

**Willow Rolling Stock UK Limited**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

Willow Rolling Stock UK Limited  
Registered in Scotland: Number SC177821  
Registered Office: c/o CMS Cameron McKenna LLP, Saltire Court, 20 Castle Terrace, Edinburgh, Scotland, EH1 2EN

# Willow Rolling Stock UK Limited

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# **Willow Rolling Stock UK Limited**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **Directors:**

K. Tribley  
D. Jordan  
A. Lowe  
M. Hicks  
M. Brown  
J.B. Auger

### **Company secretary:**

N. Holas

### **Registered office:**

CMS Cameron McKenna LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
UK, EH1 2EN

### **Independent auditors:**

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

Registered in Scotland: Number SC177821

**Willow Rolling Stock UK Limited**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their strategic report on Willow Rolling Stock UK Limited (the "Company") for the year ended 31 December 2018.

**REVIEW OF THE BUSINESS**

The principal activity of the Company continues to be a group treasury 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 (the "Group").

The Company's financial performance is presented in the Income Statement on page 9. The profit for the year was £133,424,000 (2017: £129,643,000) and this was transferred to reserves. Dividends were distributed as disclosed in the directors report. At the end of the year, the financial position showed total assets of £1,245,770,000 (2017: £1,151,814,000).

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 the 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 AND UNCERTAINTIES**

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.

**FINANCIAL RISK**

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 20.

**Willow Rolling Stock UK Limited**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

**Operational risk**

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

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

By order of the board



N. Holas

Company Secretary

27 March 2019

**Willow Rolling Stock UK Limited**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**FUTURE DEVELOPMENTS**

Please refer to the 'looking forward' section within the Strategic Report.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

**GOING CONCERN**

These financial statements are prepared on a going concern basis.

**Willow Rolling Stock UK Limited**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

**DIVIDENDS**

An interim dividend of £147,000,000 was declared during the year (2017: £115,300,000). The directors do not propose the payment of a final dividend (2017: £nil). The Company's financial performance is presented in the Income Statement on page 9.

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

**DIRECTORS AND COMPANY SECRETARY**

The present directors and company secretary are listed on page 1. The directors of the Company who were in office during the year and up to the date of signing this report are listed below with any changes from 1 January 2018 noted.

**Directors**

M. Brown

K. Tribley

A. Lowe

M. Hicks

D.R. Rees

Resigned

31 July 2018

J.B. Auger

D. Jordan

Appointed

1 August 2018

**Company Secretary**

N. Holas

**DIRECTORS INDEMNITY COVER**

No director has been granted Qualifying Third Party indemnity Provisions.

**FINANCIAL RISK MANAGEMENT**

The main financial risk the Company faces is interest rate risk. However this risk is mitigated at group level through the use of hedging. The directors consider that the Company's exposure to price risk, credit risk, liquidity risk or cash flow risk is relatively limited given the nature of its activities. Risk management policies are detailed in note 20.

**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.



K. Tribley  
Director

27 March 2019

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLOW ROLLING STOCK UK LIMITED**

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

### **Opinion**

In our opinion, Willow Rolling Stock UK Limited's 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 Act 2006.

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

### **Basis for opinion**

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

### **Independence**

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

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

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.

We have nothing to report in respect of the above matters.

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.

### **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 on, 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



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

### **Reporting on other information (continued)**

there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLOW ROLLING STOCK UK LIMITED (continued)**

**Other required reporting**

**Companies Act 2006 exception report**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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 Rolling Stock UK Limited**  
Registered Number SC177821  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

		Year ended 31 December 2018	Year ended 31 December 2017
	Note	£'000	£'000
<b>Revenue</b>	2	147,000	145,300
Administrative expenses	5	(46)	(48)
<b>Operating profit</b>		146,954	145,252
Finance income	3	41,878	31,679
Finance costs	4	(58,271)	(50,694)
<b>Profit before income tax</b>		130,561	126,237
Income tax credit	7	2,863	3,406
<b>Profit attributable to the owners</b>		<u>133,424</u>	<u>129,643</u>

There is no other comprehensive income for the year (2017: £nil).  
The notes on pages 13 to 28 form an integral part of these financial statements.

**Willow Rolling Stock UK Limited**  
Registered Number SC177821  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 January 2017</b>	<b>50</b>	<b>45,436</b>	<b>45,486</b>
Profit for the financial year	-	129,643	129,643
Dividends	-	(115,300)	(115,300)
<b>At 31 December 2017</b>	<b>50</b>	<b>59,779</b>	<b>59,829</b>
Profit for the financial year	-	133,424	133,424
Dividends	-	(147,000)	(147,000)
<b>At 31 December 2018</b>	<b>50</b>	<b>46,203</b>	<b>46,253</b>

The notes on pages 13 to 28 form an integral part of these financial statements.

**Willow Rolling Stock UK Limited**  
Registered Number SC177821  
**BALANCE SHEET AS AT 31 DECEMBER 2018**

		31 December 2018	31 December 2017
	Note	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	8	409,392	409,392
Loans receivable	9,10	631,176	639,287
		<u>1,040,568</u>	<u>1,048,679</u>
<b>Current Assets</b>			
Loans receivable	9,10	200,000	90,000
Current tax assets	17	2,863	3,373
Cash and cash equivalents	9,10	2,339	9,762
		<u>205,202</u>	<u>103,135</u>
<b>Current Liabilities</b>			
Trade and other payables	10,15	(1,381)	(1,380)
Loans payable	10,13	(200,000)	(90,000)
		<u>(201,381)</u>	<u>(91,380)</u>
<b>Net current assets</b>		<u>3,821</u>	<u>11,755</u>
<b>Total assets less current liabilities</b>		<u>1,044,389</u>	<u>1,060,434</u>
<b>Non-current liabilities</b>			
Loans payable	10,13	935,186	937,655
Preference shares	14	62,950	62,950
		<u>998,136</u>	<u>1,000,605</u>
<b>Equity attributable to owners of the parent</b>			
Called up share capital	11	50	50
Retained earnings		46,203	59,779
<b>Total equity</b>		<u>46,253</u>	<u>59,829</u>
<b>Total equity and non-current liabilities</b>		<u>1,044,389</u>	<u>1,060,434</u>

The notes on pages 13 to 28 form an integral part of these financial statements.

The financial statements on pages 9 to 28 were approved by the Board of Directors on 27 March 2019 and signed on its behalf.

A. Lowe  
Director



**Willow Rolling Stock UK Limited**  
Registered Number SC177821  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Year ended 31 December 2018</b>	<b>Year ended 31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities:</b>		
Dividends received from subsidiaries	147,000	95,300
Cash paid to suppliers or group companies	(46)	(48)
<b>Cash generated from operations</b>	<b>146,954</b>	<b>95,252</b>
Interest paid	(1,364)	(1,352)
Interest received	61	49
Income tax receipts	3,406	17,006
<b>Net cash flows generated from operating activities</b>	<b>149,057</b>	<b>110,955</b>
 <b>Cash flows from financing activities:</b>		
Equity dividends paid	(147,000)	(95,300)
Repayment of loans to group Companies	(238,170)	(497,493)
Receipt of new loans from group Companies	288,800	627,425
Repayment of loans by group Companies	344,140	158,680
Issue of new loans to group Companies	(404,250)	(296,112)
<b>Net cash used in financing activities</b>	<b>(156,480)</b>	<b>(102,800)</b>
 <b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,423)</b>	<b>8,155</b>
Cash and cash equivalents at beginning of year	9,762	1,607
<b>Cash and cash equivalents at end of year</b>		
Bank balances and cash	2,339	9,762

The notes on pages 13 to 28 form an integral part of these financial statements.  
Significant non-cash transactions are disclosed in note 21.

# Willow Rolling Stock UK 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 Rolling Stock UK Limited is a limited company and is incorporated and domiciled in Scotland. The address of the registered office is on page 1. The nature of Company's operations and its principal activities are set out in the Strategic report.

These financial statements have been prepared in accordance with European Union ("EU") endorsed International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") and the Companies Act 2006 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. In the context of the fair value hierarchy set out in IFRS 13, these instruments are included within Level 2.

#### Consolidation exemption

The Company is exempt from the requirement to prepare consolidated financial statements, under Section 401 of Companies Act 2006 as the Company is a wholly-owned subsidiary of Willow Topco Limited (a Jersey incorporated entity) and the Company's results are consolidated within the financial statements of the parent entity, Willow Topco Limited. The Willow Topco Limited consolidated financial statements are available from the registered office, 27 Hill Street, St Helier, Jersey, JE2 4UA. The Company's financial statements therefore present information about the Company as an individual entity and not about the Group.

#### 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 have been no critical judgements or estimates made by the directors in the process of applying the Company's accounting policies.

## Willow Rolling Stock UK 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 to 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.

##### Dividend income

Dividend income received is recognised as revenue in the income statement.

##### Interest income

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

##### Taxation

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

The Company's asset/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.



## Willow Rolling Stock UK Limited

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

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

##### Financial instruments (continued)

###### 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.

###### Loans receivables

Loans receivables are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

###### 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.

###### Trade and other payables

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

##### Investments in subsidiaries

Investments are initially measured at fair value, plus directly attributable transaction costs. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired.

##### Share capital

Ordinary shares are classified as equity.

##### Dividends paid

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

#### 2. Revenue

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Dividend income	147,000	145,300

All revenue relates to United Kingdom operations.

## Willow Rolling Stock UK Limited

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

#### 3. Finance income

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Interest receivable from group undertakings	41,811	31,626
Other interest	67	53
	41,878	31,679

#### 4. Finance costs

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Interest payable to group undertakings	56,901	49,324
Preference dividend payable	1,370	1,370
	58,271	50,694

#### 5. Expenses by nature

	Year ended 31 December 2018	Year ended 31 December 2017
	£'000	£'000
Management fees	35	38
Audit fees	11	10
<b>Total cost of sales and administration expenses</b>	<b>46</b>	<b>48</b>

Auditors' remuneration for audit services during the year for the audit of the Company's financial statements was £10,600 (2017: £10,310). The auditors did not provide any non-audit services during the year (2017: £nil).

#### 6. Directors' and employees' emoluments

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

## Willow Rolling Stock UK Limited

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

#### 7. Income tax credit

The credit 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
<b>Current tax</b>		
Current tax credit on profits for the year	2,863	3,406
	2,863	3,406
<b>Total current tax credit</b>	2,863	3,406

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 taxation	130,561	126,237
Expected tax expense at 19.00% (2017: 19.25%)	(24,807)	(24,301)
Dividends received - non taxable	27,930	27,970
Preference share interest payable	(260)	(263)
	2,863	3,406
<b>Current taxation credit for the year</b>	2,863	3,406

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 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 Rolling Stock UK Limited

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

#### 8. Investments

	<b>Shares in group undertaking  £'000</b>
<b>Cost and net book value</b>	
At 1 January 2017	409,392
At 31 December 2017	409,392
At 31 December 2018	409,392

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid. During the year ended 31 December 2018, the directors did not deem it necessary to impair investments. The directors believe that the carrying value of the investment is supported by their underlying net assets.

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

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

Entity	Year end	Business	Country of registration/place of business	Holding of investment	Percentage of interest %
Angel Trains Group Limited	31 December	Holding company	England & Wales	Direct holding of 60 ordinary shares of £0.20	100

The details of the indirect subsidiary undertakings are as follows:

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

\*Became dormant during the year.

## Willow Rolling Stock UK Limited

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

#### 9. Other financial assets

##### 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.

##### Loans receivable

	31 December 2018	31 December 2017
	£'000	£'000
<b>Amounts falling due within one year</b>		
Loan to wholly-owned subsidiaries	200,000	90,000
<b>Amounts falling due after more than one year</b>		
Loans to parent and wholly-owned subsidiaries	631,176	639,287
	831,176	729,287

The Company has loaned Angel Trains Group Limited £200,000,000 (2017: £200,000,000). Included in the loan is interest of £nil (2017: £nil). The loan is unsecured, interest free and is repayable on demand. The Company has given assurances that the receivable will not be called within a period of one year from the date of signing the financial statements, if doing so would result in the recipient Company no longer being a going concern. The directors consider the carrying value of the Company's interest free loan to approximate its fair value.

As at 31 December 2018, the Company had a loan issued to Willow Bidco Limited of £161,623,000 (2017: £248,635,000). This loan is unsecured, and bears interest at the weighted average cost of debt of the Group's senior facilities plus a margin and has no fixed maturity date.

As at 31 December 2018, the Company had a loan issued to Angel Trains Limited of £469,553,000 (2017: £280,652,000). This loan is unsecured, and bears interest at the weighted average cost of debt of the Group's senior facilities plus a margin and has no fixed maturity date.

In the context of the fair value hierarchy set out in IFRS13, these instruments are included within Level 2.

The directors consider that the carrying amount of the Company's floating rate loans receivable approximates to their fair value. The directors have given confirmation that the above loans will not be called for repayment within the next 12 months.

## Willow Rolling Stock UK Limited

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

#### 10. Financial instruments by category

31 December 2018	Note	Financial assets at amortised cost*
		£'000
<b>Assets as per balance sheet</b>		
Loans receivable	9	831,176
Cash and cash equivalents	9	2,339
		833,515
		833,515
<b>Other financial liabilities at amortised cost</b>		
		£'000
<b>Liabilities as per balance sheet</b>		
Loans payable	13	1,135,186
Trade and other payables	15	1,381
		1,136,567
		1,136,567
31 December 2017		Financial assets at amortised cost*
		£'000
<b>Assets as per balance sheet</b>		
Loans receivable	9	729,287
Cash and cash equivalents	9	9,762
		739,049
		739,049
<b>Other financial liabilities at amortised cost</b>		
		£'000
<b>Liabilities as per balance sheet</b>		
Loans payable	13	1,027,655
Trade and other payables	15	1,380
		1,029,035
		1,029,035

\*(2017:Loans and receivables)

## Willow Rolling Stock UK Limited

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

#### 11. Called up share capital

	31 December 2018	31 December 2017
	£'000	£'000
<b>Authorised:</b>		
50,000 (2017: 50,000) Ordinary shares of £1 each	50	50
61,950,000 (2017: 61,950,000) Fixed rate preference shares of £1	61,950	61,950
307,000,000 (2017: 307,000,000) Participating preference shares of £1	307,000	307,000
<b>Issued and fully paid:</b>		
50,000 (2017: 50,000) Ordinary shares of £1 each	50	50
61,950,000 (2017: 61,950,000) Fixed rate preference shares of £1	61,950	61,950
1,000,000 (2017: 1,000,000) Participating preference shares of £1	1,000	1,000

The fixed rate preference shares and participating preference shares are classified as liabilities.

#### Movement in shares in issue during the year (rounded to thousands)

	Ordinary shares	Fixed rate preference shares	Participating preference shares
At 1 January 2017	50	61,950	1,000
At 31 December 2017	50	61,950	1,000
At 31 December 2018	50	61,950	1,000

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

The preference shares do not carry voting rights and further details are provided in note 14.

## Willow Rolling Stock UK Limited

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

#### 12. Dividends

	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
<b>Dividends</b>	294,000	230,600	147,000	115,300

During the year £147,000,000 were distributed (2017: £115,300,000).

#### 13. Loans payable

	31 December 2018	31 December 2017
	£'000	£'000
<b>Amounts falling due within one year</b>		
Loans from group undertakings	200,000	90,000
<b>Amounts falling due after one year</b>		
Loans from group undertakings	935,186	937,655

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	6.41%	6.73%

As at 31 December 2018, the Company had a loan with The Great Rolling Stock Company Limited of £865,615,000 (2017: £820,412,000). Included in the loan is an amount of £665,615,000 (2017: £620,412,000) which is unsecured, accrues interest at the weighted average cost of debt of the Group's senior facilities plus a margin and has no fixed maturity date. Included in the loan is an amount of £200,000,000 (2017: £200,000,000) which is unsecured, interest free and is repayable on demand. Included in the loan is interest of £nil (2017: £nil). The Company has received assurances that the loan will not be called within a period of one year from the date of signing the financial statements, if doing so would result in the Company no longer being a going concern. The directors consider the carrying value of the Company's interest free loan to approximate its fair value.

As at 31 December 2018, the Company had a loan with Angel Trains Group Limited of £175,245,000 (2017: £166,483,000). This loan is unsecured, and bears interest at the weighted average cost of debt of the Group's senior facilities plus a margin and has no fixed maturity date.

As at 31 December 2018, the Company had a loan with Angel Leasing Company Limited of £94,326,000 (2017: £40,760,000). This loan is unsecured, and bears interest at the weighted average cost of debt of the Group's senior facilities plus a margin and has no fixed maturity date.

In the context of the fair value hierarchy set out in IFRS13, these instruments are included within Level 2.

The directors have received confirmation from its lenders that they will not be calling any loans for repayment within the next 12 months.



## Willow Rolling Stock UK Limited

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

#### 14. Preference shares

	31 December 2018	31 December 2017
	£'000	£'000
<b>Cumulative preference shares</b>		
1,000,000 (2017: 1,000,000) Participating preference shares of £1	1,000	1,000
61,950,000 (2017: 61,950,000) Fixed rate preference shares of £1	61,950	61,950
	62,950	62,950

The fixed rate preference shares and participating preference shares are classified as liabilities. The fixed rate preference shareholders hold an entitlement to receive annual dividends at the rate of 2% on the nominal capital for the financial year. The participating preference shareholders hold an entitlement to receive annual dividends at the rate of one month LIBOR at the start of the financial year, or if higher, 0.1% of the Company's post tax distributable profit for the financial year.

#### 15. Trade and other payables

	31 December 2018	31 December 2017
	£'000	£'000
Trade creditors and accruals	1,381	1,380

Trade payables and accruals principally comprise amounts outstanding for unpaid dividends on the preference shares.

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

#### 16. 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:  
£4,000,000,000 (of which £1,153,600,000 (2017: £1,189,500,000) remains outstanding) secured guaranteed notes programme.

## Willow Rolling Stock UK Limited

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

#### 17. Current tax assets

	31 December 2018	31 December 2017
	£'000	£'000
Corporation tax	2,863	3,373

At 31 December 2018, the Company had current tax assets of £2,863,000 (2017: £3,373,000) receivable from other group companies. The amounts owed by other group companies will be received within the next 12 months.

#### 18. Parent companies

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

#### 19. Related party transactions

In addition to the subsidiaries listed in note 8, and the parent companies noted in note 18, the Company has related party relationships with the directors and the following Group members:

Willow Holdco 1 Limited. The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.

Willow Holdco 2 Limited. The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.

Angel Infrastructure Limited. The registered office is 123 Victoria Street, London, SW1E 6DE.

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.

## Willow Rolling Stock UK Limited

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

#### 19. Related party transactions (continued)

##### 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	-	-	13,127	1,370	161,623	1,370
Subsidiaries	147,000	46	28,684	56,901	672,416	1,135,186
<b>Total</b>	<b>147,000</b>	<b>46</b>	<b>41,811</b>	<b>58,271</b>	<b>834,039</b>	<b>1,136,556</b>

\*\*Amounts owed by related parties include current tax asset of £2,863,000.

##### 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	-	-	18,050	1,370	248,635	1,370
Subsidiaries	145,300	48	13,576	49,324	484,025	1,027,655
<b>Total</b>	<b>145,300</b>	<b>48</b>	<b>31,626</b>	<b>50,694</b>	<b>732,660</b>	<b>1,029,025</b>

\*\*Amounts owed by related parties include current tax asset of £3,373,000.

No guarantees have been given or received in respect of the related party transactions. During the year there were dividends received from subsidiaries of £147,000,000 (2017: £145,300,000). For dividends paid refer to note 12.

#### 20. Risk management

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

##### Market risk

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

## Willow Rolling Stock UK Limited

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

#### 20. Risk management (continued)

##### Market risk (continued)

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 significant interest rate risk arises from loans. The Company's loans are loans with other companies within the Angel Trains Group of companies.

##### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding 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. The following table shows the impact on the income statement for the year:

	Variability	2018	2017
		£'000	£'000
Interest rates	+1%	(3,040)	(2,984)
Interest rates	-1%	3,040	2,984

The Company's sensitivity to interest rates has decreased during the year mainly due to a decrease in variable rate debt instruments.

##### **Credit risk**

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

The Company's principal financial assets are cash and cash equivalents apart from amounts owed from group companies. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk and its guarantees as disclosed in note 16. The 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 amounts due on group undertakings are £831,176,000 (2017: £729,287,000)

At 31 December 2018, financial assets are aged as follows: Not due (2017: Not due).

## Willow Rolling Stock UK Limited

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

#### 20. Risk management (continued)

##### Liquidity risk

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

Liquidity management within the Company focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from the undrawn commitments and other contingent obligations. For loans payable refer to note 13.

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

	Within one year	Between one and two years	Total
	£'000	£'000	£'000
<b>2018</b>			
Trade and other payables	1,381	-	1,381
Interest payable	59,367	-	59,367
Loans from group undertakings	200,000	935,186	1,135,186
Preference shares	-	62,950	62,950
<b>Total</b>	<b>260,748</b>	<b>998,136</b>	<b>1,258,884</b>
	Within one year	Between one and two years	Total
	£'000	£'000	£'000
<b>2017</b>			
Trade and other payables	1,380	-	1,380
Interest payable	53,804	-	53,804
Loans from group undertaking	90,000	937,655	1,027,655
Preference shares	-	62,950	62,950
<b>Total</b>	<b>145,184</b>	<b>1,000,605</b>	<b>1,145,789</b>

## Willow Rolling Stock UK Limited

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

#### 20. Risk management (continued)

##### Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents and equity attributable to equity holders of the Company.

#### 21. Non-cash transactions

During the year ending 31 December 2018, the company entered into the following non-cash investing and financing activities which are not reflected in the Statement of Cash Flows:

- Incurred finance costs of £56,901,000 by way of increasing loans payable by £56,901,000.
- Settlement of tax liability through group relief of £32,000 by way of decreasing loans receivable by £32,000.
- Received finance income of £41,811,000 by way of increasing loans receivable by £41,811,000.

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

	Loans payable (note 13)
	£'000
<b>At January 2017</b>	<b>906,549</b>
Financing cash flows	129,932
Non-cash changes*	<u>(8,826)</u>
<b>At January 2018</b>	<b>1,027,655</b>
Financing cash flows	50,630
Non-cash changes*	<u>56,901</u>
<b>At 31 December 2018</b>	<b><u>1,135,186</u></b>

\*Non-cash changes include interest accruals, dividends received and loans receivable off-set.

#### 23. 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.