Angel Trains Rolling Stock Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Angel Trains Rolling Stock Limited

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Angel Trains Rolling Stock Limited

OFFICERS AND PROFESSIONAL ADVISERS

Directors:	M. Brown A. Lowe D. Jordan M. Prosser
Company secretary:	Soditic Secretaries Limited
Registered office:	27 Hill Street St Helier Jersey JE2 4UA
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Registered in Jersey: Number 124852

Angel Trains Rolling Stock Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and the audited financial statements of Angel Trains Rolling Stock Limited (the 'Company') for the year ended 31 December 2021.

REVIEW OF BUSINESS

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

The Company's financial performance is presented in the Income Statement on page 9. The loss after tax for the year was £2,070,000 (2020: profit £7,400,000) and this was transferred to reserves. At the end of the year, the financial position showed total assets of £761,449,000 (2020: £659,397,000).

The directors are satisfied with the Company’s performance in the year. A comprehensive business review is carried out at a group level by the ultimate parent company, Willow Topco Limited.

Focus on the project management delivery continues with the 133 x 5-car Class 720 electric multiple units (EMU), being manufactured by Bombardier Transportation for operation on the East Anglia franchise owned by Abellio East Anglia Ltd (“Abellio”). During the year the Company took delivery of 32 Class 720 EMU's and began to receive lease rentals for the leasing of these units. The value of the contract is circa £880m

Other income represents the liquidated damages received for compensation of loss suffered as result of delays to the Class 720's EMU's.

Refranchising & Re-leasing
During the year, a National Rail Contract (NRC) was awarded to Abellio East Anglia for a duration of 3-years plus a possible 2-year extension (commencement date 19 September 2021). However, the existing lease the Company has with the operator remains on existing terms.

The full and long-term impact of the Covid-19 pandemic is still evolving. The Company will continue to work closely with the Department for Transport, customers and suppliers as the macro economic environment develops.

STRATEGY

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

KEY PERFORMANCE INDICATORS

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

DIRECTORS AND COMPANY SECRETARY

The present directors and company secretary are listed on page 1. Those who have served during the year and up to the date of signing this report are listed below with any changes from 1 January 2021 noted.

Director

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

Company Secretary

Soditic Secretaries Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

The directors are 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

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

DIRECTORS’ CONFIRMATIONS

In the case of each director in office at the date the directors’ report is approved:

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

PRINCIPAL RISKS, UNCERTAINTIES AND USE OF FINANCIAL INSTRUMENTS

The Company’s portfolios of financial instruments principally comprise of loans, interest rate swaps and trade payables. Applying International Financial Reporting Standards (IFRS) as adopted by the European Union, all portfolios are considered to be held for non-trading purposes. The directors are responsible for considering risk management issues that arise across the Company’s financial instrument portfolios.

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

Since the outbreak of Covid-19, management has put procedures in place to ensure the health, safety and wellbeing of all staff and other stakeholders. Whilst the long term impact is inherently uncertain, management continue to actively monitor the situation and where necessary taking appropriate actions.

Following the initial six-month period of financial assistance, the DfT provided to train franchise operators, in September 2020, the Government announced that Emergency Recovery Measures Agreements (“ERMAs”) would come into effect. Upon the expiry of the ERMAs, franchise agreements either have already been, or will be, terminated and replaced by National Rail Contracts (“NRC”). The NRCs provide for a core term, with optional extension dates. The resulting NRC programme provides future clarity and stability for the Company and wider industry. The Company has continued to actively engage with the Department for Transport and supported all train operators during this challenging and uncertain period for the UK rail industry.

RISK MANAGEMENT

Financial risk management

The major risks associated with the Company's business are market risk, credit risk and liquidity risk. The management of these risks is carried out at a group level by the ultimate parent company, Willow Topco Limited. Interest rate risk is mitigated through the use of hedging (see the Notes to the Financial Statements for further details of the Hedging Policy) and liquidity risk is managed by monitoring cash flow forecasts and ensuring the Group's liquidity requirements are sufficient to meet operational needs and ensuring it does not breach covenants on its external borrowing facilities. The Group has established a comprehensive framework for managing these risks which are continually evolving as business activities change in response to market, credit, product and other developments. Risk management policies are detailed in note 25.

Operational risk

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

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

GOING CONCERN

These financial statements are prepared on a going concern basis. The Company continues to comply with the requirements of the Group's debt covenants. The Directors having made appropriate enquiries, have reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

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

DIRECTORS INDEMNITY COVER

No directors have been granted Qualifying Third Party indemnity provisions.

POST BALANCE SHEET EVENTS

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

LOOKING FORWARD

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

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

A. Lowe
Director
6 April 2022

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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, which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies (Jersey) Law 1991 and UK taxation laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance, including review of minutes of meetings in so far as they related to the financial statements and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, including duplicate journal postings, and backdated journals;
- Performing unpredictable audit procedures;
- Challenging the assumptions and judgements made by management in their accounting estimates.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies (Jersey) Law 1991 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Luke Hanson
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
8 April 2022

Angel Trains Rolling Stock Limited

Registered Number 124852

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	2	10,212	1,135
Cost of sales	3	(4,962)	(485)
Gross profit		5,250	650
Administrative expenses	3	(207)	(114)
Other income	5	28,471	38,115
Operating profit		33,514	38,651
Finance income	4	73	823
Other losses	6	-	(27,968)
Finance costs	7	(17,077)	(2,079)
Profit before income tax		16,510	9,427
Income tax expense	11	(18,580)	(2,027)
(Loss)/Profit attributable to owners of the parent		(2,070)	7,400

The notes on pages 14 to 34 form an integral part of these financial statements.

Angel Trains Rolling Stock Limited

Registered Number 124852

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
(Loss)/Profit for the period	(2,070)	7,400
Other comprehensive income		
Cash flow hedges		
Gain on cash flow hedge taken to equity	-	9,605
Recycling of amounts from cash flow hedge to profit and loss	-	3,738
Tax on items taken directly to equity	-	(2,268)
Other comprehensive income for the period	**-**	**11,075**
Total comprehensive (expense)/income for the period attributable to owners of the parent	**(2,070)**	**18,475**

The notes on pages 14 to 34 form an integral part of these financial statements.

Angel Trains Rolling Stock Limited

Registered Number 124852

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Retained earnings	Cash flow hedge reserve	Total Equity
	£'000	£'000	£'000	£'000
At 1 January 2020	**100**	**9,698**	**(11,075)**	**(1,277)**
Profit for the period	-	7,400	-	7,400
Other comprehensive income				
Gain on cash flow hedge taken to equity	-	-	9,605	9,605
Recycling of amounts from cash flow hedge to profit and loss	-	-	3,738	3,738
Tax on items taken directly to equity	-	-	(2,268)	(2,268)
Total comprehensive income	-	**7,400**	**11,075**	**18,475**
At 31 December 2020	**100**	**17,098**	**-**	**17,198**
Loss for the period	-	(2,070)	-	(2,070)
Total comprehensive expense	-	**(2,070)**	**-**	**(2,070)**
At 31 December 2021	**100**	**15,028**	**-**	**15,128**

The notes on pages 14 to 34 form an integral part of these financial statements.

Angel Trains Rolling Stock Limited

Registered Number 124852

BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	667,354	531,713
		667,354	531,713
Current Assets			
Current tax assets	10	29,619	234
Trade and other receivables	13	6,129	4,213
Cash and cash equivalents	13	58,347	123,237
		94,095	127,684
Current Liabilities			
Trade and other payables	19	(5,551)	(1,455)
Loans payable	15	-	(91,900)
		(5,551)	(93,355)
Net current assets		88,544	34,329
Total assets less current liabilities		755,898	566,042
Non-current liabilities			
Loans payable	15	688,334	544,572
Deferred tax liabilities	14	52,436	4,272
		740,770	548,844
Equity attributable to the owners			
Share capital	17	100	100
Retained earnings	18	15,028	17,098
Total equity		15,128	17,198
Total equity and non-current liabilities		755,898	566,042

The notes on pages 14 to 34 form an integral part of these financial statements.

The financial statements on pages 9 to 34 were approved by the Board of Directors and authorised for issue on 6 April 2022. They were signed on its behalf by:

A. Lowe

Director

Angel Trains Rolling Stock Limited

Registered Number 124852

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Cash flows from operating activities:		
Receipts	47,497	45,651
Cash paid to suppliers	(6,847)	(4,523)
Interest paid	-	(17,764)
Income taxes received	198	14
Net cash generated from operating activities	40,848	23,378
Cash flows from investing activities:		
Payments to acquire property, plant and equipment	(120,268)	(63,517)
Interest received	80	1,257
Net cash used in investing activities	(120,188)	(62,260)
Cash flows from financing activities:		
Receipt of new loans	126,900	53,115
Payment on sale of derivative instruments	-	(29,355)
Repayment of loans	(112,450)	(38,499)
Net cash generated from/(used in) financing activities	14,450	(14,739)
Net cash movements in cash and cash equivalents	(64,890)	(53,621)
Cash and cash equivalents at the beginning of the year	123,237	176,858
Cash and cash equivalents at end of year	58,347	123,237

The notes on pages 14 to 34 form an integral part of these financial statements.

Non cash transactions are disclosed in note 26.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Significant accounting policies

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

General

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

Basis of preparation of financial statements

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

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

In accordance with IFRS 13, fair value measurements are categorised according to the inputs used in valuation techniques into three levels within a fair value hierarchy. The different levels have been defined as follows:

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

These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

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

Revenue Recognition

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

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

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 2021, but did not have a material impact on the Company's financial statements:

IFRS 16 (amendment) - Covid-19-Related Rent Concessions
IFRS 9, IFRS 7, IFRS 4 and IFRS 16 (amendment) - Interest Rate Benchmark Reform – Phase 2

The following standards, amendments and interpretations to existing standards have been issued but are effective for accounting periods beginning after 1 January 2021, and the Company has not early adopted them.

IFRS 17 - 'Insurance contracts'
IAS 1 (amendment) - Classification of Liabilities as Current or Non-Current
IFRS 3 (amendment) - Reference to the Conceptual Framework
IAS 16 (amendment) - 'Property, Plant and Equipment' — Proceeds before Intended Use
IAS 37 (amendment) - Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2021

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

Revenue

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

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

Interest Income

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

Taxation

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

Current tax is based on taxable profit for the year ended 31 December 2021. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company’s asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. Significant accounting policies (continued)

Taxation (continued)

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

Deferred tax is calculated at tax rates substantively enacted at the balance sheet date that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Leasing

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

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

Financial instruments

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

Financial Assets

The Company classifies financial assets in the following measurement categories: those to be subsequently measured at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The classification is determined on initial recognition.

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

Trade and other receivables

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

Loan borrowings

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

1. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

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

Trade and other payables

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

Loans Payable

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

Where there is any substantial change in the terms of the loans payable, it is considered whether this is a modification or extinguishment of a financial liability in accordance with IFRS 9. If a modification is deemed to have taken place, the carrying value of the loan is amended to include any modification gain or loss, new transaction costs and subsequently re-measured at amortised cost, using the effective interest rate method. The modification gains or loss is calculated as the difference between the original carrying value and the modified carrying value, calculated using the modified cash flows discounted at the original effective interest rate. Where it is considered an extinguishment has taken place, the carrying value is removed from the balance sheet, with any difference to the consideration paid recognised in the income statement.

Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company uses derivative financial instruments (primarily interest rate swaps) to hedge its risks associated with significant interest rate risk arising from loans payable. The Company does not use derivative financial instruments for speculative purposes.

The significant interest rate risk arises from the variability of cash flows on floating rate loans. The Company's policy is to convert a proportion of its floating rate debt to fixed rates using interest rate swaps. The Company designates these as cash flow hedges of interest rate risk. For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Derivative financial instruments are recognised at fair value on inception and are subsequently remeasured to their fair value at the end of each reporting period. Derivative fair values are determined from quoted prices in active markets where available. Credit and debit valuation adjustments are not made given the impact is not currently considered material. The Company enters into one type of hedge relationship; hedges of the variability in cash flows from a recognised asset or liability or a forecast transaction (cash flow hedges).

1. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Hedge relationships are formally documented at inception. The documentation includes the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. This includes details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. The Company documents its risk management objective and strategy for undertaking hedge transactions. If a hedge relationship no longer meets the documented risk management objective or other qualifying criteria such as existence of economic relationship, credit risk not dominating value changes or the hedge ratio no longer being consistent with the risk management strategy, hedge accounting must be discontinued.

The Company has adopted the amendments to IFRS 9, IFRS 7, IFRS 4 & IFRS 16 in relation to Interest Rate Benchmark Reform Phase 2 which is effective from 1st January 2021. In accordance with the transition provisions, the amendments have been adopted retrospectively to financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

The ‘phase 2’ amendments addressed issues arising during interest rate benchmark reform (IBOR), including specifying when the ‘phase 1’ amendments ceased to apply, when hedge designations and documentation was be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

The ‘phase 1’ amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs had the effect that IBOR reform didn't cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments sets out triggers for when the reliefs would end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

Cash flow hedges that qualify for hedge accounting
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument is recognised directly in the cash flow hedge reserve within equity. The gain or loss relating to ineffective portion is recognised immediately in profit or loss, within other losses.

Hedge accounting is discontinued entirely when the hedge relationship no longer meets the risk management objective or no longer complies with the qualifying criteria, when the hedging instrument is sold or terminated. Hedge accounting is discontinued for only part of the hedge relationship for the volume of the hedged item, where it is no longer part of the hedge relationship due to an adjustment to the hedge ratio, or where part of the volume of a forecast transaction is no longer highly probable.

On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealised gain or loss recognised in equity is reclassified to profit or loss when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss. Where the forecast transaction is no longer expected to occur; the cumulative unrealised gain or loss that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit and loss and are included in other losses.

1. Significant accounting policies (continued)

Borrowing costs

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

Share capital

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

Property, plant and equipment

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

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

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

	Years
Rolling Stock	35

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

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

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

Angel Trains Rolling Stock Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

2. Revenue

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Operating lease rentals	10,212	1,135
	10,212	1,135

All revenue relates to United Kingdom operations.

3. Expenses by Nature

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Depreciation	4,962	485
Other expenses	207	114
Total cost of sales and administration expenses	**5,169**	**599**

Auditors' remuneration for audit services during the year was £20,440 (2020: £19,470). The auditors did not provide any non-audit services during the year (2020: £nil).

4. Finance income

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Other interest	73	823
	73	823

Angel Trains Rolling Stock Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

5. Other income

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Other income	28,471	38,115
	28,471	38,115

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

6. Other losses

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Recycling of amounts from cash flow hedge to profit and loss	-	(27,968)
	-	(27,968)

Recycling of amounts from cash flow hedge reserve includes cumulative losses previously recognised in cash flow hedge reserves in relation to hedge relationships that were discontinued during 2020.

7. Finance costs

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Interest payable to group undertakings	37,412	1,010
Swap interest payable	-	3,738
Other interest payable	-	16,846
Amortisation of loan fees	-	1,427
Interest capitalised	(20,335)	(20,942)
	17,077	2,079

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

8. Property, plant and equipment

	Rolling Stock
	£'000
Cost	
At 1 January 2020	447,739
Additions	84,459
At 31 December 2020	532,198
Additions	140,603
At 31 December 2021	**672,801**
Accumulated depreciation	
At 1 January 2020	-
Charge for the year	485
At 31 December 2020	485
Charge for the year	4,962
At 31 December 2021	**5,447**
Net book value	
At 31 December 2021	**667,354**
At 31 December 2020	531,713

Included in rolling stock are assets under the course of construction of £360,936,000 (2020: £445,838,000). No depreciation has been charged on these assets (2020: £nil).

9. Directors' and employees' emoluments

None of the directors received any emoluments for their services to the Company during the year (2020: £nil). The Company itself has no employees (2020: none).

10. Current tax assets

	31 December 2021	31 December 2020
	£'000	£'000
Current tax assets	29,619	234

At 31 December 2021, the Company had current tax assets of £29,619,000 (2020: £234,000) receivable from other group companies. The amounts receivable from other group companies are unsecured and will be paid within the next 12 months.

Angel Trains Rolling Stock Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

11. Income tax expense

The charge for taxation based on the profit for the period is based on United Kingdom corporation tax at 19.00% (2020: 19.00%) and comprises:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Current tax credit		
Current tax credit on profits for the period	(29,619)	(233)
Adjustments in respect of prior years	35	-
Total current tax	**(29,584)**	**(233)**
Deferred tax charge		
Origination and reversal of temporary differences	35,615	2,024
Adjustments in respect of prior years	(35)	(1)
Effect of tax rate change	12,584	237
Total Deferred tax charge	48,164	2,260
Income tax charge	**18,580**	**2,027**

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Profit before income tax	16,510	9,427
Expected tax charge at 19.00% (2020:19.00%)	3,137	1,791
Transfer pricing adjustment	2,859	-
Adjustments in respect of prior years	-	(1)
Effect of change in tax rate	12,584	237
Income tax charge for the period	**18,580**	**2,027**

The Company's profits for this accounting year are taxed at the main corporation tax rate of 19.00% (2020: 19.00% effective rate).

In the Finance Act 2021 which received Royal Assent on 10 June 2021, it was announced that the main rate of corporation tax would increase to 25% from 1 April 2023. The effect of the increase in the future tax rate has been reflected in the charge to the income statement for the year.

12. Financial assets and liabilities by category

31 December 2021

	Note	Financial assets at amortised cost	Total
		£'000	£'000
Assets as per balance sheet			
Trade and other receivables	13	6,129	6,129
Cash and cash equivalents	13	58,347	58,347
Total		**64,476**	**64,476**

	Note	Other financial liabilities at amortised cost	Total
		£'000	£'000
Liabilities as per balance sheet			
Derivative financial instruments		-	-
Loans payable	15	688,334	688,334
Trade and other payables	19	5,551	5,551
Total		**693,885**	**693,885**

31 December 2020

	Note	Financial assets at amortised cost	Total
		£'000	£'000
Assets as per balance sheet			
Trade and other receivables	13	4,213	4,213
Cash and cash equivalents	13	123,237	123,237
Total		**127,450**	**127,450**

	Note	Other financial liabilities at amortised cost	Total
		£'000	£'000
Liabilities as per balance sheet			
Loan notes	15	91,900	91,900
Loans payable	15	544,572	544,572
Trade and other payables	19	1,455	1,455
Total		**637,927**	**637,927**

13. Financial assets at amortised cost

Trade and other receivables

	31 December 2021	31 December 2020
	£'000	£'000
Amounts falling due within one year		
Trade receivables	6,129	4,213

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

Cash and cash equivalents

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

14. Deferred taxation

	31 December 2021	31 December 2020
	£'000	£'000
Deferred tax assets	**-**	**16,894**
Deferred tax liabilities	**(52,436)**	**(21,166)**
	(52,436)	**(4,272)**

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

Angel Trains Rolling Stock Limited

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

14. Deferred taxation (continued)

Deferred tax assets

	Fair value of derivative instruments	Tax losses	Total
	£'000	£'000	£'000
At 1 January 2020	**2,504**	**2,006**	**4,510**
Debit to equity for the year	(2,535)	-	(2,535)
Effect of tax rate change in equity	267	-	267
(Debit)/Credit to income statement for the year	(263)	14,651	14,388
Adjustment to previous periods	-	1	1
Effect of tax rate change to income statement for the year	27	236	263
At 31 December 2020	**-**	**16,894**	**16,894**
Debit to equity for the year	-	-	-
Effect of tax rate change in equity	-	-	-
Charge to income statement for the year	-	(17,777)	(17,777)
Adjustment to previous periods	-	883	883
Effect of tax rate change to income statement for the year	-	-	-
At 31 December 2021	**-**	**-**	**-**

14. Deferred taxation (continued)

Deferred tax liabilities

	Accelerated capital allowances
	£'000
At 1 January 2020	(4,254)
Charge to the income statement for the year	(16,412)
Effect of change in tax rate	(500)
At 31 December 2020	**(21,166)**
Charge to the income statement for the year	(17,838)
Adjustments in respect of prior years	(848)
Effect of change in tax rate	(12,584)
At 31 December 2021	**(52,436)**

The opening deferred tax balances are reflected at a rate of 19.00%, to reflect the projected average rate that deferred tax was expected to unwind at the 31 December 2020 balance sheet date.

In the Finance Act 2021 which received Royal Assent on 10 June 2021, it was further announced that the main rate of corporation tax would increase to 25.00% from 1 April 2023.

The effect of change in tax rate has been reflected in the charge to the income statement for the year, and closing deferred tax liabilities are provided at 25.00% This is based on the projected rate that deferred tax at the balance sheet date is expected to unwind.

15. Loans payable

	31 December 2021	31 December 2020
	£'000	£'000
Amounts falling due within one year		
Loan notes	-	91,900
Amounts falling due after one year		
Loans from group undertakings	688,334	544,572
	688,334	544,572
	688,334	**636,472**

During the year, the Company repaid interest free loan notes of £91,900,000 to fellow group Company, Angel Trains Holdings Limited.

15. Loans payable (continued)

The effective interest rates paid were as follows:

	31 December 2021	31 December 2020
External loans - fixed	0%	3.4%
External loans - floating	0%	2.75%
Loan notes	0%	0%
Loans from group undertakings	6.21%	6.54%

Borrowings of £nil (2020: £91,900,000) from a Group Company were arranged interest free. During the year, the Company repaid the interest free loan notes.

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.

16. Residual value exposures

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

	Rolling Stock 31 December 2021	Rolling Stock 31 December 2020
Expected net book value at lease expiry date	**£'000**	**£'000**
Between two and five years	271,182	-
More than five years	-	72,531

Residual value excludes assets under the course of construction of £360,936,000 (2020: £445,838,000).

17. Share capital

	31 December 2021	31 December 2020
	£	£
Issued and fully paid:		
100,000 (2020: 100,000) Ordinary shares of £1 each	100,000	100,000

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

18. Reserves

	Cash flow hedge reserve	Retained earnings	Total
	£'000	**£'000**	**£'000**
At 1 January 2020	(11,075)	9,698	(1,377)
Total recognised income for the period	-	7,400	7,400
Interest swaps (net of tax)	11,075	-	11,075
At 31 December 2020	-	17,098	17,098
Total recognised expense for the year	-	(2,070)	(2,070)
At 31 December 2021	**-**	**15,028**	**15,028**

19. Trade and other payables

	31 December 2021	31 December 2020
	£'000	**£'000**
Accruals	5,551	1,455

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

20. Capital commitments

	31 December 2021	31 December 2020
	£'000	**£'000**
Commitments for the acquisition of property, plant and equipment	320,474	413,444

At 31 December 2021, the Company had capital commitments of £320,474,000 (2020: £413,444,000), being the capital expenditure authorised and contracted for but not provided for in the financial statements. This commitment is for the purchase of new rolling stock.

21. Contingent liabilities

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

The Great Rolling Stock Company PLC, Angel Trains Group Limited and Angel Trains Limited:
£2,718,242,000 (of which £1,534,313,000 (2020: £1,557,055,000) remains outstanding) Senior loan and revolving facilities agreements.

Willow Holdco 1 Limited:
£325,000,000 (of which £325,000,000 (2020: £325,000,000) has been drawn down) Junior facility agreements.

The Great Rolling Stock Company Limited:
£4,000,000,000 (of which £723,608,000 (2020: £781,800,000) remains outstanding) secured guaranteed notes programme.

22. Parent Companies

The Company's immediate parent company is Angel Trains 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.

23. Operating lease arrangements

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

	31 December 2021	31 December 2020
	£'000	£'000
Within one year	18,423	5,301
Between one and two years	18,423	5,301
Between two and three years	18,474	5,301
Between three and four years	14,386	5,301
Between four and five years	-	4,151
	69,706	**25,355**

At 31 December 2021 the Company had taken delivery of 220 vehicles (2020: 60 vehicles).

24. Related party transactions

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

Angel Trains Holdings Limited*
The Great Rolling Stock Company PLC**
Angel Leasing Company Limited**
Willow Holdco 1 Limited*
Willow Holdco 2 Limited*
Angel Trains Group Limited**
Angel Trains Group Limited (Jersey)*
Willow Rolling Stock UK Limited (dissolved 31 August 2021)
Angel Trains Consulting Limited**
Angel Trains Infrastructure Limited**
Angel Locomotive Leasing Limited**

* The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.
** The registered office is 123 Victoria Street, London, SW1E 6DE.

Trading transactions

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

31 December 2021

	Income/ Interest received	Purchases/ Interest paid	Amounts owed from related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	-	42	-	-
Fellow Subsidiaries	-	37,500	-	688,334
Total	-	**37,542**	**-**	**688,334**

31 December 2020

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

25. Financial risk management

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

Market risk

Market risk is defined as the risk of loss as a result of adverse changes in risk factors including interest rates and foreign currency.
The Company is not exposed to currency risk as all its assets and liabilities are UK based and denominated in pound sterling.

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

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole period. A 1% increase or decrease is used as it represents management’s assessment of the reasonably possible change in interest rates.

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

- Profit for the year ended 31 December 2021 would increase/decrease by £6,883,000 (2020: £5,446,000)

Credit risk

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

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

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

25. Financial risk management (continued)

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company has borrowing facilities with other members in the Group.

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts included in the table are the contractual undiscounted cash flows, except for net settled derivative financial instruments, which are included at their fair value. As a result, these amounts do not reconcile to the amounts disclosed on the balance sheet except for trade and other payables where discounting is not applied.

The following table details the remaining maturity for financial liabilities.

	Within one year	Between one and two years	Between two and five years	Over five years	Total
	£'000	£'000	£'000	£'000	£'000
2021					
Trade and other payables	5,551	-	-	-	5,551
Loan notes	-	-	-	-	-
Interest payable	42,712	-	-	-	42,712
Loans from group undertakings	-	688,334	-	-	688,334
Total	**48,263**	**688,334**	**-**	**-**	**736,597**

	Within one year	Between one and two years	Between two and five years	Over five years	Total
2020	£'000	£'000	£'000	£'000	£'000
Trade and other payables	1,455	-	-	-	1,455
Loan notes	91,900	-	-	-	91,900
Interest payable	36,420	-	-	-	36,420
Loans from group undertakings	-	544,572	-	-	544,572
	129,775	**544,572**	**-**	**-**	**674,347**

During the year, the Company repaid interest free loan notes of £91,900,000 to a Group Company.

25. Financial 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 15, cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated losses as disclosed in notes 17 and 18.

26. Non-cash transactions

During the year, the Company entered into the following non-cash investing and financing activities which are not reflected in the Statement of Cash Flows.

- The Company increased loans payable by £37,412,000 in settlement of interest payable of £37,412,000.

27. Reconciliation of liabilities arising from financing activities

	Loans payable (note 15)
	£'000
At 1 January 2020	616,730
Financing cash flows - net	14,616
Non-cash changes*	5,126
At 31 December 2020	**636,472**
Financing cash flows - net	14,450
Non-cash changes**	37,412
At December 2021	**688,334**

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

**Non - cash changes include interest payable to Group Company.

28. Events after the balance sheet date

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