

Willow Holdco 2 Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

Willow Holdco 2 Limited
Registered in Jersey: Number 100174
Registered Office: 27 Hill Street, St Helier, Jersey, JE2 4UA

Willow Holdco 2 Limited

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Willow Holdco 2 Limited

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

A. Mercado
M. Brown
J.B. Auger
A. Petrie
M. Jamai
B. Pahari
R. Vidanaarachchi
C. Lyngdal

Company secretary:

Soditic Secretaries Ltd

Registered office:

27 Hill Street
St Helier
Jersey
JE2 4UA

Independent auditors:

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

Registered in Jersey: Number 100174

Willow Holdco 2 Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report on Willow Holdco 2 Limited (the 'Company') for the year ended 31 December 2018.

REVIEW OF THE BUSINESS

The principal activity of the Company is an intermediary holding company.

The directors are satisfied with the Company's performance in the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth. A comprehensive business review is carried out at a group level by the ultimate parent company, Willow Topco Limited and its subsidiary undertakings (the 'Group').

The Company's financial performance is presented in the Income Statement on page 9. The profit for the year was £127,068,000 (2017: £95,339,000) and this was transferred to reserves. Dividends were paid, as disclosed in the directors' report. At the end of the year, the financial position showed total assets of £755,994,000 (2017: £656,734,000).

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

KEY PERFORMANCE INDICATORS

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

STRATEGY

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

LOOKING FORWARD

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

PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS

The Company's portfolio of financial instruments principally comprise of loans, deposits and payables. Applying International Financial Reporting Standards (IFRS), all portfolios are considered to be held for non-trading purposes. The directors are responsible for considering risk management issues that arise across the Company's financial instrument portfolio. Risk management policies are detailed in note 18.

From the perspective of the Company, except for the above, the principal risks and uncertainties are integrated with the principal risks of the Group, and are not managed separately. The Group has an Internal Control Framework that is designed to monitor its risks, including financial, operational, regulatory, credit and reputational risks. The Framework includes processes to review the effectiveness of the Group's system of internal control. The Group has an organisational structure with clearly defined lines of responsibility and delegation of authority.

Willow Holdco 2 Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

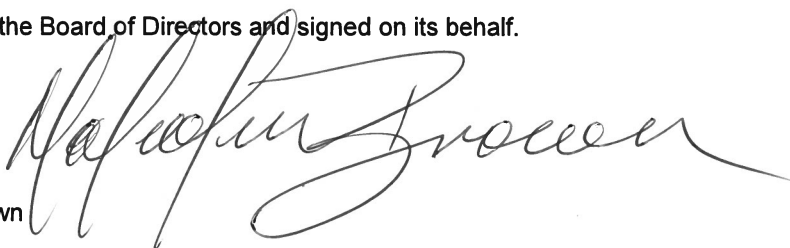
PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS (continued)

Operational risk

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

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

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

A handwritten signature in black ink, appearing to read 'Malcolm Brown', is written over the printed name and title.

Malcolm Brown

Director

27 March 2019

Willow Holdco 2 Limited
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2018.

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 by 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 company 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 Company and 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. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOING CONCERN

These financial statements are prepared on a going concern basis.

DIVIDENDS

An interim dividend of £127,000,000 was paid during the year (2017: £95,400,000). The directors do not propose the payment of a final dividend (2017: £nil).

The directors do not anticipate a change in the ordinary course of business of the Company. A looking forward review of the Company is undertaken in the Strategic Report.

Willow Holdco 2 Limited
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

DIRECTORS AND COMPANY SECRETARY

The present directors and company secretary are listed on page 1. Those who have served during the year and up to the date of signing of the financial statements are listed below with any changes from 1 January 2018 noted.

Directors	Appointed	Resigned
A. Mercado		
C. Lyngdal		27 March 2019
D.R. Rees		31 July 2018
J.B. Auger		
M. Brown	25 September 2018	
M. Jamai		
A. Petrie		
R. Vidanaarachchi		
B. Pahari		

Company secretary

Soditic Secretaries Ltd

DIRECTORS INDEMNITY COVER

No director has been granted Qualifying Third Party indemnity Provisions.

FINANCIAL RISK MANAGEMENT

The major risks associated with the Company's business are market risk, credit risk and liquidity risk. The management of these risks is carried out at a group level by the ultimate parent company. The Group has established a comprehensive framework for managing these risks which are continually evolving as business activities change in response to market, credit, product and other developments. Risk management policies are detailed in note 18.

POST BALANCE SHEET EVENTS

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

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

A. Petrie



Director

27 March 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLOW HOLDCO 2 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Willow Holdco 2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Income Statement for the year then ended; the Statement of Cash Flows for the year then ended; the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a summary of the significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLOW HOLDCO 2 LIMITED (continued)

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 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 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLOW HOLDCO 2 LIMITED (continued)

Other required reporting

Companies (Jersey) Law 1991 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

29 March 2019

Willow Holdco 2 Limited
Registered Number 100174
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018	Year ended 31 December 2017
	Note	£'000	£'000
Revenue	2	127,000	95,300
Administrative expenses		(37)	(37)
Operating profit		126,963	95,263
Finance income	3	9,778	7,301
Finance costs	4	(9,655)	(7,214)
Profit before income tax		127,086	95,350
Tax charge	6	(18)	(11)
Profit attributable to the owners		<u>127,068</u>	<u>95,339</u>

There is no other comprehensive income for the year (2017: £nil).

The notes on pages 13 to 27 form an integral part of these financial statements.

Willow Holdco 2 Limited
Registered Number 100174
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Retained earnings	Total Equity
	£'000	£'000	£'000
At 1 January 2017	112	80	192
Profit for the year	-	95,339	95,339
Dividends paid	-	(95,400)	(95,400)
At 31 December 2017	112	19	131
Profit for the year	-	127,068	127,068
Dividends paid	-	(127,000)	(127,000)
At 31 December 2018	112	87	199

The notes on pages 13 to 27 form an integral part of these financial statements.

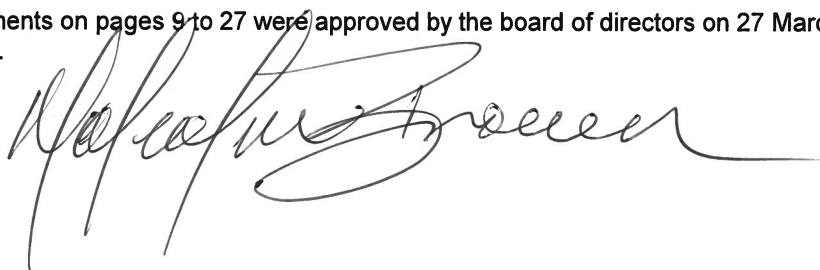
Willow Holdco 2 Limited
Registered Number 100174
BALANCE SHEET AS AT 31 DECEMBER 2018

		31 December 2018	31 December 2017
	Note	£'000	£'000
Assets			
Non-current assets			
Investments	7	12	12
Loans receivable	9	754,858	654,852
		<u>754,870</u>	<u>654,864</u>
Current Assets			
Trade and other receivables	9	958	1,644
Cash and cash equivalents	9	166	226
		<u>1,124</u>	<u>1,870</u>
Current Liabilities			
Trade and other payables	12	(754)	(1,563)
Current tax liabilities	13	(7)	(11)
		<u>(761)</u>	<u>(1,574)</u>
Net current assets		<u>363</u>	<u>296</u>
Total assets less current liabilities		<u>755,233</u>	<u>655,160</u>
Non-current liabilities			
Loans payable	11	755,034	655,029
		<u>755,034</u>	<u>655,029</u>
Equity attributable to owners of the parent			
Called up share capital	10	112	112
Retained earnings		87	19
Total equity		<u>199</u>	<u>131</u>
Total equity and non-current liabilities		<u>755,233</u>	<u>655,160</u>

The notes on pages 13 to 27 form an integral part of these financial statements.

The financial statements on pages 9 to 27 were approved by the board of directors on 27 March 2019 and signed on its behalf.

Malcolm Brown
Director



Willow Holdco 2 Limited

Registered Number 100174

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Cash flows from operating activities:		
Dividends received	127,000	95,300
Net cash paid to suppliers or group companies	(25)	(27)
Loan fees paid	-	(1,000)
Donations	(11)	(10)
Cash generated from operations	126,964	94,263
Income tax payments	(24)	(10)
Interest paid to group companies	(9,973)	(6,201)
Net cash generated from operating activities	116,967	88,052
Cash flows from investing activities:		
Interest received from group companies	9,973	6,282
Loan fees received	-	1,000
Net cash generated from investing activities	9,973	7,282
Cash flows from financing activities:		
Dividends paid	(127,000)	(95,400)
Receipt of loans from group Companies	99,637	-
Issue of loans to group Companies	(99,637)	-
Net cash used in financing activities	(127,000)	(95,400)
Net decrease in cash and cash equivalents	(60)	(66)
Cash and cash equivalents at beginning of year	226	292
Cash and cash equivalents at end of year	166	226

The notes on pages 13 to 27 form an integral part of these financial statements.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies

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

General

Willow Holdco 2 Limited is a limited Company and is incorporated and domiciled in Jersey. The address of the registered office is on page 1.

These financial statements have been prepared in accordance with European Union ("EU") endorsed International Financial Reporting Standards ("IFRS") and IFRIC interpretations and the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention and on the going concern basis. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Where fair value is required for disclosure purposes, measurements are in accordance with IFRS 13 (IFRS 13 Fair Value Measurement). In accordance with IFRS 13, fair value measurements are categorised according to the inputs used in valuation techniques into three levels within a fair value hierarchy. The different levels have been defined as follows:

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

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The directors consider that the carrying amount of the Group's variable rate borrowings approximates to their fair value.

Critical accounting estimates and judgements

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

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

There are no critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

1. Significant accounting policies (continued)

Adoption of the new and revised Standards

At the date of authorisation of these financial statements the following amended standards were effective for the accounting year beginning on 1 January 2018, but did not have a material impact on the Company's financial statements:

IFRS 15 - 'Revenue from contracts with customers'

IFRS 2 (amendment) - 'Share-based payment'

IFRS 4 (amendment) - 'Insurance contracts'

IFRS 9 (amendment - 2014) - 'Financial instruments'

IAS 40 (amendment) - 'Investment property'

IFRIC 22 - 'Foreign currency transactions and advance consideration'

The following standards, amendments and interpretations to existing standards have been issued but are effective for accounting periods beginning after 1 January 2018, and the Company has not early adopted them:

IFRS 9 (amendment - 2017) - 'Financial instruments'

IFRS 16 - 'Leases'

IFRS 17 - 'Insurance contracts'

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

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.

Taxation

The Company is resident in the United Kingdom for tax where the applicable tax rate is 19.00%.

Tax expense represents the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. From 1 January 2018, the Company classifies financial assets and liabilities 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.

Financial assets

The Company recognises its financial assets in the following categories: Investments and loans and receivables. The classification is determined on initial recognition.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

1. Significant accounting policies (continued)

Financial instruments (continued)

Investments

Investments are initially measured at fair value, plus directly attributable transaction costs. At subsequent reporting dates, debt securities that the Company has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets at amortised cost (2017: loans, trade and other receivables)

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

Cash and cash equivalents

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

Financial liabilities

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

Loan borrowings

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

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.

Consolidated financial statements

The Willow Topco Limited consolidated financial statements are available from the registered office, 27 Hill Street, St Helier, Jersey, JE2 4UA. The Company's financial statements therefore present information about the Company as an individual entity and not about the Group.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

1. Significant accounting policies (continued)

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.

Dividends are payable when declared by the directors and rights to income are established.

2. Revenue

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Dividend income	127,000	95,300

All revenue relates to United Kingdom operations.

3. Finance income

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Interest receivable from group undertakings	9,778	7,301

4. Finance costs

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Interest payable to group undertakings	9,655	7,214

5. Expenses by Nature

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Management fees	11	14
Other expenses	26	23
Total cost of sales and administration expenses	37	37

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

5. Expenses by Nature (continued)

Auditors' remuneration for audit services to the Company during the year was £7,100 (2017: £6,860). The auditors did not provide any non-audit services during the year (2017: £nil).

6. Tax charge

The charge for taxation based on the profit for the year is based on United Kingdom corporation tax at 19.00% (2017: 19.25%) and comprises:

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Current tax		
Current tax charge on profits for the year	18	11
Total current tax charge	18	11

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Profit before income tax	127,086	95,350
Expected tax expense at 19.00% (2017: 19.25%)	24,146	18,355
Dividends received - non taxable	(24,130)	(18,345)
Donations disallowable	2	1
Total taxation charge for the year	18	11

The standard rate of Corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at the main corporation tax rate of 19.00% (2017: 19.25% effective rate).

In the Finance Act 2016, which received Royal Assent on 15 September 2016, the main rate of corporation tax was reduced to 17% from 1 April 2020. The effect of the future changes in tax rate would be £nil to deferred tax as the Company holds no deferred tax liabilities or assets at the year end.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

7. Investments

	Shares in group undertaking
	£'000
Cost and net book value	
At 1 January 2017	12
At 31 December 2017	12
At 31 December 2018	12

Details of the Company's direct subsidiary at 31 December 2018 are as follows:

Entity	Year end	Business	Country of registration/place of business	Holding of investment	Percentage of interest %
Willow Bidco Limited	31 December	Holding	Jersey	Direct holding of 12,360 ordinary shares of £1	100

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The details of the indirect subsidiary undertakings are as follows:

Entity	Year end	Business	Country of registration/place of business	Percentage interest %
Willow Rolling Stock UK Limited	31 December	Holding	Scotland	100
Angel Trains Group Limited	31 December	Holding	England & Wales	100
Angel Trains Limited	31 December	Leasing	England & Wales	100
Angel Trains Capital Limited	31 December	Dormant	England & Wales	100
The Great Rolling Stock Company Limited	31 December	Financing	England & Wales	100
Angel Locomotive Leasing Limited	31 December	Dormant*	England & Wales	100
Angel Leasing Company Limited	31 December	Leasing	England & Wales	100
Angel Trains Consulting Limited	31 December	Dormant	England & Wales	100
Angel Infrastructure Limited	31 December	Dormant	England & Wales	100

*Became dormant during the year.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

8. Financial instruments by category

31 December 2018

Note

**Financial assets
at amortised
cost***

£'000

Financial assets as per balance sheet

Loans receivable	9	754,858
Trade and other receivables	9	958
Cash and cash equivalents	9	166
		<u>755,982</u>

**Financial
liabilities at
amortised cost**

£'000

Financial liabilities as per balance sheet

Loans payable	11	755,034
Trade and other payables	12	754
		<u>755,788</u>

31 December 2017

**Financial assets
at amortised
cost***

£'000

Financial assets as per balance sheet

Loans receivable	9	654,852
Trade and other receivables	9	1,644
Cash and cash equivalents	9	226
		<u>656,722</u>

**Financial
liabilities at
amortised cost**

£'000

Financial liabilities as per balance sheet

Loans payable	11	655,029
Trade and other payables	12	1,563
		<u>656,592</u>

*(2017: Loans and receivables)

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

9. Loans and receivables

Loans receivable

	31 December 2018	31 December 2017
	£'000	£'000
Amounts falling due after more than one year		
Loans to wholly-owned subsidiaries	754,858	654,852

Trade and other receivables

	31 December 2018	31 December 2017
	£'000	£'000
Amounts falling due within one year		
Trade receivables	-	154
Amounts owed by group companies	958	1,490
	958	1,644

The directors consider that the carrying amount of trade and other receivables approximates to their fair value and is comprised mainly of interest accrued on the unsecured loans receivable.

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

As at 31 December 2018, the Company has the following loans issued to Willow Bidco Limited.

The subordinated shareholder loan amounts to £481,711,000 (2017: £481,711,000) and is unsecured, interest free and has no fixed maturity date. The directors have confirmed that there is currently no intention that the loan will be called for repayment within the next 12 months.

As at 31 December 2018, the Company had a loan issued to Willow Bidco Limited of £125,000,000 (2017: £125,000,000). The amount outstanding up to 31 December 2018 is £125,000,000 (2017: £125,000,000). The loan is unsecured and bears interest at the floating coupon rate plus a margin and has no fixed maturity date.

As at 31 December 2018, the Company had loans issued to Willow Bidco Limited for the total of £150,000,000 (2017: £50,000,000). The amount outstanding up to 31 December 2018 is £150,000,000 (2017: £50,000,000). The loan is unsecured and bears interest at the fixed coupon rate plus a margin and has no fixed maturity date.

For the year ending 31 December 2018, the directors estimate the fair value of the Company's fixed rate and interest free loans receivables to be as follows: £504,925,000 (2017: £504,194,000)

Cash and cash equivalents

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

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

10. Called up share capital

	31 December 2018	31 December 2017
	£	£
Authorised:		
100,000,000 (2017: 100,000,000) Ordinary shares of £1 each	100,000,000	100,000,000
Issued and fully paid:		
112,360 (2017: 112,360) Ordinary shares of £1 each	112,360	112,360

11. Loans payable

	31 December 2018	31 December 2017
	£'000	£'000
Amounts falling due after one year		
Loans from group undertakings	755,034	655,029

All the Company's carrying amounts are denominated in Sterling.

The effective interest rates paid on interest bearing loans were as follows:

	31 December 2018	31 December 2017
Loans from group undertakings	4.13%	4.15%

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

As at 31 December 2018 the Company has the following loans from Group company Willow Holdco 1 Limited.

The subordinated shareholder loan amounts to £481,888,000 (2017: £481,888,000) and is unsecured, interest free and has no fixed maturity date. The directors have received confirmation from the lender that there is currently no intention that the loan will be called for repayment within the next 12 months.

During 2014, the Company entered into a £125,000,000 subordinated junior debt which bears interest at the floating coupon rate plus a margin. The amount outstanding up to 31 December 2018 is £125,000,000 (2017: £125,000,000). The loan is unsecured and has no fixed maturity date.

During 2016, the Company entered into a £25,000,000 subordinated junior debt which bears interest at the fixed coupon rate plus a margin. The amount outstanding up to 31 December 2018 is £25,000,000 (2017: £25,000,000). The loan is unsecured and has no fixed maturity date.

During 2016, the Company entered into a £25,000,000 subordinated junior debt which bears interest at the fixed coupon rate plus a margin. The amount outstanding up to 31 December 2018 is £25,000,000 (2017: £25,000,000). The loan is unsecured and has no fixed maturity date.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

11. Loans payable (continued)

During 2017, the Company entered into a £100,000,000 subordinated junior debt which bears interest at the fixed coupon rate plus a margin. The amount outstanding up to 31 December 2018 is £100,000,000 (2017: £nil). The loan is unsecured and has no fixed maturity date.

In the context of the fair value hierarchy set out in IFRS 13, these instruments are included within Level 2.

For the year ending 31 December 2018, the directors estimate the fair value of the Company's fixed rate and interest free loans payable to be as follows: £504,925,000 (2017: £504,194,000)

12. Trade and other payables

	31 December 2018	31 December 2017
	£'000	£'000
Other payables and accruals	-	154
Interest accruals on loans from group undertakings	754	1,409
	<u>754</u>	<u>1,563</u>

Trade payables and accruals comprise amounts outstanding for ongoing costs and accruals for intercompany expenses.

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

13. Current tax liabilities

	31 December 2018	31 December 2017
	£'000	£'000
Amounts owed to other group companies	<u>7</u>	<u>11</u>

At 31 December 2018, the Company had current tax liabilities of £7,000 (2017: £11,000) payable to other group companies. The amounts owed to other group companies are unsecured and will be settled within the next 12 months.

14. Contingent liabilities

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

The Great Rolling Stock Company Limited, Willow Bidco Limited and Angel Trains Limited
£1,340,000,000 (of which £707,025,000 (2017: £690,000,000) remains outstanding) Senior loan and revolving facilities agreements.

Willow Holdco 1 Limited
£275,000,000 (of which £275,000,000 (2017: £175,000,000) has been drawn down) Junior facility agreements.

The Great Rolling Stock Company Limited, entered into a £4,000,000,000 (of which £1,153,600,000 (2017: £1,189,500,000) remains outstanding) programme for the issuance of secured guaranteed notes, which has been guaranteed by the Company and other group companies.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

15. Parent companies

The Company's immediate parent company is Willow Holdco 1 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.

Willow Holdco 1 Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Willow Holdco 1 Limited can be obtained from 27 Hill Street, St Helier, JE2 4UA, Jersey.

16. Related party transactions

In addition to the subsidiaries listed in note 7 and the parent companies noted in note 15 and the directors, the Company has related party relationships with the following Group members:

Angel Trains Holdings Limited. The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.

Angel Trains Rolling Stock Limited. The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.

Trading transactions

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

31 December 2018

	Income	Purchases	Interest received	Interest paid	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000	£'000	£'000
Parent	-	4	-	9,655	-	755,781
Subsidiaries	127,000	20	9,778	-	755,816	-
Total	127,000	24	9,778	9,655	755,816	755,781

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

16. Related party transactions (continued)

31 December 2017

	Income	Purchases	Interest received	Interest paid	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000	£'000	£'000
Parent	-	-	-	7,214	-	656,585
Subsidiaries	95,300	14	7,301	-	656,496	-
Total	95,300	14	7,301	7,214	656,496	656,585

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received, in respect of the related party transactions. During the year ending 31 December 2018 there were dividends received of £127,000,000 (2017: £95,300,000) and dividends paid of £127,000,000 (2017: £95,400,000).

Compensation of key management personnel

None of the directors received any emoluments for their services to the Company during the year ended 31 December 2018 (2017: £nil). The Company itself has no employees (2017: none).

17. Dividends paid

	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
	Pence per share	Pence per share	Total £'000	Total £'000
Dividends	113,029.55	84,905.66	127,000	95,400

18. Risk management

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

Market risk

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

The Company is not exposed to currency risk as all its assets and liabilities are U.K. based.

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company manages the market risk through its risk framework, which is continually evolving as business activities change.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

18. Risk management (continued)

Market risk (continued)

The Company's sensitivity to interest rates are neutral due to the financial assets variable rate debt instruments offsetting the financial liabilities variable rate debt.

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 financial assets and liabilities, the analysis is prepared assuming the amount of financial asset/liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

		2018	2017
	Variability	£'000	£'000
Interest rates	+1%	-	-
Interest rates	-1%	-	-

Credit risk

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

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

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

The credit risk on group undertakings is limited because the undertakings are solvent, under common control and the directors are confident of them continuing as going concerns. The credit on group undertakings £755,816,000 (2017: £656,496,000) is not past due. Trade and other receivables are not past due.

Liquidity risk

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

Liquidity management within the Company focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. For loans payable refer to note 11. For trade and other payables refer to note 12. The Company's policy is to negotiate and agree terms and conditions with its suppliers.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

18. Risk management (continued)

Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts included in the table are the contractual undiscounted cash flows.

	Within one year	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000
2018				
Trade and other payables	754	-	-	754
Interest payable	10,520	-	-	10,520
Loans from group undertakings	-	755,034	-	755,034
Total	11,274	755,034	-	766,308
	Within one year	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000
2017				
Trade and other payables	1,563	-	-	1,563
Interest payable	7,051	-	-	7,051
Loans from group undertaking	-	655,029	-	655,029
Total	8,614	655,029	-	663,643

For details of loan from group undertakings refer to note 11.

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consist of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the Company.

Willow Holdco 2 Limited

NOTES TO FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2018 (continued)

19. Non-cash transactions

During the year ended 31 December 2018, the Company entered into the following non-cash financing and investing activities which are not reflected in the statement of cash flows:

- Loans receivable increased by £338,000 by way of interest receivable being capitalised to loans receivable.
- Loans payable increased by £338,000 by way of interest payable being capitalised to loans payable.
- Loans receivable increased by £30,000 by way of commitment fees being capitalised to loans receivable.
- Loans payable increased by £30,000 by way of commitment fees being capitalised to loans payable.

20. Reconciliation of liabilities arising from financing activities

	Loans payable (note 11)
	£'000
At 1 January 2017	656,005
Financing cash flows - net	(1,000)
Non-cash changes*	24
	<hr/>
At 1 January 2018	655,029
Financing cash flows - net	99,637
Non-cash changes*	368
	<hr/>
At 31 December 2018	755,034
	<hr/> <hr/>

*Non-cash changes include interest accruals

21. Events after the balance sheet date

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