Trains
Rail People
Real Expertise

WILLOW BIDCO LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Willow Bidco Limited, Registered in Jersey: Company Number 100255
Registered Office: 27 Hill Street, St Helier, Jersey JE2 4UA

Contents

Officers and Professional Advisers

Directors	A Petrie JB Auger B Pahari A Mercado Q Li N McBreen L Pisco P Larsen
Company Secretary	Soditic Secretaries Limited
Registered Office	27 Hill Street St Helier Jersey JE2 4UA
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Strategic Report

1. Review of Business

New Trains

During 2019, Willow Bidco Limited and its subsidiary undertakings (the "Group") successfully project managed and delivered into passenger operation 19 x 5-car Hitachi AT300 bi-mode intercity trains (Class 802), leased by FirstGroup plc ("FirstGroup") on the TransPennine Express franchise. Additionally, 2 out of the 5 x 5 Hitachi AT300 bi-mode intercity trains were also delivered to programme and introduced to passenger service under a lease with Hull Trains Company Ltd ("First Hull Trains"). The combined contract value is circa £287m. There were no new train procurements involving the Group.

Refranchising & Re-leasing

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

- West Coast Trains Ltd – The franchise was extended from April 2019 to December 2019, extending the lease on 574 Pendolino vehicles.
- London & South Eastern Railway Ltd – The franchise was extended from June 2019 to ultimately March 2020, extending the lease of 200 Class 465 and 86 Class 466 vehicles.
- Great Western Railway Ltd – The franchise was extended from April 2019 to March 2020, extending the lease of 12 Class 150, 88 Class 165, 63 Class 166 and 197 HST vehicles.

The following leases were extended or entered into during the period outside of the refranchising process;

- Abellio ScotRail Ltd – 48 Class 314 vehicles were extended from 1 January 2019 to 28 February 2019.
- Merseyside Passenger Transport Ltd – 177 Class 507/8 vehicles were extended from 1 January 2019 up to May 2023.
- Abellio East Anglia Ltd – 220 Class 317 vehicles were extended from various dates in 2019 up to various dates through to December 2020.
- Arriva Rail London Ltd – 56 Class 317 vehicles were extended from various dates in 2019 to June 2020.
- Arriva Rail North Ltd – 48 Class 142 vehicles were extended from December 2019 to March 2020.
- Arriva Rail North Ltd – 10 Class 153 vehicles were extended from December 2019 to January 2020 and then subsequently since period end to March 2020.
- Keolis Amey Wales Cymru Ltd – 30 Class 142 vehicles were extended from December 2019 to June 2020.
- XC Trains Ltd – 19 HST vehicles were extended from October 2019 to October 2020.

The following new leases were entered into following the award of new franchises;

- The West Coast franchise was awarded to First Trenitalia West Coast Rail Ltd; a joint venture between FirstGroup and Trenitalia Uk Ltd, from December 2019 to March 2026. The incumbent Class 390 Pendolino fleet consisting of 574 vehicles was leased for the full franchise term.
- The East Midland franchise was awarded to Abellio East Midlands Ltd from August 2019 to August 2027. All incumbent fleets were leased on short-term leases as well as 84 Class 360 vehicles which will be cascaded from the East Anglia franchise in September 2020 for the full franchise duration and 20 Class 180 vehicles which will be cascaded from the Hull franchise in February 2020 on a short-term lease. The details of the fleets leased are:
- 10 Class 153 vehicles to December 2020
- 8 Class 156 vehicles to December 2021
- 32 Class 158 vehicles to December 2021
- 20 Class 180 vehicles to December 2022
- 24 HST vehicles to December 2020
- 84 Class 360 vehicles to August 2027

The Department for Transport refranchising programme has not been updated since July 2017, a number of directly awarded franchises have been introduced or contemplated. Furthermore, in many of these directly awarded franchises a further extension option has been included, which in our view, is likely to be exercised in a number of instances.

The table below summarises the franchises to be awarded in the next 24 months:

Franchise	Original Franchise Expiry Date (incl. contractual extension options)	New Expiry Date	Further Extension Option
South Eastern	March 2020	October 2021	March 2022
Greater Western	March 2020	March 2023	Up to March 2024
Cross Country	October 2020	Not confirmed	Up to March 2024
Chiltern	December 2021	Not confirmed	None

The impact of the above announcements on the Group remains broadly beneficial, particularly for the Diesel Multiple Unit ("DMU") portfolio, which now has later lease expiry dates than previously envisaged. The curtailment of certain electrification programmes also potentially further enhances the DMU portfolio.

Refurbishment Projects and Future Developments

Throughout 2019 the Group continued to engage with the supply chain to ensure the successful completion of modification programmes on all fleets forecast to operate beyond 31 December 2019 in order to comply with Persons of Reduced Mobility ("PRM") regulations by that deadline. As of up to the date of this report 95% of the required units have been successfully completed. Remaining units have received dispensation to continue passenger service and are expected to complete works during 2020. Investment related to these programmes will ensure vehicles can continue in service for years to come.

Progress continues with the Group's innovative Hybrid Drive research and development project in partnership with Magtec Limited and Chiltern Railways in converting an existing DMU to Hybrid Drive. The performance trial on a Class 165 train is targeted for summer 2020 with the expected benefits being significant reduction in CO_2, NOx, Particulate Matter and noise, as well as an estimated fuel saving of 25% for train operators.

Other Financial & Business Matters

Between 2019 and 2023, 1,147 vehicles with a future economic life are due for re-lease; excluding those which are covered by Railways Act 1993 section 54 undertakings. At year end, 100.0% of the Group's portfolio was on lease, excluding vehicles held for disposal.

During the year, the Group took the opportunity to extend the Revolving Credit Facility to October 2024 and also to extend the Availability Period of the £300m 15-year Term Facility to April 2020. Both of these are senior ring-fence facilities. The debt facilities which are now in place will be used to repay the £300m bond which is due in July 2020. The Baa2 credit rating was affirmed in January 2020 (for the period to December 2019) and the Moody's report highlighted reduced leverage and the successful re-leasing of key fleets.

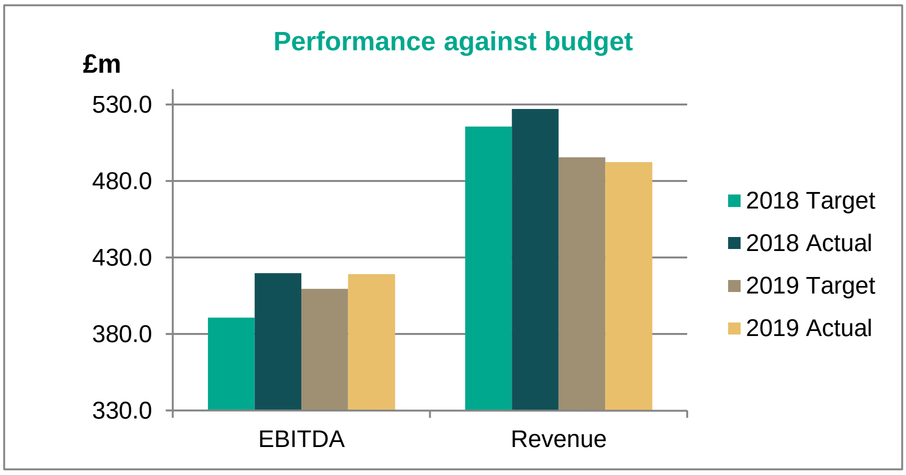
The Group has monitored the potential impact of Brexit insofar that it has been able to. The Group remains insulated from the direct impact of foreign exchange volatility and the senior debt is hedged for interest rates. All of our revenues are generated within the United Kingdom and they are denominated in Sterling.

The Secretary of State for Transport launched a full review of the rail industry in September 2018 which concluded in December 2019. The government will publish a White Paper on its recommendations with any implemented reforms expected to start in 2020. The purpose of the Williams Review is to ensure that the United Kingdom's vital rail services continue to benefit passengers and that it supports a stronger economy. The 'root and branch' review will consider all aspects of the industry including greater train and track integration, regional partnerships and value for money.

The Group welcomes the Williams Review and participated in the initial industry-wide request for information. The Group will continue to support the review and believes its approach to embracing competition, fostering innovation and improving the customer experience through the continued deployment of the ROSCO model is consistent with the review's objectives.

2. Key Performance Indicators

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), the Group's key measure, for the year ending 31 December 2019 was £419.2m (2018: £419.8m). Revenue for the year was £492.3m (2018: £527.5m). The decrease on 2018 is mainly due to a decrease in maintenance lease rentals, as a result of a delay on related maintenance performance obligations that will now occur in the future. This was offset with an increase in operating lease rentals due to short term opportunities.



The other key performance indicator that the directors consider is the percentage of rolling stock (excluding vehicles held for disposal) on lease, which stood at 100.0% at 31 December 2019 (2018: 98.5%) against a target of 95%.

The level of debt increased during the year to £2,721.4m (2018 restated: £2,619.8m) as a result of new trains and capital projects, offset with scheduled repayments.

Bank/Bondholder covenants

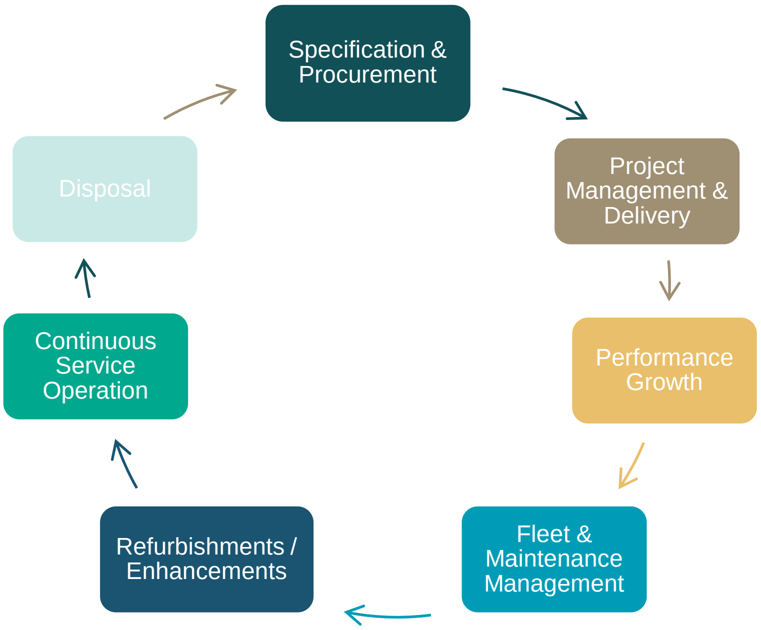
All key ratios remain stable and comply with the covenants of the Group's Senior debt agreements, namely interest cover and leverage (Net debt/EBITDA).

Senior Debt Covenant	Target	Actual
Interest Cover	at least 1.5:1	3.3
Leverage	no greater than 8.5:1	4.7

3. Strategy

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

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



The Group remains supportive of the long term rolling stock projections as outlined in The sixth *Long Term Rolling Stock Strategy published by* the Rolling Stock Strategy Steering Group ("RSSSG") (a cross-industry group comprising the Group and the other ROSCOs, the Association of Train Operating Companies ("ATOC") and Network Rail) with a national fleet increase of between 40% (5,500 vehicles) and 85% (12,000 vehicles) forecast over the next 30 years. The report follows previous editions in setting out a range of forecasts for the likely size and mix of the national rolling stock fleet required to accommodate future passenger numbers over the next 30 years to 2047. However, our projections in rolling stock procurement whilst robust are contingent upon the outcome of the Williams Review and any future Rail franchising schedule. While demand for Self Powered Multiple Units (SPMU's) is increasing, Electrical Multiple Units (EMUs) is the major procurement demand with de-carbonisation and the associated available technologies such as batteries, identified as an increasingly important evaluation consideration with respect to new rolling stock procurement.

Projections in rail procurement are further supported as passenger demand continues to increase nationally with the driver in demand growth attributed to the London and South East sector due to the volume of passenger journeys. In July 2019 the Rail Industry Decarbonisation Taskforce published their 'Final Report To The Minister For Rail'. The study was commissioned in response to the Minister of Transport challenge to remove 'all diesel only trains off the track by 2040', and is also linked to UK Government's wider target (set by law) of net zero carbon by 2050 (as recommended by the Climate Change Commission (CCC). Additionally, it is noted, that Scotland has greater aspirations and is intending to achieve Zero carbon by 2045. Overall volume trend is considered buoyant over the next 5 years, subject to the outcome of the Williams Review and franchise schedule with a combination of EMU and SPMU demands.

4. Our Key Stakeholders

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

The Group has engaged with key stakeholders to assess the impact of the Coronavirus in both the short and long term. *See principal risks and uncertainties.*

Shareholders – The Group attaches considerable importance to communications with shareholders and engages with them regularly. Open and frequent dialogue with investors enables them to fully understand the Group's strategy, objectives and governance. The Group had a successful strategy day event held in November 2019 where direct input was received from shareholders.

Site visits and individual discussions with the executive and non-executive directors are also arranged throughout the year with shareholders.

Suppliers – Strong and collaborative long-term relationships with our suppliers comprising of manufacturers and maintainers of rolling stock is continually developed. Our procurement team engages both formally and informally on a regular basis to secure effective performance from the supply chain. Major issues are subject to discussion and approval at board level so that the board is aware of supplier concerns.

Externally facilitated annual supplier feedback surveys are carried out. Our board papers have been updated to identify the legitimate concerns and interests of key stakeholders.

Our key suppliers have shared with us their plans for mitigating the impact of Brexit and Coronavirus on supplier materials. Management continues to keep a watchful eye on these developments.

The Group is committed to ensuring that our supply chains or any part of our business is free from modern slavery or human trafficking.

Customers - Our customers are fundamental to our business and the Group continually strives to exceed their expectations. Feedback from our annual customer feedback survey is used to address areas for improvement. Our dedicated Customer Service team has regular meetings and engagement events with our key customers to anticipate trends and preferences and incorporate them early in our new rolling stock procurement.

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

Our Product Management team is continually developing ways to reduce costs, improve performance and availability for our customers in releasing our existing portfolio. *See our refurbishment projects and future developments on page 3*.

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

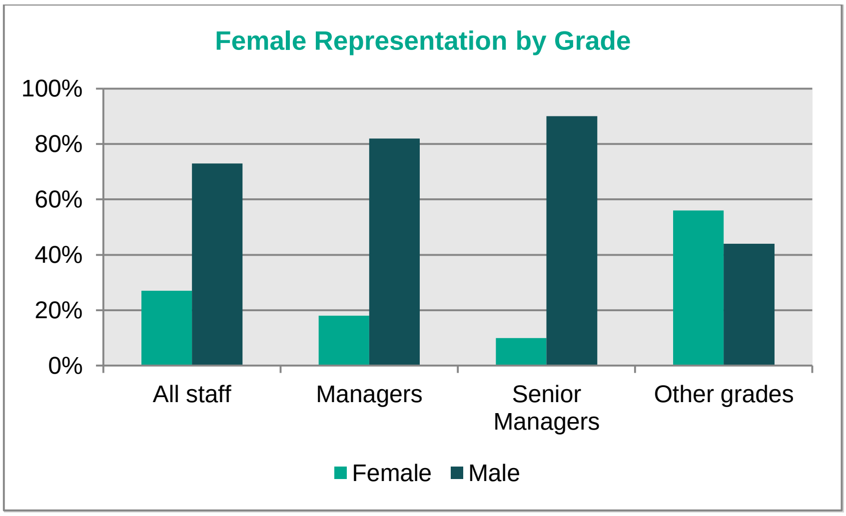
We continue to invest significant time and money into developing a cleaner, greener and smarter Hybrid traction drive system (HyDrive) to replace the Diesel-Hydraulic drive system on a pilot 2 car Class 165/0 unit from Chiltern Railways, a UK rail industry first.

The Group is committed to reducing carbon emissions for each of our fleet. Initial feasibility work to improve local air quality and reduce C02 for HST Abellio ScotRail Ltd fleet is being explored. Concept work is underway on our diesel fleets to help improve emissions and air quality.

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. *See other financial and business matters on page 3* for further insight on our debt facilities in 2019.

5. People & Diversity

The Group continues to report on gender equality in accordance with the Government Equalities Office initiative “Think, Act, Report” which aims to encourage companies to share their progress in reporting gender equality. The Group recognises the benefit both it and the industry would receive from a more gender balanced workforce and is committed to increasing the number of women throughout the organisation and, more generally, to furthering the success of women in the rail sector. The Group undertakes voluntary gender equality analysis reporting by publishing an annual diversity report on its website each year. A plan to increase diversity in the workforce has been presented to the Group Board, and will continue to be implemented in 2020 and beyond.
Headline figures from the 2019 report are illustrated below.



The externally run annual employee survey was conducted in October 2019, increasing the already high response rate to 99%. The results were positive and the results in the key areas (engagement, commitment, satisfaction and efficiency) are all above the UK National Benchmark, and at broadly the same high levels seen in 2018.

The Group has retained Investors in People Gold accreditation, against a new higher standard, and is working through an action plan to strive for Platinum at the 2021 re-accreditation.

6. Looking Forward

Looking ahead, the critical objective for the Group in the short to medium term will be responding to the increasing number of franchise Direct Awards to successfully re-lease all the vehicles at rates that meet the expectations of the shareholders as well as identifying key new build procurement opportunities to renew and develop the portfolio.

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

Internally, the key challenges for the coming year will be responding to an increased number of franchise Direct Awards while continuing to project manage the enhancements and modifications to our existing fleet. The Group will also continue monitoring any recommendations or implemented reforms from the Williams review white paper due to be announced early 2020.

Since year end, the outbreak of Coronavirus (COVID-19) continues to spread across the globe. Refer to Principal risks and uncertainties for further detail.

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

N McBreen
Director
6 April 2020

Directors' Report

1. Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted in the European Union.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the profit and loss for that year.

In preparing those financial statements the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue the business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the Group's website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements from when they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2. Going Concern

These financial statements are prepared on a going concern basis. The accumulated deficit in reserves is expected to reverse over time due to the future continued profitability of the Group. The directors have received confirmation that the shareholder loans (£481.7m) will not be redeemed within one year of the date of signing the financial statements (noted on page 21) and, taking into account their interest free nature, it seems reasonable for them to be considered as "quasi-equity" for the purpose of the going concern assessment, with the result that the balance sheet would move to a net asset position. The Group continues to comply with the requirements of its debt covenants, with performance underpinned by positive cash flows from the Group's operations. Budget and forecast cash flows also indicate the group will be able to meet its current liability obligations.

Since year end, the outbreak of Coronavirus (COVID-19) continues to spread causing a global pandemic and economic disruption. Further details are disclosed in Principal risks and uncertainties.

In considering the impact on the Group, the Group has analysed the potential impact on forecasts and liquidity and has concluded there are no material impacts that would affect its conclusion on going concern. In particular:

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

3. Results & Dividends

Interim dividends of £54.9m were paid during the year (2018: £127.0m). The directors do not propose the payment of a final dividend (2018: £nil).

The Group's financial performance is presented in the income statement on page 18. The profit after tax for the year was £86.6m (2018: £124.3m restated) and this was transferred to reserves. The decrease in profit after tax mostly relates to a decrease in Revenue, as a result of maintenance lease rentals and an increase to 'Other (losses)/gains-net' as a result of fair value losses on financial derivative instruments. During the year revenue decreased by 6.7%, cost of sales decreased by 8.6% and administrative expenses decreased by 8.2%. These factors resulted in a decrease in operating profit compared to 2018 of 4.9%.

At the end of the year, the financial position showed total assets of £3,015.2m (2018: £2,968.9m) representing an increase of 1.6%. This includes the net book value of property, plant and equipment of £2,341.1m compared to £2,258.6m at the previous year end. Other assets include goodwill £616.8m (2018: £616.8m) and cash and cash equivalents of £13.7m (2018: £14.8m).

4. Directors and Secretary

The present directors and secretary at the date of this report are listed on page 1. The following changes occurred during the year:

P Larsen	Appointed	21 May 2019
L Pisco	Appointed	21 May 2019
M Jamai	Resigned	21 May 2019
M Brown	Resigned	23 July 2019
C Lyngal	Resigned	27 March 2019
N McBreen	Appointed	23 July 2019
Q Li	Appointed	27 February 2020
R Vidanaarachchi	Resigned	27 February 2020

5. Directors' Indemnities

No directors have been granted Qualifying Third Party Indemnity Provisions by Willow Topco Limited.

6. Financial risk management

Financial risk management is carried out by the treasury department under policies approved by the board. The main financial risks the Group faces are cash flow interest rate risk and liquidity risk. Interest rate risk is in part mitigated through the use of hedging (see the Notes to the Financial Statements for further details of the Hedging Policy) and liquidity risk is managed by monitoring cash flow forecasts ensuring the Group's liquidity requirements meet operational needs and ensuring it does not breach covenants on its borrowing facilities. The directors consider that the Group's exposure to price risk or credit risk is less significant given the mitigants it has in place.

7. Principal risks and uncertainties

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

Since year end, the outbreak of Coronavirus (COVID-19) continues to spread across the globe 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.

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

N McBreen
Director
6 April 2020

Independent Auditors' Report to the Members of Willow Bidco Limited

Report on the audit of the Group financial statements

Opinion

In our opinion, Willow Bidco Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group'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 (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group statement of financial position as at 31 December 2019; the group income statement and statement of comprehensive income, the group statement of cash flows, and the group statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

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 group 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

- Materiality of £6.57m (2018: £7.75m) based on 5% of adjusted profit before tax.

- We audit Willow Bidco Limited and all of its non-dormant subsidiaries. This audit work is performed using the lower of statutory or group allocated materiality.

The key audit matters were:

- Risk of error in revenue recognition – non capital rentals.
- Rolling stock carrying value.
- 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.

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***
Risk of error in revenue recognition – non capital rentals Non-capital rental revenue was £67m in 2019 (2018: £115m), as disclosed in note 2. The accounting policy for non-capital rentals under IFRS 15 is disclosed within the accounting policies note under the headings 'Revenue recognition' and 'Maintenance lease rentals'. There are subjective estimates and judgements inherent in the application of this accounting policy including estimating future costs to determine contract profitability. As a result, we consider this a key audit matter.	We tested key inputs and assumptions underpinning the revenue calculation including: ● Tested, on a sample basis, the current year maintenance expense by agreeing amounts incurred to invoices. ● Tested a sample of expected future maintenance costs projected to be incurred over the life of the contract. For each item we agreed the project expense to supporting evidence. This included comparing the projected future maintenance cost to comparable recent expenses incurred for the same type of maintenance and agreeing these expenses to invoices, and assessing whether the timing of the planned maintenance events was in line with the relevant technical specifications given the expected life of that component and the planned usage of the train. ● Agreed details (such as contractual length and rentals) to contracts for a sample of non-capital agreements. ● We assessed changes made in the current year to future projected maintenance activity and how these changes impacted the overall margin expected on the contract, and the impact on current year costs and revenue recognised. We independently recalculated the revenue recognised based on these inputs and assumptions without exception. Overall, we consider that the revenue recognised was supported by the evidence we obtained.
Rolling stock carrying value Rolling stock is the group's most significant asset, with a net book value of £2,341m at 31 December 2019. Details of the rolling stock are provided in note 10, and the accounting policies for rolling stock and their potential impairment are included within the accounting policies section under 'Property, plant and equipment' and 'Impairment of tangible assets'. We consider the valuation of rolling stock to be a key audit matter given the materiality of the balance and the judgement required throughout the asset life cycle in respect of its valuation. The key judgments are:	We assessed the reasonableness of the useful economic life of rolling stock by: ● Considering external factors influencing train usage and replacement such as the Williams Rail Review, new tendering/short term award activity, comparative pricing of new and existing trains, competitor activity and technological developments; ● Considering other macro factors such as the increased focus on climate change and the plans to phase out diesel units over time, and the low interest rate environment. ● Testing a sample of trains and assessing whether the UEL adopted was supported by reasonable explanations and evidence; ● Identifying any trains that demonstrate a higher

Key audit matter	*How our audit addressed the key audit matter*
1. Useful economic life Rolling stock are long life assets and assumptions have to be made over the length of the useful economic life (UEL) at the outset and on an ongoing basis. This life is influenced by a broad range of factors such as demand for rail travel, political and regulatory changes and technological and other innovations in train design and capabilities. The group typically assumes a train life of 25 - 40 years, though this is re-assessed each year with changes made if there are indicators the life should be amended. 2. Rolling stock impairment The carrying value of rolling stock is dependent on the future income generating capacity of the trains. Trains are typically leased under short or medium-term contracts, meaning that assumptions over the ability of the group to re-lease trains at the end of the current contract period, and the amount at which the trains are leased for will materially impact the cash flows that underpin the impairment test. Income is also guaranteed for certain rolling stock assets under section 54 undertakings provided by the Department of Transport. Management perform a detailed impairment assessment each year of whether rolling stock is impaired. This includes making assessments over the likely timing and amount of re-lease activity, and calculating the discount rate to be applied, considering the weighted average cost of capital (WACC). In 2019 there were no impairments charges or reversals recorded on rolling stock (2018: £12.8m impairment).	risk that the UEL adopted is inappropriate (for example, by comparing the net book value to age for all trains and identifying outliers); and ● Considering the actual train life achieved or expected to be achieved for trains close to the end of their operating life, and how technological and other developments could impact train lives for the existing fleet. We considered the context under which the impairment test was performed, including the current high percentage of trains on lease (100% at 31 December 2019), the limited number of assets impaired in recent years, as well as the consistent profitability of the underlying operations of the Group. We understood and evaluated management's process to identify trains at risk of impairment. We also independently identified rolling stock we considered at higher risk of impairment by, for example, considering new tendering activity and contracts with lower profitability. We assessed the reasonableness of management's impairment calculation, including compliance with IAS 36. This testing included assessing future re-lease and revenue assumptions, re-performing the cash flow calculations for a sample of rolling stock and performing sensitivity analysis on key assumptions. We also considered the influence of other factors including the interaction between new build and existing train prices, recent Group and competitor tender activity and the impact of inflation, interest rates and residual value risk on future pricing. We also independently calculated a discount rate, using our valuation experts to calculate a weighted average cost of capital that used independently sourced inputs and that considered the industry the group operates in amongst other factors. Management's impairment test and our independent audit work demonstrated that the amount of impairment recorded is highly sensitive to changes in future assumptions, the likelihood of re-lease and the level of rentals achieved in subsequent lease periods. However, based on the work performed and the fact patterns prevailing at 31 December 2019, we found that the assumptions underpinning the impairment test performed and the resultant carrying value of rolling stock were 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	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

Key audit matter	*How our audit addressed the key audit matter*
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.	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.

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 group, the accounting processes and controls, and the industry in which it operates.

The principal activity of the group is the leasing of rolling stock to Train Operating Companies. The group is comprised of a number of subsidiaries including investment holding companies, operating companies that lease rolling stock, companies that raise finance and other companies which provide supporting functions. The group operates solely in the UK market, and uses a central accounting function also located in the UK. Our audit of the Group and its subsidiaries was therefore completed without requiring the involvement of any other audit teams.

Materiality

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

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

Overall materiality	£6.57m
How we determined it	5% of adjusted profit before tax.
Rationale for benchmark applied	The group is profit orientated and so one of the key measures used by the shareholders in assessing the performance of the entity is profit before tax. This is a generally accepted auditing benchmark. We have excluded the impact of fair value losses on interest rate swaps as these are not indicative of the underlying profitability of the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £6.57m and £1.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £328k (2018: £387.5k) 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 group'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 group's ability to continue as a going concern.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 group'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 group 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 Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the company's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Luke Hanson

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

Group Income Statement

	Note	Year ended 31 December 2019 £'m	Year ended 31 December 2018 Restated* £'m
Revenue	2	492.3	527.5
Cost of sales	7	(210.7)	(230.4)
Gross profit		281.6	297.1
Administrative expenses	7	(24.6)	(26.8)
Operating profit		257.0	270.3
Finance income	3	0.5	0.2
Other (losses)/gains - net	4	(38.1)	3.4
Finance costs	5	(115.5)	(120.0)
Profit before tax		103.9	153.9
Income tax expense	6	(17.3)	(29.6)
Profit attributable to owners of the parent		**86.6**	**124.3**

* See note 1 for detail regarding the restatement as a result of a reclassification.

All profit and loss items relate to continuing operations of the Group.

The notes on pages 23 to 66 form an integral part of these financial statements.

Group Statement of Comprehensive Income

	Note	Year ended 31 December 2019 £'m	Year ended 31 December 2018 Restated* £'m
Profit for the year		86.6	124.3
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Actuarial (loss)/gain on defined benefit pension scheme	28	(4.2)	5.5
Income tax relating to these items	6	0.7	(0.9)
Items that are or may be subsequently reclassified to profit and loss			
Cash flow hedges			
(Loss)/gain on cash flow hedge taken to equity		(72.1)	11.1
Recycling of amounts from cash flow hedge to profit and loss		10.3	12.9
Income tax relating to these items	6	10.7	(5.3)
Other comprehensive (loss)/income for the year		**(54.6)**	**23.3**
Total comprehensive income for the year attributable to owners of the parent	17	**32.0**	**147.6**

* See note 1 for detail regarding the restatement as a result of a reclassification.

The notes on pages 23 to 66 form an integral part of these financial statements.

Group Statement of Changes in Equity

	Note	Called up share capital £'m	Capital reserve £'m	Cash flow hedge reserve £'m	Accumulated Losses £'m	Total equity £'m
At 31 December 2017 (as previously reported)		**-**	**-**	**(72.2)**	**(187.7)**	**(259.9)**
Reclassification adjustment	1	-	-	-	12.5	12.5
At 31 December 2017 (restated *)		-	-	(72.2)	(175.2)	(247.4)
Adjustment (IFRSs applications)		-	-	-	(1.5)	(1.5)
At 1January 2018		**-**	**-**	**(72.2)**	**(176.7)**	**(248.9)**
Profit for the year (restated*)		-	-	-	**124.3**	**124.3**
Other comprehensive income						
Actuarial gain on defined benefit pension scheme	28	**-**	-	-	5.5	5.5
Gain on cash flow hedge taken to equity		**-**	-	11.1	-	11.1
Recycling of amounts from cash flow hedge to profit and loss		**-**	-	12.9	-	12.9
Income tax relating to these items	6	**-**	-	(5.3)	(0.9)	(6.2)
Total comprehensive income		**-**	**-**	**18.7**	**128.9**	**147.6**
Dividends paid	29	**-**	-	-	(127.0)	(127.0)
At 31 December 2018		**-**	-	(53.5)	(174.8)	(228.3)
At 1 January 2019 (as previously reported)		**-**	**-**	**(53.5)**	**(182.4)**	**(235.9)**
Reclassification adjustment		-	-	-	7.6	7.6
At 1 January 2019 (restated*)		**-**	**-**	**(53.5)**	**(174.8)**	**(228.3)**
Profit for the year		-	-	-	**86.6**	**86.6**
Other comprehensive income						
Actuarial loss on defined benefit pension scheme	28	**-**	-	-	(4.2)	(4.2)
Loss on cash flow hedge taken to equity		**-**	-	(72.1)	-	(72.1)
Recycling of amounts from cash flow hedge to profit and loss		**-**	-	10.3	-	10.3
Income tax relating to these items	6	**-**	-	10.7	0.7	11.4
Total comprehensive income		**-**		**(51.1)**	**83.1**	**32.0**
Capital contribution	17	**-**	8.2	-	-	8.2
Dividends paid	29	**-**	-	-	(54.9)	(54.9)
At 31 December 2019		**-**	**8.2**	**(104.6)**	**(146.6)**	**(243.0)**

* See note 1 for detail regarding the restatement as a result of a reclassification.

As disclosed in note 16, the called up share capital of the Company is £12,360 (2018: £12,360).

The notes on pages 23 to 66 form an integral part of these financial statements.

Group Balance Sheet

	Note	As at 31 December 2019 £'m	As at 31 December 2018 Restated* £'m	As at 31 December 2017 Restated* £'m
Assets				
Non-current assets				
Goodwill	9	616.8	616.8	616.8
Property, plant and equipment	10	2,341.1	2,258.6	2,204.8
Derivative financial instruments	13,20	2.9	23.0	19.6
		2,960.8	2,898.4	2,841.2
Current assets				
Inventories	12	0.5	0.6	0.8
Derivative financial instruments		-	-	0.1
Trade and other receivables	14	29.1	25.2	23.1
Contract assets	15	11.1	29.9	-
Cash and cash equivalents	13	13.7	14.8	20.7
		54.4	70.5	44.7
Current liabilities				
Trade and other payables	23	(105.8)	(96.5)	(89.6)
Contract liabilities	24	(42.0)	(19.8)	-
Derivative financial instruments		-	-	(0.5)
Current tax liabilities	21	(7.3)	(9.5)	(16.6)
Loans payable	19	(343.7)	(66.7)	(42.8)
		(498.8)	(192.5)	(149.5)
Net current liabilities		**(444.4)**	**(122.0)**	**(104.8)**
Total assets less current liabilities		**2,516.4**	**2,776.4**	**2,736.4**
Non-current liabilities				
Trade and other payables	23	4.6	5.9	5.0
Loans payable	19	2.377.7	2,625.1	2,579.5
Retirement benefit obligation	28	16.4	12.0	16.5
Preference shares	18	0.1	0.1	0.1
Deferred tax liabilities	21	238.7	252.7	250.2
Derivative financial instruments	20	121.9	108.9	132.5
		2,759.4	3,004.7	2,983.8
Equity attributable to owners of the parent				
Called up share capital	16	-	-	-
Capital reserve	17	8.2	-	-
Cash flow hedge reserve	17	(104.6)	(53.5)	(72.2)
Accumulated losses	17	(146.6)	(174.8)	(175.2)
Total equity		**(243.0)**	**(228.3)**	**(247.4)**
Total equity and non-current liabilities		**2,516.4**	**2,776.4**	**2,736.4**

* See note 1 for detail regarding the restatement as a result of a reclassification.

Approved by the Board of Directors and authorised for issue on 6 April 2020. They were signed on its behalf by:

N McBreen
Director

The notes on pages 23 to 66 form an integral part of these financial statements.

Group Cash Flow Statement

	Note	Year ended 31 December 2019 £'m	Year ended 31 December 2018 Restated £'m
Operating activities			
Cash receipts from customers		527.7	510.8
Cash paid to suppliers and employees		(67.5)	(100.6)
Cash generated from operations		460.2	410.2
Income taxes paid		(22.3)	(40.3)
Interest paid		(126.9)	(124.7)
Net cash generated from operating activities		**311.0**	**245.2**
Investing activities			
Interest received		0.5	0.2
Purchase of property, plant and equipment		(228.1)	(439.6)
Proceeds from disposal of property, plant and equipment		-	248.6
Net cash used in investing activities		**(227.6)**	**(190.8)**
Financing activities			
Equity dividend paid		(54.9)	(127.0)
Repayment of loans		(198.5)	(155.8)
Receipt of new loans		236.6	222.5
Repayment of lease liabilities*		(0.9)	-
Repayment of derivative instruments		(66.8)	-
Net cash used in financing activities		**(84.5)**	**(60.3)**
Net decrease in cash and cash equivalents		(1.1)	(5.9)
Cash and cash equivalents at the beginning of the year		14.8	20.7
Effect of foreign exchange movements		-	-
Cash and cash equivalents at the end of the year			
Bank balances and cash	13	**13.7**	**14.8**

* The line indicated is in respect of the application of IFRS 16 in the current year only.

The notes on pages 23 to 66 form an integral part of these financial statements.

Notes to the Financial Statements

1. Significant Accounting Policies

General
Willow Bidco Limited is a limited company incorporated in Jersey under the Companies (Jersey) Law 1991 and is domiciled in the United Kingdom. The address of the registered office is on page 1.

Basis of preparation
The consolidated financial statements of Willow Bidco Limited are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations as adopted by the European Union ("EU"), and the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The company has no requirement under the Companies (Jersey) Law 1991 to prepare parent company financial statements.

The consolidated 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 Group'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 and/or disclosures in these consolidated financial statements are categorised according to the inputs used in valuation techniques into three levels within a fair value hierarchy. The different levels have been defined as follows:

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

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

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

Reclassification of financial derivatives
During the year management reviewed the classification of certain financial derivatives. Following this review, it was determined that these should be reclassified from derivatives to loans payable and the prior year balances were restated as required by IAS 8. Other (losses)/gains -net and finance costs were also adjusted so that the income statement treatment followed the change in balance sheet classification.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Reclassification of financial derivatives (continued)
Adjustments made are shown in the table below:

Group Balance Sheet (extract)

	As at 31 December 2018 £'m	(Increase)/ decrease £'m	As at 31 December 2018 Restated £'m	As at 31 December 2017 £'m	(Increase)/ decrease £'m	As at 31 December 2017 Restated £'m
Current liabilities						
Trade and other payables	(97.3)	0.8	(96.5)	(91.9)	0.8	(91.1)
Derivative financial instruments	(205.2)	96.3	(108.9)	(243.5)	111.0	(132.5)
Loans payable	(2,535.6)	(89.5)	(2,625.1)	(2,480.2)	(99.3)	(2,579.5)
Non-current liabilities	**(3,011.5)**	**6.8**	**(3,004.7)**	**(2,995.5)**	**11.7**	**(2,983.8)**
Accumulated losses	182.4	(7.6)	174.8	187.7	(12.5)	175.2
Total equity	**235.9**	**(7.6)**	**228.3**	**259.9**	**(12.5)**	**247.4**

Group Income Statement (extract)

	Year ended 31 December 2018 £'m	Profit Increase/ (Decrease) £'m	Year ended 31 December 2018 Restated* £'m
Other (losses)/gains - net	18.1	(14.7)	3.4
Finance costs	(129.8)	9.8	(120.0)
Profit before tax	158.8	(4.9)	153.9
Profit attributable to owners of the parent	**129.2**	**(4.9)**	**124.3**

Group Statement of Comprehensive Income (extract)

	Year ended 31 December 2018 £'m	Profit Increase/ (Decrease) £'m	Year ended 31 December 2018 Restated* £'m
Profit for the year	129.2	(4.9)	124.3
Total comprehensive income for the year attributable to owners of the parent	**152.5**	**(4.9)**	**147.6**

The reclassification further affected disclosures in note 4 and note 5.

1. Significant accounting policies (continued)

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

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

Key sources of estimation uncertainty

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

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

Forecasts and discount rates
As described in the impairment of tangible assets policy below the Group reviews the carrying amounts of its tangible assets and in particular Property, plant and equipment. The assessment as to whether there are any indications of impairment of Property, plant and equipment, in particular rolling stock are dependent on the estimated future cash flows and the discount rate used to calculate a present value. A 5 % increase/(decrease) in depreciation would have resulted in a £8.1m (decrease)/increase operating profit. Because of the long-term nature of rolling stock there is inherent uncertainty, however the Group performs a robust quarterly forecast, which is reviewed by directors.

Maintenance lease rentals
The group has long term maintenance lease rentals contracts that fall into different financial years and can extend into multiple financial years. The estimated revenues are inherently difficult to determine as significant estimates are required to assess the maintenance pattern throughout the life of rolling stock. A significant change in one or more of these estimates may result in increases or decreases in operating profit. A 10% (decrease)/increase in maintenance events would have resulted in an increase/(decrease) in revenue of £6.5m and operating profit of £2.4m.

Adoption of the new and revised standards

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

Impact of initial application of IFRS16 Leases
In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

Notes to the Financial Statements (continued)

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)

Impact of initial application of IFRS16 Leases (continued)
IFRS 16 introduces new or amended requirements with respect to 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 Group as a lessee and The Group as a lessor policy. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

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

The Group has applied IFRS 16 using the cumulative catch-up approach, with an adjustment to the opening balances 1 January 2019 and comparatives are not restated.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

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 Group 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.

(b) Impact on lessee accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:
a) Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Group cash flow statement.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes small items of office furniture and printers), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

Notes to the Financial Statements (continued)

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)

Impact of initial application of IFRS16 Leases (continued)

ii) Former finance leases
The main differences between IFRS 16 and IAS 17 did not have a material effect on the Group's consolidated financial statements.

(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 accounts 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 Group.

(d) Financial Impact on the initial application

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the Balance sheet as at 1 January 2019 is 3%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the Balance sheet at 1 January 2019.

Impact on accumulated losses

	1 January 2019
	£'m
Operating lease commitments at 31 December 2018	5.9
Effect of discounting the above amounts	(0.5)
Lease liabilities recognised at 1 January 2019	5.4

The Group recognised £4.8m of right-of-use assets and £5.4m of lease liabilities upon transition to IFRS 16. The difference of £0.6m was recognised in accumulated losses which was offset with £0.6m accrued rent (rent free period) recognised under IAS 17 adjusted to accumulated losses.

Impact of amendments to IFRS 9 Financial Instruments, and IFRS 7 Financial Instruments: Disclosures
The Group 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 Group had 5 designated hedge relationships with a notional of £427.0m that are potentially impacted by IBOR reform due to the group'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.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Adoption of the new and revised Standards (continued)

At the date of authorisation of these financial statements the following amended standards were effective for the accounting year beginning on 1 January 2019, but did not have a material impact to the Group's financial statements:

IFRS 9 (amendment) - 'Financial instruments'
IAS 19 (amendment) – 'Employee benefits'
IAS 28 (amendment) - 'Investment in associates and joint ventures'
IFRIC 23 - 'Uncertainty over tax treatments'
Annual improvements to IFRS 2015-2017 Cycle

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

IFRS 3 (amendment) – 'Business Combinations'
IFRS 17 – 'Insurance contracts'
IAS 1 (amendment) - 'Presentation of Financial Statements'

Going concern

These financial statements are prepared on a going concern basis. The accumulated deficit in the reserves is expected to reverse over time due to the future continued profitability of the Group. The Group continues to comply with the requirements of its banking covenants, with performance underpinned by strong, positive cash flows from the Group's operations.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2019. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the date on which control is transferred to the Group. All intra-group transactions, balances, income and expenses and unrealised gains are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the acquisition are expensed in the year they occur.

The acquiree's identifiable assets, liabilities and contingent liabilities are measured initially at their fair value at the acquisition date, except for non-current (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

1. Significant accounting policies (continued)

Goodwill (continued)
Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit expected to benefit from the synergies of the combination. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. The directors believe that no impairment is required as at 31 December 2019 (2018: £nil).

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

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

The Group as lessor [policy applicable to both IAS 17 (2018) and IFRS 16 (2019)]
The Group has no leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Accordingly, all leases are classified as operating leases.

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

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

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

The Group as lessee [policy applicable prior to 1 January 2019]
The Group has no leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Accordingly, all leases are classified as operating leases.

1. Significant accounting policies (continued)

The Group as lessee [policy applicable prior to 1 January 2019] (continued)

Rentals payable under operating leases (net of any incentives) are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The Group as lessee [policy applicable from 1 January 2019]

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

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

The lease liability is presented in the line item Loans payable in the Group Balance Sheet, with further disclosure in the notes to the financial statements.

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in the line Property, plant and equipment in the Groups Balance Sheet, with further disclosure in the notes to the financial statements.

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

Finance income

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

Dividend income

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

Dividend distribution

Dividend distributions to the Company’s shareholders are recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

Foreign currencies

The financial statements of the Group are presented in Sterling, which is the currency of the primary economic environment in which the Group operates (its functional currency).

1. Significant accounting policies (continued)

Foreign currencies (continued)

In preparing the financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded using the exchange rates prevailing at the date of the transaction.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

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

Borrowing costs

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

Retirement benefit costs

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

Main Scheme

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

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

Defined Contribution

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

1. Significant accounting policies (continued)

Current and deferred tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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 Group's liability for current and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted at the balance sheet date. 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 Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are shown at historical cost or valuation less any subsequent accumulated depreciation. Depreciation of these assets is charged to cost of sales. Depreciation is charged so as to write off the cost or valuation of these assets over their estimated useful lives, using the straight-line method.

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

	Years
Rolling stock	25 to 40
Other:	
Office fixtures and fittings	5 to 10
Computer equipment	3
IT System upgrade	10
Buildings (right-of-use assets)	Lease term

Rolling stock in the course of construction for rental purposes is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

1. Significant accounting policies (continued)

Property, plant and equipment (continued)
Depreciation of these assets, on the same basis as other rolling stock, commences when the assets are ready for their intended use. Intended use is usually identified as when the construction of rolling stock is complete.

The useful economical lives and residual values are reviewed on a periodic basis, and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual value exposure is the net book value of leased assets at the end of the lease term. This exposure is monitored periodically with any changes in the useful economic life of rolling stock being an adjustment to the period over which the assets are depreciated which will increase or decrease residual value at the end of the lease term. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised as other income or losses in the income statement.

Impairment of tangible assets
At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

Financial 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.

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

1. Significant accounting policies (continued)

Financial assets (continued)

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.

Investments
Investments are initially measured at fair value, plus directly attributable transaction costs. At subsequent reporting dates, Equity investments that do not have a quoted market price and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

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

Impairment of financial assets
The Group has adopted the simplified approach to provide for Expected Credit Losses (ECLs) in accordance IFRS 9 Financial Instruments. The Group measures, at the end of each reporting period the loss allowance at a probability weighted amount that considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions of customers. The ECLs are updated at each reporting if there is evidence of changes in credit risk since initial recognition.

Financial liabilities
Financial liabilities issued by the Group 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.

Borrowings
Interest-bearing loans are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption 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 modification is deemed to have taken place, the carrying value of the loan is amended to include any modification gain or loss, new transaction costs and subsequently re-measured at amortised cost, using the effective interest rate method. The modification gains or loss is calculated as the difference between the original carrying value and the modified carrying value, calculated using the modified cash flows discounted at the original effective interest rate. Where it is considered an extinguishment has taken place, the carrying value is removed from the balance sheet, with any difference to the consideration paid recognised in the income statement.

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

1. Significant accounting policies (continued)

Financial liabilities (continued)

Derivative financial instruments and hedge accounting
The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. The significant interest rate risk arises from the variability of cash flows on floating rate loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The Group designates these as cash flow hedges of interest rate risk.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Derivative financial instruments are initially measured at fair value on the contract date, and subsequently re-measured to fair value at subsequent reporting dates. Credit and Debit valuation adjustments are not made given the impact is currently not considered material. Gains and losses arising from changes in the fair value of a derivative are recognised as they arise in the income statement unless the derivative is the hedging instrument in a qualifying hedge.

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 Group 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 Group has elected to early adopt the Amendment, applying it retrospectively to its hedge accounting relationships, and providing the required disclosures note 27. The adoption of the Amendment has enabled the Group 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.

1. Significant accounting policies (continued)

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 cash flow hedge reserve. The ineffective portion is recognised in profit and loss. 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 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 recognised in profit or loss 'Other gains/(losses) – net' when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss.

Where the forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit or loss immediately. If the hedge of a forecast transaction results in the recognition of a non-financial asset, the associated gains and losses are not recognised in other comprehensive income but included in the initial cost of the asset. 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.

Derivative 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) - net.

Contract liabilities

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and the amount has been reliably measured. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Share capital

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

2. Revenue

	Year ended 31 December 2019	**Year ended 31 December 2018**
	£'m	**£'m**
Operating lease rentals	422.8	410.5
Maintenance lease rentals	67.3	114.6
Management fees	0.4	0.3
Other revenue	1.8	2.1
	492.3	**527.5**

All revenue relates to United Kingdom operations.

3. Finance Income

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Interest receivable – bank	**0.5**	**0.2**

4. Other(losses)/gains – net

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 Restated £'m
Fair value (losses)/gains on derivative instruments	(32.7)	17.7
Ineffectiveness on cash flow hedges	1.5	(1.4)
Recycling of amounts from cash flow hedge to profit and loss	(6.9)	(12.9)
	(38.1)	**3.4**

Recycling of amounts from cash flow hedge to profit and loss are as a result of the following:

Forecast transactions no longer expected to occur £1.9m gains (2018: £0.6m losses).
Hedged item has affected profit or loss £8.8m losses (2018: £12.3m losses).

5. Finance costs

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 Restated £'m
Interest payable to parent company	11.1	9.4
Amortisation of loan fees to parent	0.8	0.3
Swap interest payable	17.0	15.4
Loan interest payable	90.7	97.8
Amortisation of loan fees	2.0	2.0
Interest capitalised	(6.2)	(4.9)
Interest on lease liabilities *	0.1	-
	115.5	**120.0**

* The line indicated is in respect of the application of IFRS 16 in the current year only.

6. Income tax expense

Willow Bidco Limited and its subsidiary undertakings are United Kingdom tax residents. Jersey incorporated entities are United Kingdom tax residents as they are centrally managed and controlled in the United Kingdom.

6. Income tax expense (continued)

The income tax based on the profit for the year is based on United Kingdom corporation tax at 19.00% (2018: 19.00%) and comprises:

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Current tax		
Current tax charge on profits for the year	(20.0)	(36.6)
Adjustment in respect of prior year	(1.8)	4.3
Total current tax	**(21.8)**	**(32.3)**
Deferred tax		
Origination and reversal of temporary differences	3.6	6.2
Adjustments in respect of prior years	(0.4)	(3.7)
Effect of tax rate change	1.3	0.2
Total deferred tax	4.5	2.7
Income tax expense	**(17.3)**	**(29.6)**

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

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 Restated £'m
Profit before taxation	86.6	153.9
Expected tax charge at 19.00% (2018: 19.00%)	(16.4)	(29.2)
Effect of change in tax rate	1.3	0.2
Adjustment in respect of prior years	(2.2)	(0.6)
Total taxation expense for the year	**(17.3)**	**(29.6)**

Subsidiary profits are taxed at the main corporation tax rate of 19.00% (2018: 19.00% average effective rate). Accordingly, the Group's profits for this accounting year are taxed at an average effective rate of 19.00% (2018: 19.00%).

6. Income tax expense (continued)

In addition to the amount charged to profit and loss, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Current tax		
Items that are or may be subsequently reclassified to profit and loss		
Cash flow hedges – reclassified to profit and loss	1.8	(0.9)
Total current tax	**1.8**	**(0.9)**
Deferred tax		
Items that will not be reclassified to profit and loss		
Actuarial gain on defined benefit pension scheme	0.7	(0.9)
Items that are or may be subsequently reclassified to profit and loss		
Cash flow hedges	8.9	(4.4)
Total deferred tax	9.6	(5.3)
Total taxation expense recognised in OCI for the year	**11.4**	**(6.2)**

In the Finance Act 2016 which received Royal Assent on 15 September 2016, the main rate of corporation tax was reduced further to 17% from 1 April 2020. The effect of the future changes in tax rate has been reflected in the charge to the income statement for the year. However, it was announced in the 11 March 2020 Budget that the main rate of corporation tax will remain at 19% from 1 April 2020. This had not been substantively enacted at the balance sheet date.

7. Expenses by nature

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Changes in inventories (note 12)	0.1	0.2
Employees' emoluments (note 8)	17.6	18.4
Depreciation and impairment charges (note 10)	162.2	149.5
Operating lease payments (note 26) *	-	0.9
Other expenses	55.4	88.2
Total cost of sales and administrative expenses	**235.3**	**257.2**

* Disclosure required by IAS17. Auditors' remuneration for audit services during the year for the audit of parent company and consolidated financial statements was £29,820 (2018: £28,400) and audit of the Company's subsidiaries pursuant to legislation was £355,010 (2018: £327,100) of which £22,000 relates to the audit for the year ending 31 December 2018 and £nil (2018: £18,000) for other non-audit services.

8. Employees' emoluments

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

	Year ended 31 December 2019	Year ended 31 December 2018
	Number	Number
Executive and support functions	41	41
Customer-facing staff	29	30
Engineering and technical	51	51
Directors' on service contracts	7	7
	128	**129**

Employee costs during the year amounted to:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'m	£'m
Wages and salaries	13.5	14.1
Social security costs	1.7	1.8
Other pension costs	2.4	2.5
	17.6	**18.4**

9. Goodwill

	£'m
Cost and net book value	
At 1 January 2018	616.8
At 31 December 2018	616.8
At 31 December 2019	**616.8**

During the financial year presented, the Group had a single cash generating unit (CGU) being the Angel Trains Group. The goodwill that rose at acquisition relates solely to the Angel Trains Group and as such impairment is assessed at that level.

The goodwill is evaluated by assessing the carrying value of the assets using a Value in Use approach. The Value in Use model reflects cash flows over the entire useful expected life of train vehicle assets. No impairment has been recognised during the year ending 31 December 2019.

Key assumptions

The expected lease rentals are projected until the end of the expected economic useful life of the train vehicle assets and useful economic lives are therefore a key assumption in the model.

The following assumptions are adopted in projecting rental income:

- Contracted and extension (including Department for Transport undertaking of extension) rentals and periods are known and are forecast per contractual agreements.

9. Goodwill (continued)

The projected rentals are discounted using a discount rate of 5.0%.

Sensitivities

The Value in Use calculation requires the exercise of significant judgement by management; if the estimates prove to be incorrect or performance does not meet expectations, goodwill may become impaired in future periods.

The net present value determined by the Value in Use model is sensitive mainly to changes in the discount rate. A 0.1% increase in discount rate would result in a £32.2m change in the net present value. Utilising a discount rate of 7.7% would reduce the headroom calculated by the Value in Use model to zero and a discount rate of 10.9% would result in the full write-off of the goodwill balance.

The Value in Use calculation is, to a lesser extent, sensitive to assumptions around useful economic lives assumed. Assuming discount factors are unchanged, headroom would be reduced to zero should the useful economic lives of train vehicles from balance sheet date be capped at 16 years.

10. Property, plant and equipment

	Rolling Stock	Other	Total
	£'m	£'m	£'m
Cost			
At 1 January 2018	3,480.4	8.6	3,489.0
Additions	450.6	1.3	451.9
Disposals	(248.7)	-	(248.7)
At 31 December 2018 (previously reported)	3,682.3	9.9	3,692.2
Adjustments (see note 1) *	-	4.8	4.8
1 January 2019	3,682.3	14.7	3,697.0
Additions	239.2	0.7	239.9
Disposals	(12.0)	-	(12.0)
At 31 December 2019	**3,909.5**	**15.4**	**3,924.9**
Accumulated depreciation			
At 1 January 2018	1,281.0	3.2	1,284.2
Charge for the year	135.9	1.3	137.2
Impairment losses	12.8	-	12.8
Reversal of impairment losses	(0.5)	-	(0.5)
Disposals	(0.1)	-	(0.1)
At 31 December 2018	1,429.1	4.5	1,433.6
Charge for the year	160.9	1.3	162.2
Impairment losses	-	-	-
Reversal of impairment losses	-	-	-
Disposals	(12.0)	-	(12.0)
At 31 December 2019	**1,578.0**	**5.8**	**1,583.8**
Net book value			
At 31 December 2019	**2,331.5**	**9.6**	**2,341.1**
At 1 January 2019*	2,253.2	10.2	2,263.4
At 31 December 2018 (previously reported)	2,253.2	5.4	2,258.6

10. Property, plant and equipment (continued)

* The opening balance adjustment is in respect of the application of IFRS 16 in the current year.

In prior year included in impairment losses is an amount of £10.0m in relation to one fleet, based on management's forecast value in use ("VIU") of the fleet versus its carrying value.

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

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

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

If all other variables remained constant and the discount rate had been 0.5% higher the impairment would have been £13.2m, and at 0.5% lower, an impairment would not have been considered necessary and provided headroom of £13.6m.

Finance costs capitalised during the year were £6.2m (2018: £4.9m) at an average rate of 5.17% (2018: 5.41%). Cumulative finance costs capitalised and included in the cost of property, plant and equipment amounts to £85.2m (2018: £79.0m).

Included in rolling stock are assets under the course of construction of £76.3m (2018: £273.4m). No depreciation has been charged on these assets.

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

Buildings (Right-of-use assets) of £3.9m (1 January 2019: £4.8m) are included in Other.

11. Residual value exposures

The residual value exposure is the net book value of leased assets at the end of each expected lease term. Residual value exposure is monitored by lease on a periodic basis with any corrections being made through depreciation.

Expected net book value at lease expiry date	**Rolling Stock 2019**	**Rolling Stock 2018**
	£'m	**£'m**
Within one year	332.2	329.2
Between one and two years	24.6	690.9
Between two and four years	253.3	57.4
More than four years	1,019.8	506.3
	1,629.9	**1,583.8**

12. Inventories

	31 December 2019 £'m	31 December 2018 £'m
Spares for rolling stock	0.5	0.6

During the year £0.1m (2018: £0.2m) of inventories were recognised as expenses.

13. Financial assets

Financial assets by category

31 December 2019

	Derivatives held for trading at FVPL* £'m	Derivatives used for hedging £'m	Financial assets at amortised cost £'m	Total £'m
Derivative financial instruments	2.9	-	-	2.9
Trade and other receivables (excluding prepayments)	-	-	27.5	27.5
Contract assets	-	-	11.1	11.1
Cash and cash equivalents	-	-	13.7	13.7
	2.9	**-**	**52.3**	**55.2**

* Fair Value through Profit and Loss ('FVPL').

Financial assets by category

31 December 2018

	Derivatives held for trading at FVPL £'m	Derivatives used for hedging £'m	Financial assets at amortised cost £'m	Total £'m
Derivative financial instruments	21.8	1.2	-	23.0
Trade and other receivables (excluding prepayments)	-	-	23.3	23.3
Contract assets	-	-	29.9	29.9
Cash and cash equivalents	-	-	14.8	14.8
	- 21.8	- **1.2**	**68.0**	**91.0**

13. Financial assets (continued)

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

14. Trade and other receivables

Trade and other receivables

	31 December 2019	31 December 2018
	£'m	£'m
Amounts falling due within one year		
Trade receivables	0.9	0.2
Other receivables	22.5	21.4
Prepayments	1.6	1.9
Other taxation	4.1	1.7
	29.1	**25.2**

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

15. Contract assets

	31 December 2019	31 December 2018
	£'m	£'m
Amounts falling due within one year		
Maintenance services	11.1	29.9

Amounts relating to contract assets are balances due from customers under maintenance contracts that arise when the Group completes performance related obligations. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The directors consider that the carrying amount of contract assets approximates to their fair value.

16. Called up share capital

	31 December 2019	31 December 2018
	£	£
Authorised:		
100,000,000 (2018:100,000,000) Ordinary shares of £1 each	100,000,000	100,000,000
Issued, called up and fully paid:		
12,360 (2018: 12,360) Ordinary shares of £1 each	12,360	12,360

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

17. Reserves

	Capital Reserve	Cash flow hedge reserves £'m	Accumulated Losses Restated £'m	Total £'m
At 1 January 2018(as previously reported)	-	(72.2)	(187.7)	(259.9)
Reclassification adjustment	-	-	12.5	12.5
Adjustment IFRSs applications	-	-	(1.5)	(1.5)
At 1 January 2018 *	-	(72.2)	(176.7)	(248.9)
Total comprehensive income for the year	-	18.7	128.9	147.6
Dividends paid	-	-	(127.0)	(127.0)
At 1 January 2019*	-	(53.5)	(174.8)	(228.3)
Total comprehensive income for the year		(51.1)	83.1	32.0
Capital contribution**	8.2	-	-	8.2
Dividends paid	-	-	(54.9)	(54.9)
At 31 December 2019	8.2	(104.6)	(146.6)	(243.0)

* See note 1 for detail regarding the restatement.

**During the year the shareholders interest free loan (note 19) was adjusted to reflect the directors estimated fair value of the loan. This resulted in a capital contribution from the shareholders.

The capital reserve and cash flow hedge reserves are not available for distribution to the Group's shareholders. Cash flow hedge reserves balances includes continuing Cash flow hedges £82.8m (2018: £49.4m).

18. Preference shares

	31 December 2019 £	31 December 2018 £
Authorised:		
100,000 (2018: 100,000) participating preference shares of £1	100,000	100,000
Issued, called up and fully paid:		
100,000 (2018: 100,000) participating preference shares of £1	100,000	100,000

The Company has one class of preference share which has no voting rights. The shareholders hold an entitlement to receive annual dividends at the higher of one month LIBOR at the start of the financial year plus 2% or 0.0099% of the Company's post tax distributable profit for the financial year.

19. Loans payable

	31 December 2019 £'m	31 December 2018 Restated £'m
Amounts falling due within one year		
External loans	342.8	66.7
Lease liabilities*	0.9	-
	343.7	66.7

19. Loans payable (continued)

Amounts falling due after one year		
External loans	1,715.9	1,883.5
Less unamortised loan fees	(13.3)	(13.2)
Loans from parent company	673.5	756.7
Less unamortised loan fees from parent company	(2.0)	(1.9)
Lease liabilities *	3.6	-
	2,377.7	**2,625.1**

* The lines indicated are in respect of the application of IFRS 16 in the current year only.

The loans from the parent company are unsecured and have no fixed maturity date. The directors have received confirmation from the parent company that they will not call for repayment of the within a period of at least twelve months from the date of signing of the financial statements. It is therefore appropriate that the classification of such in the financial statements is within amounts falling due after one year.

The external loans included above are repayable as follows:

	31 December 2019 £'m	**31 December 2018 Restated £'m**
Within one year	343.7	66.7
Between one and two years	66.1	342.8
Between two and five years	519.1	202.1
Over five years	1,134.3	1,339.2
	2,063.2	1,950.8
Less: Amount due for settlement within 12 months (shown under current liabilities)	(343.7)	(66.7)
Amount due for settlement after 12 months	**1,719.5**	**1,884.1**

The effective interest rates paid were as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**
External loans – fixed	5.08%	5.56%
External loans – floating	2.75%	2.60%
Loans from parent company	1.55%	1.35%

Borrowings of £1,522.7m (2018: £1,558.6m) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Borrowings of £481.7m (2018: £481.7m) from the parent company are arranged interest free.

19. Loans payable (continued)

For the year ending 31 December 2019, the directors estimate the fair value of the Group's fixed rate and interest free borrowings to be as follows:

	31 December 2019 £'m	31 December 2018 £'m
External loans – fixed	1,708.8	1,635.2
Loans from parent company - fixed	51.7	47.5
Loans from parent company – interest free	462.9	471.1

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

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

Borrowings	Maturity	Repayment*	Nominal interest rate	31 December 2019 £'m	31 December 2018 £'m
Bonds					
£500m Notes	2035	Amortising	6.875%	366.7	388.8
£300m Notes	2020	Bullet	6.250%	300.0	300.0
£400m Notes	2031	Amortising	6.500%	340.0	352.0
£60m Notes	2023	Amortising	LIBOR + Margin	60.0	60.0
£60m Notes	2031	Amortising	6.500%	51.0	52.8
Bank Loans and Notes					
Senior £137.5m	2024	Bullet	LIBOR + Margin	137.5	137.5
Senior £137.5m	2029	Amortising	LIBOR + Margin	123.7	130.6
Senior RCF £350m**	2024	Bullet	LIBOR + Margin	185.7	23.9
Senior Notes £30m	2031	Bullet	Fixed coupon	30.0	30.0
Senior Notes £200m	2034	Amortising	Fixed coupon	200.0	200.0
Senior Notes £100m	2037	Amortising	Fixed coupon	100.0	100.0
Senior Notes £85m	2032	Amortising	Fixed coupon	85.0	85.0
Senior Notes £300m***	2033	Amortising	Fixed coupon	-	-

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

**During the year the Revolving Credit Facility (RCF) was extended to 2024 with the option for one further extension to 2025.

***During 2018 the Group entered into a new £300m term facility which remains undrawn as at 31 December 2019.

20. Derivative financial instruments

	31 December 2019 Assets £'m	31 December 2019 Liabilities £'m	31 December 2018 Assets £'m	31 December 2018 Liabilities Restated £'m
Interest rate swaps – used for hedging	-	(99.8)	1.2	(33.9)
Interest rate swaps – held for trading	2.9	(22.1)	21.8	(98.6)
	2.9	(121.9)	23.0	(132.5)
Analysed as:				
Current	-	-	-	-
Non-current	2.9	(121.9)	23.0	(132.5)
	2.9	**(121.9)**	**23.0**	**(132.5)**

In the context of the fair value hierarchy set out in IFRS13, these instruments are included within Level 2. Further details of derivative financial instruments are provided in note 27. As at year end, the Group had interest rate swap assets of £2.9m (2018: £15.1m) that are subject to master netting arrangements that can be offset against interest rate swap liabilities on default.

21. Current & Deferred taxation

Current tax liabilities

	31 December 2019 £'m	31 December 2018 £'m
Current tax liabilities	**7.3**	**9.5**

As at 31 December 2019 the Group had current tax liabilities of £7.3m payable to HMRC. (2018: £9.5m).

Deferred tax	31 December 2019 £'m	31 December 2018 £'m
Deferred tax assets	20.6	11.7
Deferred tax liabilities	(259.3)	(264.4)
	(238.7)	**(252.7)**

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

Notes to the Financial Statements (continued)

21. Current & Deferred taxation (continued)

Deferred tax assets

	Retirement Benefit scheme	Fair value of derivative instruments	Other	Total
	£'m	£'m	£'m	£'m
At 1 January 2018	2.8	13.6	0.8	17.2
Credit/(charge) to the income statement for the year	0.2	(0.3)	(0.3)	(0.4)
Adjustments to prior years	-	-	0.2	0.2
Effect of tax rate change in income statement	-	-	-	-
Charge to equity for the year	(1.0)	(3.7)	-	(4.7)
Effect of tax rate change in equity	0.1	(0.7)	-	(0.6)
At 1 January 2019	2.1	8.9	0.7	11.7
Charge to the income statement for the year	-	(0.9)	(0.1)	(1.0)
Adjustments to prior years	-	-	0.4	0.4
Effect of tax rate change in income statement	-	- -	-	- -
Credit to equity for the year	0.8	9.8	-	10.6
Effect of tax rate change in equity	(0.1)	(1.0)	-	(1.1)
At 31 December 2019	**2.8**	**16.8**	**1.0**	**20.6**

Deferred tax liabilities

	Accelerated capital allowances
	£'m
At 1 January 2018	267.3
Credit to the income statement for the year	(6.6)
Prior year adjustment	3.9
Effect of tax rate change in income statement	(0.2)
At 31 December 2018	264.4
Credit to the income statement for the year	(4.6)
Prior year adjustment	0.8
Effect of tax rate change in income statement	(1.3)
At 31 December 2019	**259.3**

The opening deferred tax balances are reflected at hybrid rates, calculated at subsidiary level, ranging between 17% and 17.11%. The opening hybrid rates reflect changes to the UK Corporation tax rate announced in Finance Act 2016 which received Royal Assent on 15 September 2016. This reduced the main rate of corporation tax from 19% to 17% from 1 April 2020.

21. Current & Deferred taxation (continued)

The effect of change in tax rate has been reflected in the charge to the income statement for the year, and closing deferred tax assets or liabilities are provided for at 17% as calculated at subsidiary level.

This is based on the projected average rate that deferred tax at the balance sheet date is expected to unwind - 17.25% during 2020 and 17.00% thereafter. In the 11 March 2020 Budget, it was announced that the main rate of corporation tax will remain at 19% from 1 April 2020. However, had this been substantively enacted before the balance sheet date, the closing deferred tax assets or liabilities would have increased by £28.1m.

22. Financial liabilities

Financial liabilities by category

31 December 2019

	Derivatives held for trading at FVPL	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
	£'m	£'m	£'m	£'m
Derivative financial instruments	22.1	99.8	-	121.9
Loans payable	-	-	2,721.4	2,721.4
Trade and other payables (excluding non-financial liabilities)	-	-	72.3	72.3
Total	22.1	99.8	2,793.7	2,915.6

31 December 2018

	Derivatives held for trading at FVPL	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
	Restated £'m	£'m	Restated £'m	Restated £'m
Derivative financial instruments*	75.0	33.9	-	108.9
Loans payable*	-	-	2,691.8	2,691.8
Trade and other payables (excluding non-financial liabilities)	-	-	78.2	78.2
Total	**75.0**	**33.9**	**2,770.0**	**2,878.9**

* See note 1 for detail regarding the restatement as a result of a reclassification.

23. Trade and other payables

Trade and other payables

	31 December 2019 £'m	31 December 2018 Restated £'m
Amounts falling due within one year		
Trade payables	2.5	3.9
Other taxation and social security	0.9	1.5
Accruals and deferred income	102.4	91.1
	105.8	**96.5**
Amounts falling due after one year		
Accruals	4.6	5.9

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

24. Contract liabilities

	31 December 2019 £'m	31 December 2018 £'m
Amounts falling due within one year		
Maintenance services	42.0	19.8

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

25. Capital commitments

	31 December 2019 £'m	31 December 2018 £'m
Commitments for the acquisition of property, plant and equipment	372.2	420.6

At 31 December 2019, the Group had capital commitments of £372.2m (2018: £420.6m), being capital expenditure authorised and contracted for but not provided for in the financial statements. This commitment is for the purchase of new rolling stock currently in production, for delivery in 2020 and a number of capital modification projects to the existing fleets.

26. Operating lease arrangements

The Group as lessee

Disclosure required by IAS17.

	31 December 2019 £'m	31 December 2018 £'m
Minimum lease payments under operating leases recognised as an expense in the year	-	0.9

At the balance sheet date, the Group has future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2019 £'m	31 December 2018 £'m
Buildings:		
Within one year	-	1.9
In the second to fifth years inclusive	-	4.7
After five years	-	0.6
	-	7.2

Operating lease payments represent rentals payable by the Group for its office properties.

The Group as lessor

At the balance sheet date, the Group has contracted with train operating companies for the following future minimum lease payments:

	31 December 2019 £'m	31 December 2018 £'m
Within 1 year	374.0	469.7
Between 1 and 2 years	340.4	256.3
Between 2 and 3 years	321.6	200.0
Between 3 and 4 years	293.0	182.3
Between 4 and 5 years	259.4	169.8
Over 5 years	267.8	238.2
	1,856.2	1,516.3

27. Risk Management

The major risks associated with the Group's business are market risk, credit risk and liquidity risk. 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

The Group seeks to minimise potential adverse effects on the Group's financial performance due to the unpredictability of financial markets. Market risk includes adverse changes in risk factors including interest rates and foreign exchange. The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

27. Risk Management (continued)

Foreign currency risk management

It is the policy of the Group to enter into forward exchange contracts to mitigate the foreign currency risk of payments. As at the year end the Group had no material exposure to foreign currency risk.

Cash flow interest rate risk management

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group 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.

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 Group 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.

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 Group does not use derivative financial instruments for speculative purposes however due to the refinancing activity that took placing during 2017, at Group level, there are periods within the short term where floating rate debt exposures are exceeded by derivative financial instruments held. This is due to a portion of forecast floating rate debt not meeting highly probable requirements. The Group will continue to monitor this.

Effects of hedge accounting on the financial position and performance

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

Derivative financial instruments – interest rate swaps:

	31 December 2019	**31 December 2018**
	£'m	**£'m**
Carrying amount (asset)	-	1.2
Carrying amount (liability)	99.8	33.9
Notional amounts as at year end	427.0	315.8
Notional amount range (from)	42.0	42.0
Notional amount range (to)	1,124.1	1,124.1
Maturity dates	2026-2049	2026-2049
Hedge ratio *	1:1	1:1
Change in fair value of outstanding hedge instruments since 1 January	(67.1)	10.0
Change in value of hedge item used to determine hedge effectiveness	(65.5)	8.8
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.

27. Risk Management (continued)

Hedge ineffectiveness (continued)

Hedge ineffectiveness

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

The Group 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 Group does not hedge 100% of its loans, therefore the hedged item is identified as a portion of the outstanding loans up to the notional amount of the swaps that have not been previously included in another hedge designation.

As most of the critical terms matched during the year, the Group's economic relationships were highly effective.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative 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 since the beginning of the financial 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:

- Group profit for the year ended 31 December 2019 would increase/decrease by £62.8m (2018: £96.3m).
- Cash flow hedge reserves would increase/decrease by £164.5m (2018: £151.6m) respectively. This would occur mainly as a result of the changes in fair value of fixed rate instruments.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts.

Such contracts enable the Group 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.

27. Risk Management (continued)

Market risk (continued)

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

Liabilities

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2019 %	Notional principal amount 31 December 2019 £'m	Fair value Liabilities 31 December 2019 £'m
Within 1 year	0.9	220.0	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
Over 5 years	2.3	1,154.5	121.9
		1,374.5	**121.9**

Liabilities

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2018 Restated %	Notional principal amount 31 December 2018 Restated £'m	Fair value Liabilities 31 December 2018 Restated £'m
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	5.6	9.3	1.8
Over 5 years	1.0	1,063.8	107.1
		1,073.1	**108.9**

Assets

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2019 %	Notional principal amount 31 December 2019 £'m	Fair value assets 31 December 2019 £'m
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
Over 5 years	0.9	150.0	2.9
		150.0	**2.9**

27. Risk Management (continued)

Market risk (continued)

Assets

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2018 %	Notional principal amount 31 December 2018 £'m	Fair value assets 31 December 2018 £'m
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
Over 5 years	0.8	379.3	23.0
		379.3	**23.0**

The interest rate swaps settle on a 1 month, 3 month and 6 month basis. The floating rate on the interest rate swaps is 1 month, 3 month and 6 month LIBOR. The Group settles the difference between the fixed and floating interest on a net basis.

Credit risk

Credit risk is the risk arising from the possibility that the Group will incur losses from the failure of customers to meet their obligations. The Group's principal financial assets are cash and cash equivalents, derivative financial instruments, trade and other receivables and contract assets. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group does not hold collateral over these balances.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For derivative financial instruments refer to note 20.

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

Trade and other receivables and contracts assets are aged as follows:

	31 December 2019 £'m	31 December 2018 £'m
>30 days	0.2	-
>1 day	0.2	-
Not due	39.8	55.1
	40.2	55.1

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

27. Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due. Liquidity management within the Group focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from the undrawn commitments and other contingent obligations. For loans payable refer to note 19.

For trade and other payables refer to note 23. The Group policy is to negotiate and agree terms and conditions with its suppliers. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts included in the table are the contractual undiscounted cash flows, except for net settled derivative financial instruments, which are included at their fair value. As a result, these amounts will not reconcile to the amounts disclosed on the balance sheet.

The following tables detail the remaining maturity for financial liabilities.

	Within one year	**Between one and two years**	**Between two and five years**	**Over five years**	**Total**
2019	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Trade payables (excluding non-financial liabilities)	67.6	4.7	-	-	72.3
Loans payable external *	343.7	66.1	519.1	1,055.3	1,984.2
Interest payable	85.7	73.7	200.7	295.1	655.2
Loans from parent undertakings	-	681.7	-	-	681.7
Derivative financial instruments	-	-	-	121.9	121.9
	497.0	**826.2**	**719.8**	**1,472.3**	**3,515.3**

* Includes Lease liabilities in respect of the application of IFRS 16 in the current year only.

27. Risk Management (continued)

Liquidity risk (continued)

2018	Within one year £'m	Between one and two years £'m	Between two and five years £'m	Over five years £'m	Total £'m
Trade payables (excluding non-financial liabilities)	70.9	5.9	-	-	76.8
Loans payable external*	392.8	342.8	202.1	1,638.6	2,576.3
Interest payable	96.6	90.8	227.8	380.1	795.3
Loans from parent undertakings	-	756.7	-	-	756.7
Derivative financial instruments *	-	-	1.8	107.1	108.9
	560.3	**1,196.2**	**431.7**	**2,125.8**	**4,314.0**

*** Restated**

At year end the Group had access to undrawn borrowing facilities of £464.3m (2018: £626.1m). 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 will not reconcile to the amounts disclosed on the balance sheet. Included within loans from parent undertakings is £481.7m (2018: £481.7m) of interest free loans that have no fixed maturity date. Although the loans from parent undertakings are within the time band 'Between one and two years' it is expected that these will not fall due until after five years.

Capital risk management

The Group manages its capital to ensure that it 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 Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in notes 16 and 17.

28. Retirement benefit scheme

Defined benefit plan

The Group operates a defined benefit scheme for qualifying employees in the UK, the Angel Trains Shared Cost Section ('Section') of the Railways Pension Scheme (the 'Main Scheme'). Provision for the costs of these benefits is charged to the income statement over the average remaining future service lives of the eligible employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2019 by independent actuaries. The results of these calculations have been based on the results of the last formal actuarial valuation of the Section as at 31 December 2016, allowing for adjustments, on an approximate basis, to allow for differences between the valuation and IAS 19 calculations. The contribution rate for the Group's scheme is split between the Group and the employee at 19.1% and 11.7% respectively (2018: 17.90% and 9.60%) of pensionable salaries.

28. Retirement benefit scheme (continued)

Defined benefit plan (continued)
The discounted mean term of the Section's Define Benefit Obligation (DBO) was 22 years based on the preliminary results of the formal valuation as at 31 December 2016.

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

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

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

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

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

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

Technical Provision shortfall
The full actuarial valuation of the Section as at 31 December 2016 highlighted a Technical Provisions shortfall of £2.5m and a £2.7m shortfall under the Rules basis, after including certain reserve requirements. Whilst in previous years the Group has contributed 100% to bridge funding deficits it is not doing so on this occasion. The active members have been asked to contribute to the extent the shortfall relates to them on the usual 65% employer / 35% employee split i.e. the Group will contribute 65% of the shortfall that relates to the active members.

As a result the deficit relating to the active members is £0.37m. The Group will fund 100% of the remaining shortfall relating to the pensioners and deferred members, giving a total funding requirement from the Group of £2.32m.

A consultation process to agree a recovery plan with the active members concluded in January 2018. The recovery plan, that has been agreed by the trustees, will be over a 6 year period, commencing 1 April 2019. The Group (as employer) will make six annual instalments from this date of £0.48m and the active members will contribute 1.83% of Section Pay over the same period.

In addition to the above, the Future Joint Service Contribution Rate increased to 19.1% employer and 10.3% employee (65%:35% split), from 1 July 2018.

28. Retirement benefit scheme (continued)

Membership data:

	31 December 2019	31 December 2018
Active members		
Number	52	55
Annual payroll (£m)	3.8	4.0
Average age	48.0	49.1
Deferred members		
Number	122	120
Total deferred pension (£m)	0.7	0.6
Average age	52.5	51.2
Pension members (including dependants)		
Number	63	57
Annual pension payroll (£m)	1.4	1.2
Average age	64.7	65.3

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

Asset data	31 December 2019 £'m	31 December 2018 £'m
Growth assets	56.1	45.4
Government bonds	9.8	9.5
Non-Government bonds	-	4.5
Other assets	0.9	0.1
Total asset value	**66.8**	**59.5**

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the London Stock Exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Summary of assumptions:

	31 December 2019	31 December 2018
Discount rate*	2.1%	3.0%
Future price inflation (RPI measure)	3.0%	3.2%
Future price inflation (CPI measure)	2.0%	2.1%
Future pension increases (CPI measure)	2.0%	2.1%
Expected rate of salary increases	2.0% for 3 years then 2.6% thereafter	3.0% for 1 year then 2.0% for 2 years then 2.8% thereafter

* One of the principal assumptions is the discount rate, which must be based upon the yields available at the accounting date on high quality corporate bonds with a term which matches that of the liabilities.

28. Retirement benefit scheme (continued)

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

The assumed average expectation of life in years for male and female members aged 65 now and 65 in 20 years' time for the Section is as follows:

	31 December 2019	31 December 2018
Male currently age 65	22.2	22.8
Male currently age 45	23.6	24.5
Female currently age 65	23.3	23.8
Female currently age 45	24.8	25.7

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

	31 December 2019	31 December 2018
Defined Benefit Liability at end of year	**£'m**	**£'m**
Defined Benefit Obligation at end of year		
Active members	(27.8)	(26.3)
Deferred members	(21.4)	(18.0)
Pensioner members (incl. dependants)	(36.1)	(28.9)
Total	(85.3)	(73.2)
Value of assets at end of year	66.8	59.5
Funded status at end of year	(18.5)	(13.7)
Adjustment for the members' share of deficit	2.1	1.7
Impact of minimum funding requirement/asset ceiling	-	-
Net Defined Benefit Liability at end of year	**(16.4)**	**(12.0)**

Reconciliation of defined benefit liability:

	31 December 2019	31 December 2018
	£'m	**£'m**
Opening defined benefit liability	(12.0)	(16.5)
Pension expense	(1.8)	(2.0)
Employer contributions	1.6	1.0
Total (loss)/gain recognised in OCI	(4.2)	5.5
Closing defined benefit liability	**(16.4)**	**(12.0)**

28. Retirement benefit scheme (continued)

Pension expense:

Amounts recognised in the income statement in respect of the defined benefit plan are as follows:

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Employer's share of service cost	1.4	1.4
Employer's share of administration costs	0.1	0.1
Past service cost adjustment (for GMP equalisation)	-	0.1
Total employer's share of service cost	1.5	1.6
Employer's share of net interest on net defined benefit liability	0.3	0.4
Employer's share of pension expense	**1.8**	**2.0**

The charge for the year is included in administrative expenses in the income statement.

Other comprehensive income (OCI):

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Loss due to liability experience	1.1	0.8
Loss/(gain) due to liability assumption changes	8.2	(5.1)
Return on plan assets (greater)/less than discount rate	(5.1)	1.1
Impact of moving to shared cost approach	-	(2.3)
Total loss/(gain) recognised in the OCI	**4.2**	**(5.5)**

Reconciliation of Defined Benefit Obligation (DBO):

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Opening defined benefit obligation	73.2	76.6
Service cost	1.5	1.7
Interest cost on DBO	2.2	2.0
Loss on DBO – experience	0.8	0.5
Gain on DBO – demographic assumptions	(2.4)	(0.4)
Loss/(gain) on DBO – financial assumption	11.8	(5.6)
Actual benefits payments	(1.8)	(1.7)
Past service cost	-	0.1
Closing defined benefit obligation	**85.3**	**73.2**

28. Retirement benefit scheme (continued)

Reconciliation of value of assets:

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Opening value of Section assets	59.5	60.1
Interest income on assets	1.8	1.6
Return on plan assets greater/(less) than discount rate	5.8	(1.4)
Contributions by employer	1.6	1.0
Benefits paid	(1.8)	(1.7)
Administration costs	(0.1)	(0.1)
Closing fair value of plan assets	**66.8**	**59.5**

DBO sensitivity analysis to significant actuarial assumptions:

	Sensitivity	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Discount rate	-1.0% p.a	21.7	17.4
Price inflation (CPI measure)	+0.5% p.a	9.8	7.9
Salary increases	+0.5% p.a	1.6	1.1
Life expectancy	+1 year	3.4	2.1

29. Dividends paid

	Year 31 December 2019 Pence per share	Year 31 December 2018 Pence per share	Year 31 December 2019 Total £'m	Year 31 December 2018 Total £'m
Dividends	444,255.66	1,027,508.09	54.9	127.0

Dividends of £54.9m (2018: £127.0m) were paid by the Group during the year ended 31 December 2019.

30. Parent companies

The Company's immediate parent company is Willow Holdco 2 Limited.

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.

31. Related party transactions

The Group has related party relationships with the directors and the following fellow parents of the Group and subsidiaries of Willow Topco Limited:

Willow Topco Limited
Angel Trains Holdings Limited
Angel Trains Rolling Stock Limited
Willow Holdco 1 Limited
Willow Holdco 2 Limited

Trading transactions

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

31 December 2019

	Income	Purchases	Interest paid	Other gains/ (losses)	Amounts owed by related parties	Amounts owed to related parties
Accounts with	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Immediate Parent	-	-	(11.9)	-	-	(682.6)
Other	0.4	-	-	-	-	-
Total	**-**	**-**	**(11.9)**	**-**	**-**	**(682.6)**

31 December 2018

	Income	Purchases	Interest paid	Other gains/ (losses)	Amounts owed by related parties	Amounts owed to related parties
Accounts with	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Immediate Parent	-	-	(9.7)	-	-	(755.8)
Other *	248.9	-	-	-	-	-
Total	**248.9**	**-**	**(9.7)**	**-**	**-**	**(755.8)**

*During 2018, the Group exercised a call option and purchased the rolling stock at a fixed price of £248.6m and subsequently sold it to Angel Trains Rolling Stock Limited.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received in respect of the trading transactions.

Notes to the Financial Statements (continued)

31. Related party transactions (continued)

Compensation of key management personnel

	Year ended 31 December 2019 £'m	Year ended 31 December 2018 £'m
Short term benefits	1.4	1.8
Post employment benefits	-	-
Other long-term benefits	-	-
	1.4	**1.8**

The key management personnel are defined as the directors of the subsidiaries of the Company.

The directors of the Company are remunerated for their services by the ultimate parent company, Willow Topco Limited, with the exception of the Chairman of the Angel Trains Group Limited, who is paid by Angel Trains Limited, a subsidiary of the Company.

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

32. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Loans payable (note 19) **£'m**
1 January 2018 (restated)	**2,622.3**
Financing cash flows – net (restated)	66.7
Non-cash changes*	2.8
1 January 2019 (restated)	**2,691.8**
Financing cash flows – net	30.9
Non-cash changes*	(1.3)
31 December 2019	**2,721.4**

* Non-cash items include the amortisation of loan fees and net movement in accruals for fees incurred financing new loans and an adjustment to the shareholders' interest free loan.

33. 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 Group any impact is not considered to affect the going concern of the Group.

33. Events after the balance sheet date (continued)

Except as noted 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.