	127,611	134,421	62,408	64,948
In the second to fifth years inclusive	454,569	476,828	215,670	219,576
After five years	868,523	973,874	602,603	654,867
	1,450,703	**1,585,123**	**880,681**	**939,391**
Less: unearned finance income	(570,022)	(645,732)	-	-
Present value of minimum lease receivables	**880,681**	**939,391**	**880,681**	**939,391**

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% (2018: 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 4.90% (2018: 5.35%) as at 31 December 2019 was £1,074,448,000 (2018: £1,126,459,000).

12. Investments

	Shares in group undertakings
	£'000
Cost and net book value	
At 1 January 2018	363,564
At **31 December 2018**	**363,564**
At **31 December 2019**	**363,564**

During the year ended 31 December 2019, the directors did not deem it necessary to impair investments.

12.Investments (continued)

Details of the Company's investment in subsidiaries at 31 December 2019 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 2019	31 December 2018
	£'000	£'000
Accruals	27,508	28,463
Other payables	68,928	-
	96,436	**28,463**

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

At 31 December 2019, the Company owed £68,928,000 (2018: £nil) to another group company in respect of an outstanding settlement for interest rate swap terminations during the year. The directors consider that the carrying amount of other payables approximates their fair values, due to their short term nature.

14. Current tax assets/(liabilities)

	31 December 2019	31 December 2018
	£'000	£'000
Current tax assets/(liabilities)	6,655	(3,272)

At 31 December 2019, the Company had current tax assets of £6,655,000 receivable from (2018: £3,272,000 current tax liabilities payable to) other group companies. The amounts receivable by/(payable to) other group companies are unsecured and will be settled within the next 12 months.

15. Loans payable

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year		
External loans	342,775	66,675

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due after one year		
External loans	1,636,875	1,793,950
Less unamortised fees	(13,295)	(13,207)
	1,623,580	1,780,743

The external loans included above are repayable as follows:

	31 December 2019 £'000	31 December 2018 £'000
Within one year	342,775	66,675
Between one and two years	65,075	342,775
Between two and five years	516,775	202,100
Over five years	1,055,025	1,249,075
	1,979,650	1,860,625

The effective interest rates paid were as follows:

	31 December 2019	31 December 2018
External loans - fixed	4.94%	5.05%

The fair value of the Company's external loans is calculated using the weighted average cost of funding. Borrowings of £1,472,700,000 (2018: £1,508,600,000) are arranged at fixed interest rates and expose the Company to fair value interest rate risk.

For the year ending 31 December 2019, the directors estimate the fair value of the Company's fixed rate loans to be as follows:

	31 December 2019 £'000	31 December 2018 £'000
External loans - fixed	1,708,799	1,635,153

15.Loans payable (continued)

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 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.

Borrowings	Maturity	Notes	Nominal interest rate	31 December 2019	31 December 2018
				£'000	£'000
Bonds					
£500m Notes	2035	Amortising	6.875%	366,700	388,800
£300m Notes	2020	Bullet	6.250%	300,000	300,000
£400m Notes	2031	Amortising	6.500%	340,000	352,000
£60m Notes	2023	Amortising	LIBOR + margin	60,000	60,000
£60m Notes	2031	Amortising	6.500%	51,000	52,800
Bank Loans and Notes					
Senior £137.5m	2024	Bullet	LIBOR + margin	137,500	137,500
Senior £137.5m	2029	Amortising	LIBOR + margin	123,750	130,625
Senior RCF £350m*	2024	Bullet	LIBOR + margin	185,700	23,900
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	-	-

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

*During the year, the Revolving Credit Facility (RCF) was extended to 2024 with the option of a further extension to 2025 in 2021.

**During the year, the Company extended the initial drawdown period for a £300,000,000 term facility to 2020.

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 £200,000,000 (2018: £275,000,000) has been drawn down) Junior loan agreements.

Willow Bidco Limited and Angel Trains Limited:
£1,326,300,000 (of which £861,950,000 (2018: £707,025,000) remains outstanding) Senior loan and revolving facilities agreements.

17. Derivative financial instruments

	31 December 2019 Assets £'000	31 December 2019 Liabilities £'000	31 December 2018 Assets £'000	31 December 2018 Liabilities £'000
Non-current portion				
Interest rate swaps - used for hedging	-	99,760	1,234	33,905
Interest rate swaps - held for trading	35,397	56,176	47,837	112,091
Total non-current derivative financial instruments	35,397	155,936	49,071	145,996

As at 31 December 2019, the Company had interest rate swap assets of £35,397,000 (2018: £38,326,000) 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 £'000	Hedging reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2018	200,000	(78,636)	(87,999)	33,365
Gain recognised on cash flow hedges:				
Interest swaps (net of tax)	-	18,725	-	18,725
Profit for the year	-	-	10,644	10,644
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 31 December 2019	200,000	(107,933)	(93,890)	(1,823)

18. Reserves (continued)

As at 31 December 2019, the Company had included within 'Hedging reserves', £82,801,000 (2018: £25,763,000) relating to continuing cash flow hedges.

In 2010, a capital contribution of £200,000,000 was made to the Company from a group member. As at 31 December 2019, £nil of the capital reserve is non-distributable to the Company's shareholders (2018: £nil). The hedging reserves are considered to be non-distributable. Therefore, the total reserves distributable to the Company's shareholders are £106,110,000 (2018: £122,645,000).

19. Called up share capital

	31 December 2019 £	31 December 2018 £
Authorised:		
140,000,100 (2018: 140,000,100) Ordinary shares of £1	140,000,100	140,000,100
Issued, called up and fully paid:		
140,000,001 (2018: 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 placing 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.

20. Financial risk management (continued)

Market Risk (continued)

Cash flow interest rate risk management (continued)

Interest rate swaps with a notional of £427.0m currently reference LIBOR, and are designated as cash flow hedges. An assessment of changes required to these instruments is currently underway. As noted in the accounting policies section, the Company has early adopted ‘Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 9’ and, therefore, it has been assumed 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 2019	31 December 2018
	£'000	£'000
Derivative financial instruments - interest rate swaps		
Carrying amount (asset)	-	1,234
Carrying amount (liability)	(99,760)	(33,905)
Notional amounts	426,995	315,825
Maturity date	2026 - 2049	2026 - 2049
Hedge ratio *	1:1	1:1
Change in fair value of outstanding hedge instruments since 1 January	(67,089)	10,073
Change in value of hedge item used to determine hedge effectiveness	(65,460)	8,781
Weighted average hedged rate for the year	1.7%	1.6%

* 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.

20.Financial risk management (continued)

Market Risk (continued)

Hedge ineffectiveness (continued)

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.

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 2019	Average contracted fixed interest rate 2018	Notional principal amount 2019 £'000	Notional principal amount 2018 £'000	Fair value liabilities 2019 £'000	Fair value liabilities 2018 £'000
Within 1 year	-	-	-	-	-	-
Between 1 and 2 years	-	-	-	-	-	-
Between 2 and 5 years	-	5.64%	-	9,371	-	(1,784)
Over 5 years	2.33%	2.88%	1,342,261	1,260,488	(155,936)	(144,212)
			1,342,261	1,269,859	(155,936)	(145,996)

Derivative Financial instruments - Assets

Outstanding receive floating pay fixed rate	Average contracted fixed interest rate 2019	Average contracted fixed interest rate 2018	Notional principal amount 2019 £'000	Notional principal amount 2018	Fair value assets 2019 £'000	Fair value assets 2018 £'000
Over 5 years	3.91	2.97	262,745	397,932	35,397	49,071
			262,745	397,932	35,397	49,071

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.

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

20. Financial risk management (continued)

as eligible under the Senior Facilities Agreement 2014 that was amended and restated in 2018. 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 2019 would increase by £50,514,000 (2018: £81,998,000) and decrease by £50,514,000 (2018: £81,998,000) 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 £164,497,000 (2018: £151,582,000) and increase by £164,497,000 (2018: £151,582,000) 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 it's 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 2019 was 0.98 (2018: 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.

Liquidity risk

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

20. Financial risk management (continued)

Liquidity risk (continued)
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:

	2019	2018
	£'000	£'000
Floating rate		
Expiring beyond one year (senior facilities and notes)	464,300	626,100

The Company has an upper drawdown limit on the senior revolving credit facility of £350,000,000 (2018: £350,000,000) of which £164,300,000 was undrawn as at 31 December 2019 (31 December 2018: £326,100,000). In 2018, the Company entered into a £300,000,000 senior note which was fully undrawn as at 31 December 2019 (31 December 2018: £300,0 00,000). The term to maturity is 7 years.

(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
2019					
Trade and other payables	96,438	-	-	-	96,438
Loans payable 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**
2018					
Trade and other payables	28,463	-	-	-	28,463
Loans payables external	42,775	342,775	202,100	1,249,075	1,836,725
Interest Payable	96,593	90,789	227,792	380,101	795,275
Derivative financial instruments	-	-	1,784	144,212	145,996
Total	**167,831**	**433,564**	**431,676**	**1,773,388**	**2,806,459**

20. Financial risk management (continued)

Liquidity risk (continued)

Included above within 'Loans payable external' within the time 'Between two and five years', the Company has included the drawn down amount of £185,700,000 on the senior revolving credit facility as this is expected to expire in 2024 (31 December 2018: £23,900,000 expiring 2023).

21. Parent companies

The Company's immediate parent company is Angel Trains Group Limited. The registered office is 123 Victoria Street, London, SW1E 6DE.

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.

Willow Bidco Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Willow Bidco Limited can be obtained from 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 had related party relationships with the directors and the following members of the Group:

Angel Trains Holding Limited *
Angel Trains Rolling Stock 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.

Trading transactions

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

	Income /Interest received	Purchases /Interest paid	Amounts owed from related parties	Amounts owed to related parties
Accounts with	**£'000**	**£'000**	**£'000**	**£'000**
2019				
Parent	49,475	42,660	1,086,877	211,275
Fellow Subsidiaries	75,711	496	880,681	-
Total	125,186	43,156	1,967,558	211,275

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

22. Related party transactions (continued)

Trading transactions (continued)

Accounts with	Income /Interest received £'000	Purchases /Interest paid £'000	Amounts owed from related parties £'000	Amounts owed to related parties £'000
2018				
Parent	50,332	22,611	902,708	141,513
Fellow Subsidiaries	80,483	560	939,391	-
Total	130,815	23,171	1,842,099	141,513

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 £41,406,000 by way of increasing loans receivable by £41,406,000.
- The Company paid interest of £1,099,000 by way of increasing loans payable by £1,099,000.

24. Reconciliation of liabilities arising from financing activities

	External Loans £'000	Derivative financial instruments £'000	Total £'000
At January 2018	1,868,161	180,034	2,048,195
Financing cashflows	(23,242)	-	(23,242)
Non-cash changes	2,499	(34,038)	(31,539)
At December 2018	1,847,418	145,996	1,993,414
Financing cashflows	116,897	-	116,897
Non-cash changes	2,001	9,940	11,941
At December 2019	1,966,316	155,936	2,122,252

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

25. Events after the balance sheet date

Since year end, an outbreak of a new strain of the Coronavirus (COVID-19) in China has continued to spread across the globe including the United Kingdom causing a global pandemic and economic disruption. Management continue to monitor the situation and are taking actions where necessary to reduce sensitivity to any economic shocks. This is considered a non-adjusting event and as the situation is rapidly evolving it is not practicable to quantify the potential financial impact. However, given the robust financial and liquidity position of the Company any impact is not considered to affect the going concern of the Company.

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