Trains

Rail People
Real Expertise

ANGEL TRAINS GROUP LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Angel Trains Group Limited, Registered in Jersey: Company Number 100255
Registered Office: 27 Hill Street, St Helier, Jersey JE2 4UA

Contents

Officers and Professional Advisers

Directors	Mark Russell Stuart Paterson Jean-Bastien Auger Alan Chaplin Christopher Morgan Suyu Wu Lorraine Baldry Pauline Walsh Malcolm Brown Alan Lowe David Jordan Matthew 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

Strategic Report

1. Review of Business

Readypower Group Acquisition

On 28 January 2022, Angel Trains Group Limited and its subsidiary undertakings (the "Group") acquired 100% of Readypower Group. Readypower provides specialised on-track plant equipment as well as civil engineering, drainage, haulage and operating services to the UK rail sector. It plays a critical role in helping to modernise the UK's rail network as electrification and upgrades continue throughout the country. Details of this transaction may be found in note 33 to the financial statements.

The acquisition demonstrates the Group's commitment to investing in rail assets in the UK. Readypower will continue to run as an independent business, with its brand and management team remaining in place.

New Trains

During 2022, the Group continued to successfully project manage and deliver into passenger operation the Class 720 Bombardier Aventra vehicles. At 31 December 2022, 445 of the 665 vehicles that were procured for use within the East Anglia National Rail Contract ("NRC") had been delivered.

This new electric fleet further reduces the proportion of diesel trains that the Group owns, reduces the average age of the portfolio and provides a long-term revenue stream. There were no other new train procurements involving the Group during 2022.

Leasing

The following leases were entered into during the year as a result of NRC awards (unless specified otherwise);

- ScotRail – As part of the new Transport Scotland Rail Contract that commenced in April 2022, a lease for Class 156s was entered into for a duration of 5 years with a possible extension of 9 months. The Class 153s continue to be leased under the same terms as the previous operator, and the HST vehicles continue to be leased with the new operator as part of the Section 54 agreement in place.
- East Midlands Railway – as part of the new NRC a new 8 year lease was entered into for the Class 158 vehicles, securing them on lease until October 2030.
- Great Western Railway – as part of the new NRC new leases were signed for Class 150 vehicles (until June 2027), Class 16x vehicles (until June 2028) and HST vehicles (until June 2025).

The following leases were extended during the year, outside of the NRC contracting process;

- East Midlands Railway – the Class 156 vehicles were extended to March, October and December 2022.
- East Midlands Railway - the Class 158 vehicles were extended until March and October 2022.
- East Midlands Railway – the Class 180 vehicles were extended until June 2023.
- Wales & Borders – the Class 175 vehicles were extended until May 2023.
- Wales & Borders – the Class 158 vehicles were extended until October 2024.
- MerseyTravel – the Class 507/508 vehicles were extended to various dates up to July 2024.

The table below summarises the forthcoming contract awards:

Franchise	Contract Commencement Date	Expiry Date	Extension Option (up to)
West Coast Partnership	September 2023	TBC	TBC
Transpennine Express	May 2023	May 2031	TBA

Strategic Report (continued)

The Group's pre-existing contracts with train operators continue in force, notwithstanding the amended contract expiry dates described above. The impact of the Department for Transport ("DfT") announcements on the Group remains broadly beneficial.

Refurbishment Projects & Future Developments

In general, our suppliers continue to perform well under challenging circumstances. Although many of the restrictions imposed during the pandemic have been relaxed and working practices returned to normal, some suppliers have struggled with cost inflation and skills recruitment.

During 2022, the Group was delighted to work alongside Cordel and Greater Western Railway to install the latest generation of Cordel's LiDAR and image capture technology on a passenger train for the first time, as part of a 12-month pilot. By installing sensors on existing rolling stock paired with Cordel's advanced AI-powered software, the pilot's success will enable the future roll-out of the automated inspection of all Network Rail infrastructure to support its Mobile Infrastructure Monitoring Strategy.

Other Financial & Business Matters

Moody's completed its annual review for 2022 and affirmed the Baa2 stable credit rating in February 2023, noting "strong operational performance since privatisation",that "revenue is not linked to passenger volumes or ticket sales" and "the protective features of Angel Trains' ring-fenced finance structure." Moody's commented that the stable outlook reflected its' "expectation of strong cash flow generation supported by rolling stock lease renewals at lease rates that are, at a minimum, in line with our base case forecast and that Angel Trains will continue to implement conservative financial policies. The stable outlook also reflects our expectation of continued stable and supportive regulation in the UK passenger rail sector." The review noted that during 2023 and 2024 "around 38% of vehicles are expected to come off-lease, [although] 28% of which are at the end of *their useful economic lives.* Therefore, re-leasing risk during this period is limited, reflecting Angel Trains' strong recent re-leasing performance, with higher risk fleets having already been cascaded."

All vehicles with an economic value are on lease. In addition to the 148 vehicles marked for disposal, the Group has 10 vehicles which are off-lease but have no economic value and are to be retained for spares if no re-lease opportunity presents itself.

The Group supports the UK Government's target to remove all 'diesel only' trains by 2040. Our portfolio of diesel rolling stock is forecast to dramatically reduce by 2030 but despite this, the Group continues to invest in sustainability projects, including hybrid battery technology and a hydrogen project with Transport Scotland.

The Group remains insulated from the direct impact of foreign exchange volatility and the senior debt is hedged for interest rates. All of our revenue is generated within the United Kingdom and is denominated in Sterling.

2. Key Performance Indicators

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), the Group's key measure, for the year ending 31 December 2022 was £452.2m (2021: £512.7m). Revenue for the year was £578.4m (2021: £592.3m). The decrease from 2021 is mainly due to a decrease in non-capital income.

The other key performance indicator that the directors consider is the percentage of rolling stock (excluding vehicles held for disposal) on lease, which stood at 100.0% at 31 December 2022 (2021: 99.8%) against a target of 95%.

The Group's total external senior debt at 31 December 2022 was £2,429.9m, compared to £2,312.7m at 31 December 2021. The net increase of £117.2m was mainly due to the acquisition of Readypower Group and new trains offset by scheduled debt repayments.

Strategic Report (continued)

Bank/Bondholder Covenants

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

Senior Debt Covenant	Target	Actual
Interest Cover	at least 1.5:1	3.8
Leverage	no greater than 8.5:1	5.0

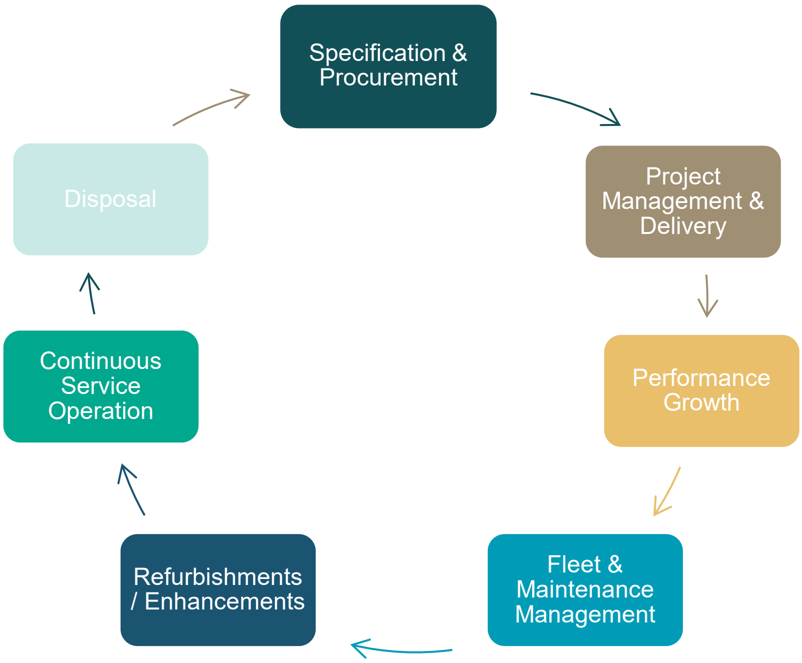
3. Strategy

The Group's strategy is divided across four main themes. The Group aims to be: preferred by our partners, a top employer, a sustainable business and a continuously growing business with a strong foundation.

The Group continues to engage and be an active partner in the rail industry. We aim to recruit the best talent and develop our people in order to deliver our commitments for environmental, social responsibility and corporate governance ("ESG").

The strategy is also supported by meeting our customers' expectations, re-leasing our existing portfolio and renewing our portfolio, having trains at all stages of the asset lifecycle (as per the diagram below). This approach manages the asset risk profile and helps protect the long term profitability of the business. This is supported by the spread of the portfolio across different vehicle types, i.e. high speed intercity, regional and urban (commuter) trains. The benefit of this portfolio approach is that we are not beholden to any one market sector.

Strategic Report (continued)



Following the publication in May 2021 of the Government's White Paper for the future of the UK rail industry, which outlined plans for the creation of a new public body, Great British Railways ("GBR"), the Transport Secretary, the Rt Hon Mark Harper MP, provided an update to the industry at the Bradshaw lecture on 7 February 2022. Mr Harper reiterated the view that the current structure is "unable to adapt to customer needs and [is] financially unsustainable" and outlined plans to "create a more customer focussed and joined up railway", confirming that GBR would be "an arm's length body ensuring a balanced approach to both infrastructure and operations." Mr Harper also outlined proposals to "enhance the role of the private sector. Not just in running services but in maximising competition, innovation, and revenue growth right across the industry." It was acknowledged that "Under privatisation, and thanks to a resilient and world class supply chain, passenger numbers doubled to 1.75 billion by the eve of the pandemic. With private sector investment in rolling stock reaching nearly £7 billion over the past 10 years" and Mr Harper called on the private sector to " reinvigorate the sector, drive innovation and most importantly, attract more customers to the railway."

Whilst the legislation to create GBR is awaited, the fact that the Government continues to recognise the importance of the private sector to the UK rail industry is positive news for Angel Trains and we look forward to working in partnership with GBR.

4. Our Key Stakeholders

The Board of directors recognises its responsibility to act in a way that it considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole.

We proactively engage with our stakeholders to maximise value and secure long-term success and are continually striving to improve our impact. Details of some of the engagement activities in relation to key stakeholders are provided below:

Employees
Our people are our most valuable assets and we continually engage with them to foster an environment in which they are happy to work in and that best supports their wellbeing.

A number of engagement and feedback mechanisms for our employees are well-established, including intranet blogs, monthly business briefings, social media and emails from the Chief Executive, enabling timely and tailored communication to employees. Regular staff surveys (internal and externally facilitated) were undertaken during 2022, which again highlighted a strong level of engagement and positive themes around alignment with organisational goals and objectives, customer focus and teamwork in particular. The Group achieved an employee net promotor score of 69.5 (up from 62.3 in 2021), far exceeding the global benchmark of 10.4 and demonstrating that employees really do believe that Angel Trains is a great place to work. The Group continues to make improvements based on responses received from the surveys and provided feedback to the Board on the areas of focus.

The Intent Based Leadership model, an approach to leadership and management aimed at empowering employees to improve decision making within a safe environment continues to be adopted.

Angel Trains achieved a 3-year re-accreditation from IMechE and IET of its monitored professional graduate development scheme that leads to Chartered Engineer status. The changes to the scheme that had been adopted since the last accreditation were commended, with particular focus being on the monthly mentor meetings, placement feedback forms/presentations and support at senior and Executive level.

Customers

Our customers are fundamental to our business and we continually strive to exceed their expectations. We use the feedback from our annual customer feedback survey to address areas for improvement and support. Our dedicated Customer Service team has regular meetings and engagement events with our customers to anticipate trends and preferences and incorporate them early in new rolling stock procurement.

The Board carefully considered the impact of the economic climate on customers and regularly reviewed additional measures to support them. Feedback from our key customers is discussed at our Operational Asset meetings with senior level employees and critical issues are escalated to the Board for further guidance on effectively meeting our customers' needs. In addition, customer strategic plans, which identify the key underlying drivers that impact each customer's business are discussed at the Board.

Our Product Management team is continually developing ways to reduce costs, improve performance and availability for our customers in re-leasing our existing portfolio.

Suppliers

We develop strong and collaborative long-term relationships with our suppliers, comprising manufacturers and maintainers of rolling stock. We continue to hold regular face to face and virtual meetings to ensure effective performance from the supply chain. We work closely with our suppliers to satisfy ourselves that they operate to the same standards we set ourselves and to ensure the risks involved in their own supply chains are understood. Major issues are subject to discussion and approval at Board level so that the Board is aware of supplier concerns.

Externally facilitated annual supplier feedback surveys are carried out the results of these have been very positive over the last few years, highlighting the engineering expertise, professionalism and collaborative nature as being areas of great strength within the Group. Meetings with senior level executives were scheduled to understand and assist the suppliers to secure the management of our assets.

Shareholders

The Group attaches considerable importance to communications with its direct shareholders and engages with them on a regular basis. Open and frequent dialogue with shareholders enables them to fully understand the Group's strategy, objectives and governance. The Group interfaces with shareholders through strategy day events and through the Group Board, enabling them to establish the issues most important to them. The Board calendar was revised and updated in setting the Board's priorities with reference to our stakeholder groups.

Shareholders are also invited to attend individual discussions with the executive and non-executive directors throughout the year.

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

The Group is working with Transport Scotland, Scottish Enterprise, The University of St. Andrews and Arcola developing hydrogen technologies toward a 'zero emissions' train. We continue to invest significant time and money into developing cleaner, greener and smarter hybrid systems to replace diesel-only operation in the future.

Following the publication of our first sustainability report in 2021, this was updated during 2022 and the ESG Steering Committee continued to have oversight of sustainability performance and ensure that appropriate ESG risk controls are in place. ESG presentations are given to the Board to ensure ESG matters remained strategic, current and effective.

In 2022, our Global Real Estate Sustainability Benchmark (GRESB) score was 95/100 (a 5-star rated business) – an increase from 94 in 2021.

Debt Providers
Our debt providers play an important role in our business and we maintain a proactive, open and transparent relationship with them. Regular meetings are held with our diverse group of debt providers and credit rating agency to keep them informed about relevant areas

5. People & Diversity

The Group recognises the benefit the industry would receive from a more gender balanced workforce and is committed to increasing the number of women throughout the organisation as well as, more generally, to furthering the success of women in the rail sector. Since 2013 the Group has undertaken voluntary gender equality reporting by publishing an annual report on its website. A plan to increase diversity in the workforce beyond gender alone has been presented to the Group Board, and will continue to be implemented in 2023 and beyond. The overall gender split for 2022 was 74% male:26% female.

6. Looking Forward

The Group supports the UK Government's target to remove all 'diesel only' trains by 2040. Our portfolio of diesel rolling stock is forecast to dramatically reduce by 2030 but the Group, nevertheless, continues to invest in sustainability projects including hybrid battery technology and a hydrogen project with Transport Scotland.

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

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

Alan Lowe
Director
18 April 2023

Directors' Report

1. Statement of Directors' Responsibilities in respect of the Financial Statements

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 Group 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 Group and of the profit or loss of the Group 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 Group will continue in business.

The directors are responsible for safeguarding the assets of the Group 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group'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 Group'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 Group's auditors are aware of that information.

2. Going Concern

These financial statements are prepared on a going concern basis. The directors of the ultimate parent company, Willow Topco Ltd, have received confirmation that shareholder loans (£382m) will not be redeemed within one year of the date of signing of the financial statements. The directors of the company therefore consider that the onward shareholder loans have received confirmation that the shareholder loans (£481.9m) will not be redeemed within one year of the date of signing the financial statements (noted on page 21) and, taking into account their interest free nature, it seems reasonable for them to be considered as "quasi-equity" for the purpose of the going concern assessment.

The Group continues to comply with the requirements of its banking covenants, with performance underpinned by positive cash flows from the Group's operations. Budget and forecast cash flows also indicate the Group will be able to meet its current liability obligations.

The Group 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.

3. Results & Dividends

Interim dividends of £124.6m were paid during the year (2021: £nil). The directors do not propose the payment of a final dividend (2021: £nil).

The Group's financial performance is presented in the income statement on page 17. The profit after tax for the year was £197.1m (2021: £112.9m) and this was transferred to reserves. The increase in profit after tax mostly relates to a reduction in tax expense due to the prior year reflecting the deferred tax impact of the corporation tax rate changing from 19% to 25% from April 2023, the favourable swap rate movements resulting in significant gains in the *'Other gains –net'* line, and the inclusion of the Readypower numbers from the date of its acquisition (further details in note 2). These were in part offset by lower non capital rental due to certain older fleets reaching end of life and the cyclical nature of heavy maintenance events, from which non capital revenue recognition is predicated on.

During the year revenue decreased by 2.3%, cost of sales increased by 14.7% (primarily due to the inclusion of Readypower and administrative expenses increased by 51.5% (relating mostly to a £28m impairment reversal in 2021).

These factors resulted in a decrease in operating profit compared to 2021 of 19.4%.

At the end of the year, the financial position showed total assets of £4,199.6m (2021: £3,721.8m) representing an increase of 12.8%. This includes the net book value of property, plant and equipment of £2,958.9m compared to £2,874.3m at the previous year end. Other assets include goodwill £738.4m (2021: £616.8m) and cash and cash equivalents of £133.5m (2021: £192.8m).

4. Directors and Secretary

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

Lorraine Baldry	Appointed	26 January 2022
Pauline Walsh	Appointed	26 January 2022
Len Porter	Resigned	15 March 2022
Andrew Wilkie	Resigned	31 August 2022
Suyu Wu	Appointed	31 August 2022
Alan Chaplin	Appointed	22 November 2022
Anthony Mercado	Resigned	24 January 2023

5. Directors' Indemnities

No directors have been granted Qualifying Third Party Indemnity Provisions by Willow Topco Limited (the Company's ultimate parent company).

6. Sustainability Report

In recent years, the Group has directed its investment towards electric, bi-mode and hybrid rolling stock which supports the industry effort towards decarbonisation.

Governance
The Group has established a sustainability policy and management system which is supported by a risk assessment of the material climate related physical and transition risks, which are monitored and addressed by our Sustainability Steering Group.

Our decarbonisation road map sets out a plan for projects and initiatives that support more energy efficient rolling stock with lower emissions, in line with the industry strategy.

Environmental Performance & Resilience to Climate Related Risks
The Group has not suffered from any minor or major environmental incidents as a result of its operations. We maintain registers of hazardous materials (i.e. refrigerants, toxic chemicals) which are used in the construction, operation and maintenance of our fleets.

7. Financial Risk Management

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

8. Principal Risks and Uncertainties

In addition to financial risk management the Group has an Internal Control Framework that is designed to monitor other risks, including operational, regulatory, credit and reputational risks. The Framework includes processes for reviewing the effectiveness of the Group's system of internal control. The Board maintains a corporate risk register that is reviewed and updated as necessary at certain points throughout the year. 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 are actively monitoring the situation and where necessary taking appropriate actions.

With the advent of ERMAs and the subsequent transition programme to NRCs, there is a significant level of activity over the next three years with a majority of the NRCs incorporating extension options, which in our view, are likely to be exercised in the majority of instances. Alternatively, certain NRCs are also being structured as maximum term contracts with minimum core term with early termination options.

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

Alan Lowe
Director
18 April 2023

Independent Auditor's Report to the Members of Angel Trains Group Limited

Report on the audit of the group financial statements

Opinion

In our opinion, Angel Trains Group Limited's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2022 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: Group Balance Sheet as at 31 December 2022; Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow Statement and Group 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. Our audit was performed by the group engagement team in conjunction with the component audit team for the Readypower Group for material balances held by the component.

Key audit matters

- Rolling stock carrying value
- Readypower Group Acquisition

Materiality

- Overall materiality: £21.0m (2020: £18.0m) based on 0.5% of Total assets.
- Performance materiality: £15.7m (2020: £13.5m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any

Independent Auditor's Report to the Members of Angel Trains Group Limited (continued)

comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Readypower Group Acquisition is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Rolling stock carrying value Rolling stock is the group's most significant asset, with a net book value of £2,916 mn at 31 December 2022. Details of the rolling stock are provided in note 11, and the accounting policies for rolling stock and their potential impairment are included within the accounting policies section under 'Property, plant and equipment' and 'Impairment of tangible assets'. We consider the valuation of rolling stock to be a significant audit risk and a key audit matter given the materiality of the balance and the judgement required throughout the asset life cycle in respect of its recoverable value. The carrying value of rolling stock is dependent on the future income generating capacity of the trains. Trains are typically leased under short or medium-term contracts, meaning that assumptions over the ability of the group to lease trains at the end of the current contract period, and the amount at which the trains are leased for will materially impact the cash flows that underpin the impairment test. Management performs a detailed impairment assessment each year of whether rolling stock is impaired. This includes making assessments over the forecast cash flows (particularly the timing and value of future leases), and calculating the discount rate to be applied, considering the weighted average cost of capital (WACC). Also considering that government policy is for diesel only trains to be removed from the network by 2040, there is some judgement involved in management's assumption over future environmental regulation and the ability of these trains to generate revenue beyond 2040. Management's impairment test demonstrated that no further impairment was required on all train classes in 2022. In 2021 an impairment reversal of £28m was recorded. The key judgments are: 1. The discount Rate applied to management's impairment analysis to determine present value of future cash flows. 2. The likelihood of future re-lease and the price achieved on future contracts. 3. The impact of environmental regulation	We assessed the reasonableness of the key assumptions by considering external factors influencing train usage and replacement such as reduced passenger, comparative pricing of new and existing trains, competitor activity, technological developments and other macro factors such as the increasing levels of interest rates, increased focus on climate change and the government's plans to phase out diesel units by 2040 over time. We also independently identified rolling stock we considered at higher risk of impairment by, for example, considering train classes with relatively lower headroom. We assessed the reasonableness of management's impairment calculation, including compliance with IAS 36.This testing included 1. Calculating a range of discount rates, using our valuation experts to determine a weighted average cost of capital (WACC) that used independently sourced inputs and that considered the industry the group operates in amongst other factors. We also performed sensitivity analysis to determine the impact of applying our discount rate to determine present value of cash flows. 2. We verified for a sample of rolling stock that the base prices applied in management's impairment model tie back to existing contracts. We applied sensitivity analysis for any future price assumptions that are higher than contractually agreed rates with train operating companies. We also assessed future re-leasing possibilities in the medium term based on tenure of existing rail franchises and extensions of rail contracts during the year. 3. We performed independent sensitivity analysis to determine to what extent reasonably possible changes in environmental regulation could result in material changes to the valuation of diesel engine trains which have material revenue projections beyond 2040. Whilst the fleet has the capability to run on an electrified train line, thus extending the life beyond 2040. There is some judgement involved in management's assumption of a favourable government policy with respect to electrification of train lines that would allow these trains to generate revenue beyond 2040. We have performed independent research to consider the likelihood of changes in government policy and upcoming greener technologies in the market which could have an unfavourable

Independent Auditor's Report to the Members of Angel Trains Group Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Rolling stock carrying value	impact to the recoverable amount of the fleet post 2040. No such indications have been Identified in the short to medium term. 4. On performing a sensitivity analysis to determine the impact to the recoverable amount when applying the lower end of our independent WACC range, we noted a material impairment on one train class. While the Value In Use (VIU) approach indicated the above mentioned impairment, however using the trains fair value less cost of disposal (FVLCD) to estimate the recoverable amount resulted in headroom above the carrying amount. Considering that the standard (IAS 36) allows selecting higher of VIU or FVLCD to determine the recoverable amount under IAS 36, we considered the FVLCD to be in line with the standard and agree with management's decision to not book impairment. For the assumption over discount rate on all other train classes under the VIU approach, considering that management's conclusion was more optimistic than ours, we have identified a judgmental difference in their assumptions over WACC which is qualitatively immaterial to the accounts. For the assumption over discount rate on all other train classes under the VIU approach, considering that management's conclusion was more optimistic than ours, we have identified a judgmental difference in their assumptions over WACC which is qualitatively immaterial to the accounts. Overall, based on the work performed and the fact patterns prevailing at 31 December 2022, we found that the carrying value of rolling stock was supported by the evidence we obtained.

Independent Auditor's Report to the Members of Angel Trains Group Limited (continued)

Readypower Group Acquisition Angel Trains acquired 100% of Readypower Group ('RPG') on 28 January 2022. RPG provides specialised on-track plant equipment as well as civil engineering, drainage, haulage and operating services to the UK rail Sector. The key audit consideration in relation to the acquisition is the initial and subsequent accounting of the transaction in line with the requirements of IFRS 3 'Business Combinations' and recognition and measurement of the identifiable assets acquired and liabilities assumed. Details of the RPG acquisition are provided in note 33, and the related accounting policies are included within the accounting policies section under 'Business Combination ' and 'Goodwill'. The purchase consideration for RPG consists of cash consideration of circa £114m and the deferred consideration of circa £6.6m. Due to the estimates and judgements involved in the acquisition accounting this represents an area of focus for our audit and therefore we consider the acquisition of RPG to be a Key Audit Matter.	In response to the risk identified in relation to the acquisition of RPG, we have performed the following procedures: ● Reviewed the underlying documentation to identity the key terms of the acquisition; ● Evaluated the accounting treatment applied to the business combination, including whether the transaction has been correctly classified as business combination, purchase price allocation is appropriate and assets and liabilities acquired are appropriately recorded at fair value as at the date of acquisition; ● Evaluated the work of management's expert in relation to fair values of specialised on-track plant equipment; ● Independently recalculated the Goodwill recorded as part of the acquisition considering the fair value of assets and liabilities acquired and the purchase consideration; ● Reviewed the impairment assessment prepared by management to identity whether there is a need to record impairment on the Goodwill; and ● Assessed the appropriateness of the disclosures in the financial statements in accordance with the IFRS 3. Our testing did not identify any exceptions and we concluded that the treatment adopted was supported by the evidence we obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

There were 4 financially significant components in the group which were included in our scope. The Group operates as two finance teams based in London and Reading for the Angel Trains group and the newly acquired Readypower components respectively. Our audit approach mirrored this with the group audit team based in London to carry out the audit of the financially significant components of the group. Although none of the Readypower components were individually financially significant to the group and therefore were not treated as full scope components for audit, we tested all material balances.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the entity's financial statements and support the disclosures made within Directors' Report and published on its website. Management has made commitments to take significant actions to lower harmful emissions which result from rail travel, supporting the government's target to reach net zero by 2050.

We identified that the only potential material risk of misstatement in relation to the impact of climate change risk on the company's financial statements relates to the carrying value of rolling stock and consequently we focused our audit work in this area. Our audit response is given in the key audit matters section of our audit report.

Independent Auditor's Report to the Members of Angel Trains Group Limited (continued)

Materiality

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

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

Overall group materiality	£21.0m (2021: £18.0m).
How we determined it	0.5% of Total assets
Rationale for benchmark applied	We consider that Total Assets is an appropriate measure to use given volatility in reported profits in recent years and given the importance of the rolling stock asset base to the ability of the Group to generate future cash flows. Additionally this aligns with the approach of the wider group of companies headed by Willow Topco Limited that the Group is part of. We used 0.5% of Total assets which is at the lower end of our typical range for this measure.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £8,000,000 and £18,000,000. The financially significant components in the group were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £15,700,000 (2021: £13,500,000) for the group financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £1,000,000 (2021: £900,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting.

- Understanding management's cash flow forecasts and related stresses and assessing their reasonableness. This included recalculating the impact on key financial covenants under a plausible but severe stress.
- Agreeing the debt refinancing schedule for the company to source documentation and confirming that sufficient committed facilities are available to refinance all debt repayments coming due within a year from the date of signing the financial statements.
- Obtaining evidence that the group's parent entity, Willow Topco Limited, has received assurance from its shareholders that their shareholder loan notes will not need to be repaid for a period of at least one year from the date of signing of the financial statements.

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 group'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 group's ability to continue as a going concern.

Independent Auditor's Report to the Members of Angel Trains Group Limited (continued)

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 group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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 group and industry, we identified 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. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors 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;
- Challenging the assumptions and judgements made by management in their accounting estimates;
- Performing unpredictable audit procedures.

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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.

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

19 April 2023

Group Income Statement

	Note	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Revenue	3	578.4	592.3
Cost of sales	8	(273.9)	(238.8)
Gross profit		304.5	353.5
Administrative expenses	8	(40.9)	(27.0)
Operating profit		263.6	326.5
Finance income	4	0.8	0.2
Other gains – net	5	95.6	39.1
Finance costs	6	(102.0)	(110.8)
Profit before tax		258.0	255.0
Income tax expense	7	(60.9)	(142.1)
Profit attributable to owners of the parent		**197.1**	**112.9**

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

The notes on pages 23 to 67 form an integral part of these financial statements.

Group Statement of Comprehensive Income

	Note	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Profit for the year		197.1	112.9
Other comprehensive income/(expense):			
Items that will not be reclassified to profit and loss			
Actuarial gain on defined benefit pension scheme	29	28.5	5.3
Income tax relating to these items	7	(7.1)	(1.3)
Items that are or may be subsequently reclassified to profit and loss			
Cash flow hedges			
Gain on cash flow hedge taken to equity		325.7	98.2
Recycling of amounts from cash flow hedge to profit and loss		5.4	16.6
Income tax relating to these items	7	(82.6)	(16.7)
Other comprehensive income for the year		**269.9**	**102.1**
Total comprehensive income for the year attributable to owners of the parent	18	**467.0**	**215.0**

The notes on pages 23 to 67 form an integral part of these financial statements.

Group Statement of Changes in Equity

	Note	Called up share Capital	Capital reserve	Cash flow hedge reserves	Accumulated losses)/ retained earnings	Total equity
		£'m	£'m	£'m	£'m	£'m
At 1 January 2021		**-**	**4.6**	**(170.5)**	**(82.3)**	**(248.2)**
Profit for the year		-	-	-	112.9	112.9
Other comprehensive income						
Actuarial gain on defined benefit pension scheme	29	-	-	-	5.3	5.3
Gain on cash flow hedge taken to equity		-	-	98.2	-	98.2
Recycling of amounts from cash flow hedge to profit and loss		-	-	16.6	-	16.6
Income tax relating to these items	7	-	-	(16.7)	(1.3)	(18.0)
Total other comprehensive income				**98.1**	**4.0**	**102.1**
Total comprehensive income		-	-	**98.1**	**116.9**	**215.0**
Recognition of equity on acquisition of subsidiary	32	-	-	-	-	-
Capital contribution - adjustment	18	-	3.1	-	(3.1)	-
At 1 January 2022		**-**	**7.7**	**(72.4)**	**31.5**	**(33.2)**
Profit for the year		-	-	-	197.1	197.1
Other comprehensive income						
Actuarial gain on defined benefit pension scheme	29	-	-	-	28.5	28.5
Gain on cash flow hedge taken to equity		-	-	325.7	-	325.7
Recycling of amounts from cash flow hedge to profit and loss		-	-	5.4	-	5.4
Income tax relating to these items	7	-	-	(82.6)	(7.1)	(89.7)
Total other comprehensive income				**248.5**	**21.4**	**269.9**
Total comprehensive income		-	-	**248.5**	**218.5**	**467.0**
Dividends paid		-	-	-	(124.6)	(124.6)
Capital contribution - adjustment	18	-	2.9	-	(2.9)	-
At 31 December 2022		**-**	**10.6**	**176.1**	**122.5**	**309.2**

The notes on pages 23 to 67 form an integral part of these financial statements.

Group Balance Sheet

	Note	As at 31 December 2022 £'m	As at 31 December 2021 £'m
Assets			
Non-current assets			
Goodwill	10	738.4	616.8
Property, plant and equipment	11	2,958.9	2,874.3
Derivative financial instruments	14,21	305.9	0.2
Retirement benefit asset	29	6.6	-
		4,009.8	3,491.3
Current assets			
Inventories	13	0.7	0.3
Trade and other receivables	15	38.0	24.6
Contract assets	16	11.6	9.7
Current tax assets	22	5.3	3.1
Cash and cash equivalents	14	133.5	192.8
		189.1	230.5
Current liabilities			
Trade and other payables	24	(145.9)	(136.9)
Contract liabilities	25	(17.3)	(11.5)
Current tax liabilities	22	-	-
Loans payable	20	(161.3)	(114.4)
Deferred purchase consideration		(3.4)	-
		(327.9)	(262.8)
Net current assets/(liabilities)		**(138.8)**	**(32.3)**
Total assets less current liabilities		**3,871.0**	**3,459.0**
Non-current liabilities			
Loans payable	20	3,052.4	2,979.8
Retirement benefit obligation	29	-	21.3
Preference shares	19	0.1	0.1
Deferred tax liabilities	22	506.1	380.6
Derivative financial instruments	21	-	110.4
Deferred purchase consideration		3.2	-
		3,561.8	**3,492.2**
Equity attributable to owners of the parent			
Called up share capital	17	-	-
Capital reserve	18	10.6	7.7
Cash flow hedge reserve	18	176.1	(72.4)
Retained earnings/retained earnings	18	122.5	31.5
Total equity		**309.2**	**(33.2)**
Total equity and non-current liabilities		**3,871.0**	**3,459.0**

Approved by the Board of Directors and authorised for issue on 18 April 2023. They were signed on its behalf by:

Alan Lowe
Director

The notes on pages 23 to 67 form an integral part of these financial statements.

Group Cash Flow Statement

	Note	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Operating activities			
Cash receipts from customers		567.8	557.9
Cash paid to suppliers and employees		(106.6)	(78.7)
Cash generated from operations		461.2	479.2
Income taxes paid		(29.0)	(22.4)
Interest paid		(111.2)	(116.2)
Net cash generated from operating activities		**321.0**	**340.6**
Investing activities			
Interest received		0.6	0.2
Purchase of property, plant and equipment		(216.6)	(184.5)
Proceeds from disposal of property, plant and equipment		0.8	3.2
Acquisition fees paid		(4.5)	-
Acquisition of subsidiary	33	(113.9)	-
Cash acquired on acquisition of subsidiary	33	5.7	-
Net cash used in investing activities		**(327.9)**	**(181.1)**
Financing activities			
Equity dividends paid		(124.6)	-
Repayment of loans		(692.4)	(190.7)
Repayment of lease liabilities		(1.3)	(1.0)
Receipt of new loans		765.9	-
Net cash used in financing activities		**(52.4)**	**(191.7)**
Net decrease in cash and cash equivalents		(59.3)	(32.2)
Cash and cash equivalents at the beginning of the year		192.8	225.0
Effect of Foreign Exchange Movements		-	-
Cash and cash equivalents at the end of the year			
Bank balances and cash	14	**133.5**	**192.8**

Cash acquired on acquisition of subsidiaries represents the fair value of bank balances held by Readypower Group on the acquisition date, 28 January 2022.

The notes on pages 23 to 67 form an integral part of these financial statements.

Notes to the Financial Statements

1. Significant Accounting Policies

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

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

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of derivative instruments. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

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

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

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

Revenue recognition
For revenue of non-capital income (i.e. predominantly maintenance lease rentals 'contract' or 'contracts'), the Group's primary obligation is to maintain customers rolling stock in an operational condition. The Group achieves this by undertaking various maintenance activities over the period of the lease. To determine the correct revenue recognition, the Group determines whether multiple leases with the same customer should be combined and accounted for as one single lease for the purposes of revenue recognition. Equally, the maintenance contracts are assessed and determinations are made as to whether a single or multiple performance obligation exist and to which lease or leases they should be applied to, in accordance with IFRS 15.

Notes to the Financial Statements

1. Significant accounting policies (continued)

Revenue recognition (continued)
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.

Key sources of estimation uncertainty

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

For the current year, the directors have considered the current estimate of useful economic lives are supportable and reasonable and therefore no material changes have been made during the year. A 5 % increase/(decrease) in depreciation would have resulted in a £9.4m (decrease)/increase operating profit. Because of the long term nature of rolling stock there is inherent uncertainty, however directors continue to review periodically

Forecasts and discount rates
As described in the impairment of tangible assets policy below the Group reviews the carrying amounts of its tangible assets and in particular Property, plant and equipment. The assessment as to whether there are any indications of impairment of Property, plant and equipment, in particular rolling stock are dependent on the estimated future cash flows and the discount rate used to calculate a present value. Because of the long-term nature of rolling stock there is inherent uncertainty, however the Group performs a robust quarterly forecast, which is reviewed by directors.

Maintenance lease rentals
The group has long term maintenance lease contracts that fall into different financial years and can extend into multiple financial years. The estimated revenues are inherently difficult to determine as significant estimates are required to assess the maintenance pattern throughout the life of rolling stock. A significant change in one or more of these estimates may result in increases or decreases in operating profit. A 10% (decrease)/increase in maintenance events would have resulted in an increase/(decrease) in revenue of £6.1m and operating profit of £2.1m.

Adoption of the new and revised Standards

New and amended IFRS standards that are effective for the current year
At the date of authorisation of these financial statements, the following amended standards were effective for accounting periods beginning on 1 January 2022 but did not have a material impact on the Company's financial statements:
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 following standards, amendments and interpretations to existing standards have been issued but are effective for accounting periods beginning after 1 January 2022, and the Company has not early adopted them:
IFRS 4 (amendment) Extension of the Temporary Exemption from Applying IFRS 9
IFRS 16 (amendment) Lease liability in a Sale and Leaseback
IFRS 17 - 'Insurance contracts' IAS 1 (amendments) - Classification of Liabilities as Current or Non-Current, Disclosure of Accounting Policies & Non-current Liabilities with Covenants
IAS 8 (amendment) Definition of Accounting Estimates
IAS 12 (amendment) Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Going concern

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2022. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired during the year are included in the consolidated income statement from the date on which control is transferred to the Group. All intra-group transactions, balances, income and expenses and unrealised gains are eliminated on consolidation. The consolidated financial statements are prepared using uniform accounting policies.

Business combinations

The acquisition of subsidiaries not under common control is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the acquisition are expensed in the year they occur.

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

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

The acquisition of subsidiaries under common control and management is accounted for using the predecessor accounting method. The acquiree's' identifiable assets and liabilities are initially measured at predecessor carrying values. Fair Value measurement is not required and no new goodwill arises in predecessor accounting.

Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of transaction is included in equity in retained earnings or in a separate reserve.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit expected to benefit from the synergies of the combination. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Goodwill (continued)
An impairment loss recognised for goodwill is not reversed in a subsequent period. The directors believe that no impairment is required as at 31 December 2022 (2021: £nil).

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and sales-related taxes. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. In the event the lessee terminates early an operating lease, a penalty settlement (if applicable) is agreed, which is recognised as revenue in the period of termination.

Leases

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

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

Maintenance lease rentals
For most maintenance lease rentals, the customer contracts the Group to provide various maintenance activities over the period of the contract. These activities are a complex service integrating a set of tasks that could be over multiple rolling stock vehicles. The entire contract or combination of contracts is considered as one performance obligation unless more than one performance obligation exists in accordance with IFRS15. Because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation.

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

The Group as lessee
In accordance with IFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and printers). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

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

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

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

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

Right-of-use assets are presented in the line Property, plant and equipment in the Group's Balance Sheet, with further disclosure in the notes to the financial statements. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of tangible assets' policy.

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

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

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

Foreign currencies
The financial statements of the Group are presented in Sterling, which is the currency of the primary economic environment in which the Group operates (its functional currency). In preparing the financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded using the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The interest rate is

1. Significant accounting policies (continued)

Borrowing costs (continued)

capitalised at the average swap rate plus the weighted average margin of the Group external debt. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Retirement benefit costs

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

Main Scheme

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

Past service costs are recognised immediately to the extent that the benefits are already vested.

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

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

Defined Contribution

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

Current and deferred tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

1. Significant accounting policies (continued)

Current and deferred tax (continued)

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

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

Property, plant and equipment

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

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

	Years
Rolling stock	25 to 40
Yellow plant and machinery	4 to 10
Other:	
Office fixtures and fittings	5 to 10
Computer equipment	3
IT System upgrade	10
Buildings (right-of-use assets)	Lease term

Rolling stock and yellow plant and machinery in the course of construction for rental purposes is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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, and adjusted if appropriate. Depreciation is accelerated in the event the useful economic life is shortened. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual value exposure is the net book value of leased assets at the end of the lease term. This exposure is monitored periodically with any changes in the useful economic life of rolling stock being an adjustment to the period over which the assets are depreciated which will increase or decrease residual value at the end of the lease term.

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

Impairment of tangible assets

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

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

1. Significant accounting policies (continued)

Impairment of tangible assets (continued)

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

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

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

Inventories

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

Financial assets

The Company classifies financial assets in the following measurement categories: those to be subsequently measured at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The classification is determined on initial recognition. Financial assets or financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets at amortised cost

Financial assets at amortised cost are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Investments

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

Cash and cash equivalents

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

Contract assets

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

Impairment of financial assets

The Group has adopted the simplified approach to provide for Expected Credit Losses (ECLs) in accordance IFRS 9 Financial Instruments. The Group measures, at the end of each reporting period the loss allowance at a probability weighted amount that considers reasonable and supportable information

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)
about past events, current conditions and forecasts of future economic conditions of customers. The ECLs are updated at each reporting if there is evidence of changes in credit risk since initial recognition.

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

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

Any difference between the proceeds (net of transaction costs) and the settlement or redemption value of borrowings is recognised in the income statement over the term of the borrowings using the effective interest method.

Where there is any substantial change in the terms of the loans payable, it is considered whether this is a modification or extinguishment of a financial liability in accordance with IFRS 9.

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

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

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

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

Derivative financial instruments are initially measured at fair value on the contract date, and subsequently re-measured to fair value at subsequent reporting dates. Credit and Debit valuation adjustments are made if the impact is considered material. Gains and losses arising from changes in the fair value of a derivative are recognised as they arise in the income statement unless the derivative is the hedging instrument in a qualifying hedge.

Hedge relationships are formally documented at inception. The documentation includes the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Financial liabilities (continued)

Derivative financial instruments and hedge accounting (continued)
documents its risk management objective and strategy for undertaking hedge transactions. Details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. 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.

Cash flow hedges that qualify for hedge accounting
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument is recognised directly in cash flow hedge reserve. The ineffective portion is recognised in profit and loss. Hedge accounting is discontinued entirely when the hedge relationship no longer meets the risk management objective or no longer complies with the qualifying criteria, when the hedging instrument is sold or terminated. Hedge accounting is discontinued for only part of the hedge relationship, where part of the volume of a forecast transaction is no longer highly probable.

On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealised gain or loss recognised in equity is recognised in profit or loss (Other gains/(losses) – net) when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss.

Where the forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit or loss immediately. If the hedge of a forecast transaction results in the recognition of a non-financial asset, the associated gains and losses are not recognised in other comprehensive income but included in the initial cost of the asset. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit and loss and are included in 'other gains/(losses) – net'.

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

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

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

Notes to the Financial Statements (continued)

2. Segmental reporting

Operating Segments
The Group has two operating segments, rolling stock leasing and rail machinery leasing. Rail machinery leasing became a reporting segment of the group as a result of the acquisition of Readypower Group on 28 January 2022. The group's reportable segments are strategic business units that offer different services and are managed separately because they require different operational and technological strategies.

The operations of the rolling stock leasing segment comprise the leasing and maintenance contracts of rolling stock to train operating companies (TOCs). The operations of the rail machinery leasing segment provides specialized on-track plant equipment as well as civil engineering, drainage, haulage and operating services.

The chief operating decision maker are the Group's executive directors, consisting of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Asset Management Director who examine the Group's performance from a segment perspective on a monthly basis. Key measures used to evaluate performance are EBITDA and capital expenditure additions. Management believes that these measures are most relevant in evaluating performance of the segment and for making resource allocation decisions. Management considers that there is no material difference in credit risk between the segments. All financing activities are managed on a central basis.

Notes to the Financial Statements (continued)

2. Segmental reporting (continued)

Operating Segments (continued)

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment EBITDA, as included in the management reports reviewed by the executive directors.

2022

	Notes	Rolling stock leasing £'m	Rail and infrastructure services £'m	Total £'m
Segment revenue	3	520.6	57.8	578.4
EBITDA		441.8	10.4	452.2
Depreciation	11	(183.8)	(4.8)	(188.6)
Operating profit				263.6
Interest receivable	4			0.8
Interest payable	6			(102.0)
Other gains	5			95.6
Profit before tax				258.0
Income tax expense	7			(60.9)
Profit attributable to owners of the parent				**197.1**
Segmental capital expenditure additions		227.5	46.4	273.9
Other segmental capital items		2,691.5	(6.5)	2,685.0
Segmental current assets		36.2	14.1	50.3
Goodwill	10	616.8	121.6	738.4
Derivative financial instrument assets	14			305.9
Current tax assets	22			5.3
Pension asset	29			6.6
Cash and cash equivalents				133.5
Total assets as per balance sheet				**4,198.9**
Segmental liabilities		148.1	9.0	157.1
Deferred tax liabilities	22			506.1
VAT				6.2
Current borrowings	20			102.3
Non-current borrowings	20			3,111.4
Deferred purchase consideration	33			6.6
Total liabilities per balance sheet				**3,889.7**

Notes to the Financial Statements (continued)

2. Segmental reporting (continued)

Operating Segments (continued)

2021

	Notes	Rolling stock leasing £'m	Rail and infrastructure services £'m	Total £'m
Segment revenue	3	592.3	-	592.3
EBITDA		512.7	-	512.7
Depreciation	11	(186.2)	-	(186.2)
Operating profit				326.5
Interest receivable	4			0.2
Interest payable	6			(110.8)
Other gains	5			39.1
Profit before tax				255.0
Income tax expense	7			(142.1)
Profit attributable to owners of the parent				**112.9**
Segmental capital expenditure additions		202.6	-	202.6
Other segmental capital items		2,671.7	-	2,671.7
Segmental current assets		34.6	-	34.6
Goodwill	10			616.8
Derivative financial instruments	14			0.2
Current tax assets	22			3.1
Cash and cash equivalents	29			192.8
Total assets as per balance sheet				**3,721.8**
Segmental liabilities		148.4	-	148.4
Deferred tax liabilities				380.6
Current borrowings				114.4
Non-current borrowings	22			2,979.8
Derivative financial instruments	20			110.4
Retirement obligation	20			21.3
Deferred purchase consideration				-
Total liabilities per balance sheet				**3,755.0**

3. Revenue

	Year ended 31 December 2022 £'m	**Year ended 31 December 2021 £'m**
Operating lease rentals	429.5	447.9
Maintenance lease rentals	68.4	112.6
Management fees	-	-
Other revenue	80.5	31.8
	578.4	**592.3**

All revenue relates to United Kingdom operations and is earned over time.

Notes to the Financial Statements (continued)

4. Finance Income

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	£'m
Interest receivable – bank	**0.8**	**0.2**

5. Other gains/(losses)-net

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	£'m
Fair value gains on derivative instruments	84.5	35.8
Ineffectiveness on cash flow hedges	4.7	3.0
Recycling of amounts from cash flow hedge to profit and loss	(4.2)	(7.4)
Other gains	10.6	7.7
	95.6	**39.1**

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

Forecast transactions no longer expected to occur £nil (2021: £nil).
Hedged item has affected profit or loss £4.2m losses (2021: £7.4m losses).

6. Finance costs

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	£'m
Interest payable to parent company	11.2	9.1
Amortisation of loan fees to parent	0.4	0.4
Effective interest on interest free loan from parent	7.7	4.6
Swap interest payable*	2.1	17.9
Loan interest payable	94.0	96.3
Amortisation of loan fees	2.9	2.7
Effective interest on deferred consideration	0.4	-
Interest capitalised	(17.0)	(20.3)
Interest on lease liabilities	0.3	0.1
	102.0	**110.8**

*Swap interest payable includes cumulative fair value losses on interest rate swaps designated as cash flow hedges – transferred from other comprehensive income.

Notes to the Financial Statements (continued)

7. Income tax expense

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

The income tax based on the profit for the year is based on United Kingdom corporation tax at 19.00% (2021: 19.00%) and comprises:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	£'m
Current tax		
Current tax charge on profits for the year	(27.4)	(19.3)
Adjustments in respect of prior year	0.3	1.7
Total current tax	(27.1)	(17.6)
Deferred tax (note 22)		
Origination and reversal of temporary differences	(22.6)	(30.1)
Adjustments in respect of prior years	(0.8)	(0.5)
Effect of tax rate change	(10.4)	(93.9)
Total deferred tax	(33.8)	(124.5)
Income tax expense	**(60.9)**	**(142.1)**

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

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	£'m
Profit before taxation	258.4	255.0
Expected tax charge at 19.00% (2021: 19.00%)	(49.0)	(48.4)
Other tax adjustments	(1.0)	(1.0)
Effect of change in tax rate	(10.4)	(93.9)
Adjustment in respect of prior years	(0.5)	1.2
Total taxation expense for the year	**(60.9)**	**(142.1)**

Subsidiary profits are taxed at the main corporation tax rate of 19.00% (2021: 19.00%). Accordingly, the Group's profits for this accounting year are also taxed at 19.00% (2021: 19.00%).

Notes to the Financial Statements (continued)

7. Income tax expense (continued)

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

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	**£'m**
Current tax		
Items that are or may be subsequently reclassified to profit and loss		
Cash flow hedges – reclassified to profit and loss	(0.9)	(1.3)
Total current tax	**(0.9)**	**(1.3)**
Deferred tax		
Items that will not be reclassified to profit and loss		
Actuarial gain on defined benefit pension scheme	(7.1)	(1.3)
Items that are or may be subsequently reclassified to profit and loss		
Cash flow hedges	(81.7)	(15.4)
Total deferred tax	(88.8)	(16.7)
Total taxation expense recognised in OCI for the year	**(89.7)**	**(18.0)**

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/credit to the income statement for this year (and in previous years).

8. Expenses by nature

	Year ended 31 December 2022	Year ended 31 December 2021
	£'m	**£'m**
Changes in inventories (note 13)	2.8	0.1
Employees' emoluments (note 9)	40.7	17.8
Depreciation and impairments (note 11)	188.6	214.2
Impairment reversals (note 11)	-	(28.0)
Other expenses	82.7	61.7
Total cost of sales and administrative expenses	**314.8**	**265.8**

Auditors' remuneration for audit services during the year for the audit of parent company and consolidated financial statements was £84,120 (2021: £32,250) and audit of the Company's subsidiaries pursuant to legislation was £451,900 (2021: £409,130) of which £nil relates to the audit for the prior year ending 31 December 2021. There were no non-audit services provided during the year (2021: £nil).

Notes to the Financial Statements (continued)

9. Employees' emoluments

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Executive and support functions	115	40
Customer-facing staff	228	31
Engineering and technical	86	52
Directors' on service contracts	7	7
	436	**130**

Employee costs during the year amounted to:

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Wages and salaries	33.3	13.3
Social security costs	4.0	1.7
Other pension costs	3.4	2.8
	40.7	**17.8**

10. Goodwill

	£'m
Cost and net book value	
At 1 January 2021	616.8
At 31 December 2021	616.8
Acquisition of subsidiary (note 33)	121.6
At 31 December 2022	**738.4**

During the financial year presented, the Group had two cash generating units (CGUs) being the Angel Trains Group and the Readypower Group. For the year ending 31 December 2022 the recoverable amount has been determined based on the fair value less costs of disposal, for the Angel Trains Group and a Value in Use methodology for the Readypower Group.

Key assumptions

In order to derive the fair value less costs of disposal the 'Market' approach has been adopted to ascertain the equity value of the business. This has been derived by taking the transaction price from the recent Willow Topco Limited share disposal (multiplied by the number of ordinary shares). This value is then added to the shareholder loan notes on the basis these are considered quasi equity by the Group.

Sensitivities

The Value in Use calculation requires the exercise of significant judgement by management; if the estimates prove to be incorrect or performance does not meet expectations, goodwill may become impaired in future periods. In determining the VIU management discounted its forecast cash flows using a discount rate based on what it considers to be a market pre-tax weighted average cost of capital ("WACC") of 7.3%.

10. Goodwill (continued)

Sensitivities (continued)

The net present value determined by the Value in Use model is sensitive mainly to changes in the discount rate. A 0.1% increase in discount rate would result in a £5.9m change in the net present value. Utilising a discount rate of 15.5% would reduce the headroom calculated by the Value in Use model to zero.

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

11. Property, plant and equipment

	Rolling Stock	Other	Yellow Plant & Machinery	Total
	£'m	£'m	£'m	£'m
Cost				
At 1 January 2021	4,598.4	15.6	-	4,614.0
Additions	201.9	0.7	-	202.6
Acquisition of subsidiary (note 33)	-	-	-	-
Disposals	(138.7)	-	-	(138.7)
At 31 December 2021	4,661.6	16.3	-	4,677.9
Additions	227.1	2.5	3.9	233.5
Acquisition of subsidiary	-	7.4	33.0	40.4
Disposals	(17.8)	(0.2)	(0.6)	(18.6)
			-	
At 31 December 2022	**4,870.9**	**26.0**	**36.3**	**4,933.2**
Accumulated depreciation				
At 1 January 2021	1,746.3	8.1	-	1,754.4
Charge for the year	200.2	3.3	-	203.5
Acquisition of subsidiary (note 33)	-	-	-	-
Impairment losses	10.7	-	-	10.7
Reversal of impairment losses	(28.0)	-	-	(28.0)
Disposals	(137.0)	-	-	(137.0)
At 31 December 2021	1,792.2	11.4		1,803.6
Charge for the year	175.8	3.6	4.4	183.8
Impairment	4.8	-		4.8
Disposals	(17.8)	(0.0)	(0.1)	(17.9)
At 31 December 2022	**1,955.0**	**15.0**	**4.3**	**1,974.3**
Net book value				
At 31 December 2022	**2,915.9**	**11.0**	**32.0**	**2,958.9**
At 31 December 2021	2,869.4	4.9	-	2,874.3

In the current year, there was an impairment loss of £4.8m in relation to a hybrid power drive project on a single diesel fleet. No other impairments were considered necessary. There were no reversal of impairment losses in relation to any fleets during the year (2021: £28.0m). In determining the VIU management discounted its forecast cash flows using a discount rate based on what it considers to be a market pre-tax weighted average cost of capital ("WACC") of 7.3%.

Notes to the Financial Statements (continued)

11. Property, plant and equipment (continued)

The cash flow projections considered current contracted rent, extension rent i.e. where an option exists to extend the lease and estimates of future re-lease rents. Forecast future rent was estimated taking into account current market conditions and past experience. Whilst management considers the future cash flows to be highly subjective due to the longevity of the forecast period, it considers the VIU of assets to be most sensitive to changes in the discount rate assumption.

If all other variables remained constant and the discount rate had been 0.25% higher or lower there would have been no material impairment or impairment reversal recorded. If all other variables remained constant and the cash flows had been 5% lower, no material impairment would have been considered.

Finance costs capitalised during the year were £17.0m (2021: £20.3m). Cumulative finance costs capitalised and included in the cost of property, plant and equipment amounts to £168.8m (2021: £151.8m).

Included in rolling stock are assets under the course of construction of £267.6m (2021: £406.6m). No depreciation has been charged on these assets.

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

Buildings (right-of-use assets) of £5.1m (2021: £2.4m) are included in Other.

12. Residual value exposures

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

Expected net book value at lease expiry date	**Rolling Stock 2022**	**Rolling Stock 2021**
	£'m	**£'m**
Within one year	245.1	57.5
Between one and two years	521.1	244.8
Between two and four years	1,289.0	862.5
More than four years	92.9	706.6
	2,148.1	**1,871.4**

13. Inventories

	31 December 2022	**31 December 2021**
	£'m	**£'m**
Spares for rolling stock	**0.7**	**0.3**

During the year £2.8m (2021: £0.1m) of inventories were recognised as expenses.

Notes to the Financial Statements (continued)

14. Financial assets

Financial assets by category

31 December 2022

	Derivatives held for trading at FVPL*	Derivatives held for hedging at FVPL*	Financial assets at amortised cost	Total
	£'m	£'m	£'m	£'m
Derivative financial instruments	74.6	231.3	-	305.9
Trade and other receivables (excluding prepayments)	-		32.1	32.1
Contract assets	-		11.6	11.6
Cash and cash equivalents	-		133.5	133.5
	74.6	**231.3**	**177.2**	**483.1**

31 December 2021

	Derivatives held for trading at FVPL*	Derivatives held for hedging at FVPL*	Financial assets at amortised cost	Total
	£'m	£'m	£'m	£'m
Derivative financial instruments	0.2	-	-	0.2
Trade and other receivables (excluding prepayments)	-	-	23.4	23.4
Contract assets	-	-	9.7	9.7
Cash and cash equivalents	-	-	192.8	192.8
	0.2	**-**	**225.9**	**226.1**

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

Cash and cash equivalents

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

Notes to the Financial Statements (continued)

15. Trade and other receivables

Trade and other receivables

	31 December 2022 £'m	31 December 2021 £'m
Amounts falling due within one year		
Trade receivables	8.3	0.7
Other receivables	23.8	22.7
Prepayments	5.9	1.2
	38.0	**24.6**

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

16. Contract assets

	31 December 2022 £'m	31 December 2021 £'m
Amounts falling due within one year		
Maintenance services	**11.6**	**9.7**

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

17. Called up share capital

	31 December 2022 £	31 December 2021 £
Authorised:		
100,000,000 (2021:100,000,000) Ordinary shares of £1 each	100,000,000	100,000,000
Issued, called up and fully paid:		
12,360 (2021: 12,360) Ordinary shares of £1 each	12,360	12,360

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

Notes to the Financial Statements (continued)

18. Reserves

	Capital Reserve	Cash flow hedge reserves	Retained earnings	Total
		£'m	£'m	£'m
At 1 January 2021	4.6	(170.5)	(82.3)	(248.2)
Total comprehensive income for the year	-	98.1	116.9	215.0
Capital contribution – adjustment	3.1	-	(3.1)	-
At 31 December 2021	7.7	(72.4)	31.5	(33.2)
Total comprehensive income for the year	-	248.5	218.5	467.0
Capital contribution – adjustment	2.9	-	(2.9)	-
Dividends paid	-	-	(124.6)	(124.6)
At 31 December 2022	**10.6**	**176.1**	**122.5**	**309.2**

The capital reserve and cash flow hedge reserves are not available for distribution to the Group's shareholders. Cash flow hedge reserves include continuing Cash flow hedges of £193.7m (2021: £(63.4)m).

19. Preference shares

	31 December 2022 £	31 December 2021 £
Authorised:		
100,000 (2021: 100,000) participating preference shares of £1	100,000	100,000
Issued, called up and fully paid:		
100,000 (2021: 100,000) participating preference shares of £1	100,000	100,000

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

Notes to the Financial Statements (continued)

20. Loans payable

	31 December 2022 £'m	31 December 2021 £'m
Amounts falling due within one year		
External loans	100.5	113.4
Loans from other group members	59.0	-
Lease liabilities	1.8	1.0
	161.3	**114.4**
Amounts falling due after one year		
External loans	2,329.4	2,199.3
Less unamortised loan fees	(16.5)	(18.8)
Loans from parent company	737.1	799.0
Less unamortised loan fees from parent company	(1.0)	(1.3)
Lease liabilities	3.4	1.6
	3,052.4	**2,979.8**
	3,213.7	**3,094.2**

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

The external loans included above are repayable as follows:

	31 December 2022 £'m	31 December 2021 £'m
Within one year	102.3	114.4
Between one and two years	98.3	126.0
Between two and five years	877.0	505.8
Over five years	1,357.5	1,569.1
	2,435.1	2,315.3
Less: Amount due for settlement within 12 months (shown under current liabilities)	(102.3)	(114.4)
Amount due for settlement after 12 months	**2,332.8**	**2,200.9**

The effective interest rates recognised were as follows:

	31 December 2022	31 December 2021
External loans – fixed	3.47%	4.35%
External loans – floating	1.84%	1.91%
Loans from parent company - interest free	1.44%	1.18%

Borrowings of £1,678.4m (2021: £1,747.7m) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Borrowings of £481.9m (2021: £481.9m) from the parent company are arranged interest free.

Notes to the Financial Statements (continued)

20. Loans payable (continued)

For the year ending 31 December 2022, the directors estimate the fair value of the Group's fixed rate and interest free borrowings to be as follows:

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
External loans – fixed	1,459.6	1,771.0
Loans from parent company – fixed	164.0	178.6
Loans from parent company – interest free	471.3	474.2

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

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

Borrowings	Maturity	Repayment*	Nominal interest rate	31 December 2022 £'m	31 December 2021 £'m
Secured Bonds					
£500m Notes	2035	Amortising	6.875%	295.8	320.2
£400m Notes	2031	Amortising	6.500%	304.0	316.0
£60m Notes	2031	Amortising	6.500%	45.6	47.4
£60m Notes	2023	Amortising	LIBOR + margin	20.0	40.0
Bank Loans and Notes					
Senior £137.5m	2024	Bullet	SONIA + margin	-	137.5
Senior £137.5m	2029	Amortising	SONIA + margin	-	110.0
Senior Notes £30m	2031	Bullet	Fixed coupon	30.0	30.0
Senior Notes £200m	2034	Amortising	Fixed coupon	200.0	200.0
Senior Notes £100m	2037	Amortising	Fixed coupon	100.0	100.0
Senior Notes £85m	2032	Amortising	Fixed coupon	85.0	85.0
Senior Notes £300m	2033	Amortising	SONIA + margin	300.0	300.0
Senior Notes £430.5m	2027	Amortising	Fixed coupon	408.0	416.4
Senior £396.5m	2027	Amortising	SONIA + margin	-	155.4
Senior £450.0m**	2031	Amortising	SONIA + margin	450.0	-
Senior £150.0m***	2031	Amortising	SONIA + margin	150.0	-

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

**During the year, the Company borrowed in full (2021: £nil) against the secured £450,000,000 Senior Term Facility entered into during 2021. The interest payable is based on 3 month SONIA rate plus margin. The facility is repayable in instalments between 2026 and 2031.

***During the year, the Company borrowed in full (2021: £nil) against the secured £150,000,000 Senior Term Facility entered into during 2021. The interest payable is based on 3 month SONIA rate plus margin. The facility is repayable in instalments between 2026 and 2031.

Notes to the Financial Statements (continued)

20. Loans payable (continued)

Also included is a financial instrument classified as Borrowings with a carrying value of £41.5m (2021: £54.8m).

21. Derivative financial instruments

	31 December 2022 Assets	31 December 2022 Liabilities	31 December 2021 Assets	31 December 2021 Liabilities
	£'m	£'m	£'m	£'m
Interest rate swaps – used for hedging	231.3	-	-	(106.1)
Interest rate swaps – held for trading	74.6	-	0.2	(4.3)
	305.9	**-**	**0.2**	**(110.4)**
Analysed as:				
Current	-	-	-	-
Non-current	305.9	-	0.2	(110.4)
	305.9	**-**	**0.2**	**(110.4)**

In the context of the fair value hierarchy set out in IFRS13, these instruments are included within Level 2. Further details of derivative financial instruments are provided in note 28. As at year end, the Group had interest rate swap assets of £nil (2021: £nil) that are subject to master netting arrangements that can be offset against interest rate swap liabilities on default.

22. Current & Deferred taxation

Current tax asset

	31 December 2022	31 December 2021
	£'m	£'m
Current tax asset	**5.3**	3.1

As at 31 December 2022 the Group had current tax assets of £5.3m receivable from HMRC (2021: assets of £3.1m receivable from HMRC).

	31 December 2022	31 December 2021
	£'m	£'m
Deferred tax assets	0.1	26.5
Deferred tax liabilities	(506.2)	(407.1)
	(506.1)	**(380.6)**

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

Notes to the Financial Statements (continued)

22. Current & Deferred taxation (continued)

Deferred tax assets

	Retirement Benefit Scheme	Fair value of derivative instruments	Other	Tax losses	Total
	£'m	£'m	£'m	£'m	£'m
At 1 January 2021	4.9	41.4	0.9	16.9	64.1
(Charged)/credited					
to the income statement	0.1	(4.7)	(0.4)	(16.9)	(21.9)
- adjustments to prior years	-	(0.5)	-	-	(0.5)
- effect of tax rate change	1.6	(0.2)	0.1	-	1.5
to other comprehensive income	(1.0)	(20.5)	-	-	(21.5)
- effect of tax rate change	(0.3)	5.1	-	-	4.8
At 31 December 2021	5.3	20.6	0.6	-	26.5
Moved to deferred tax liabilities below	(5.3)	(20.6)	-	-	(25.9)
(Charged)/credited					
to the income statement	-	-	0.4	-	0.4
- adjustments to prior years	-	-	(0.7)	-	(0.7)
- effect of tax rate change	-	-	(0.2)	-	(0.2)
to other comprehensive income	-	-	-	-	-
- effect of tax rate change	-	-	-	-	-
At 31 December 2022	**-**	**-**	**0.1**	**-**	**0.1**

Notes to the Financial Statements (continued)

22. Current & Deferred taxation (continued)

Deferred tax liabilities

	Accelerated capital allowances	Retirement Benefit Scheme	Fair value of derivative instruments	Total
	£'m	£'m	£'m	£'m
At 1 January 2021	303.5	-	-	303.5
Charged				
to the income statement	8.2	-	-	8.2
- prior year adjustment				
- effect of tax rate change	95.4	-	-	95.4
At 31 December 2021	407.1	-	-	407.1
Moved from deferred tax assets above		(5.3)	(20.6)	(25.9)
Acquisition of Readypower Group	2.9	-	-	2.9
Charged/(credited)				
to the income statement	8.7	(0.1)	14.4	23.0
- adjustments to prior years	0.1	-	-	0.1
- effect of tax rate change	5.7	(0.1)	4.6	10.2
to other comprehensive income	-	5.4	62.1	67.5
- effect of tax rate change	-	1.7	19.6	21.3
At 31 December 2022	**424.5**	**1.6**	**80.1**	**506.2**

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 25.00% from 1 April 2023.

The effect of change in tax rate has been reflected in the charge to the income statement for this year (and in previous years), and closing deferred tax assets or liabilities are provided for at a rate of 25.00%.

Notes to the Financial Statements (continued)

23. Financial liabilities

Financial liabilities by category

31 December 2022	Derivatives held for trading at FVPL	Derivatives used for Hedging	Other Financial liabilities at amortised cost	Total
	£'m	£'m	£'m	£'m
Derivative financial instruments	-	-	-	-
Loans payable	-	-	3,213.7	3,213.7
Trade and other payables (excluding non-financial liabilities)	-	-	87.1	87.1
Total	**-**	**-**	**3,300.8**	**3,300.8**

31 December 2021	Derivatives held for trading at FVPL	Derivatives used for Hedging	Other Financial liabilities at amortised cost	Total
	£'m	£'m	£'m	£'m
Derivative financial instruments	4.3	106.1	-	110.4
Loans payable	-	-	3,094.2	3,094.2
Trade and other payables (excluding non-financial liabilities)	-	-	80.8	80.8
Total	**4.3**	**106.1**	**3,175.0**	**3,285.4**

24. Trade and other payables

	31 December 2022 £'m	31 December 2021 £'m
Amounts falling due within one year		
Trade payables	6.7	4.4
Other taxation and social security	7.6	12.6
Accruals and deferred income	131.6	119.9
	145.9	**136.9**

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

Notes to the Financial Statements (continued)

25. Contract liabilities

	31 December 2022 £'m	31 December 2021 £'m
Amounts falling due within one year		
Maintenance services	**17.3**	**11.5**

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

26. Capital commitments

	31 December 2022 £'m	31 December 2021 £'m
Commitments for the acquisition of property, plant and equipment	303.4	516.7

At 31 December 2022, the Group had capital commitments of £303.4m (2021: £516.7m), being capital expenditure authorised and contracted for but not provided for in the financial statements. This commitment is for the purchase of new rolling stock currently in production, for delivery in 2023 and a number of capital modification projects to the existing fleets.

27. Operating lease arrangements

The Group as lessor

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

	31 December 2022 £'m	31 December 2021 £'m
Within 1 year	491.6	488.3
Between 1 and 2 years	441.3	421.5
Between 2 and 3 years	292.9	369.2
Between 3 and 4 years	119.5	224.4
Between 4 and 5 years	61.4	75.8
Over 5 years	52.7	62.3
	1,459.4	**1,641.5**

28. Risk Management

The major risks associated with the Group's business are market risk, credit risk and liquidity risk. The Group has established a comprehensive framework for managing these risks which are continually evolving as business activities change in response to market, credit, product and other developments.

Market risk

The Group seeks to minimise potential adverse effects on the Group's financial performance due to the unpredictability of financial markets. Market risk includes adverse changes in risk factors including interest rates and foreign exchange.

Notes to the Financial Statements (continued)

28. Risk Management (continued)

Market risk (continued)
The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

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

Cash flow interest rate risk management
The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into interest rate swaps to mitigate the risk of rising interest rates. The Group's policy is to maintain a minimum fixed rate profile of 75% of its committed senior debt. This is achieved by either issuing fixed rate debt or converting a proportion of its floating rate debt to fixed rate debt.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Interest rate swaps with a notional of £1,057.0m reference SONIA, and are designated as cash flow hedges. The Group adopted 'phase two' of the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 9' in 2021. As a result, changes in the IBOR interest rate benchmark arrangements to SONIA are not considered a modification to the hedging instrument and do not impact the hedge relationship.

Where permissible under IFRS 9, the Group designates these as cash flow hedges of interest rate risk. Swaps previously held within hedging relationships that have been discontinued are assessed on an ongoing basis to be included within new hedge relationships.

The Group does not use derivative financial instruments for speculative purposes however due to the refinancing activity that took place during 2017 and 2019, at Group level, there are periods where floating rate debt exposures are exceeded by derivative financial instruments held due to a portion of forecast floating rate debt not meeting highly probable requirements. This position (£127.0m) notional at 31 December 2022) is expected to continue for the short to medium term though the Group will continue to assess how these derivatives will be used as part of future financing needs.

Notes to the Financial Statements (continued)

28. Risk Management (continued)

Market risk (continued)

Effects of hedge accounting on the financial position and performance

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

Derivative financial instruments – interest rate swaps:

	31 December 2022 £'m	31 December 2021 £'m
Carrying amount (asset)	231.3	-
Carrying amount (liability)	-	106.1
Notional amounts	907.0	929.5
Notional amount range (from)	44.6	42.0
Notional amount range (to)	1,162.7	1,124.1
Maturity dates	2027-2049	2027-2049
Hedge ratio *	1:1	1:1
Change in fair value of outstanding hedge instruments since 1 January	337.4	115.9
Change in value of hedge item used to determine hedge effectiveness	298.3	116.4
Weighted average hedged rate for the year	1.6%	1.6%

* the notional profile of the designated interest rate swaps and loans matched on inception.

Hedge ineffectiveness

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

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference date, reset dates, payment dates, maturities and notional amounts. Prospective testing is carried out using the cumulative dollar offset method with the hypothetical derivative approach whereby the change in fair value of the hedging instrument is compared to the change in fair value of the hedge item attributable to the hedged risk.

Hedge ineffectiveness may occur due to mismatches in critical terms between the hedging instrument and the hedged item such as notional amounts and interest reset frequencies. The lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item is

recognised through other comprehensive income, if the effectiveness requirements of IFRS 9 are continued to be met.

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

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

28. Risk Management (continued)

Market risk (continued)

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding since the beginning of the financial year. A 1% increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant:

- Group profit for the year ended 31 December 2022 would increase/decrease by £20.0m (2021: increase/decrease £46.9m).
- Cash flow hedge reserves would increase/decrease by £90.3m (2021: £148.9m) respectively. This would occur mainly as a result of the changes in fair value of fixed rate instruments.

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

Such contracts enable the Group to mitigate the risk of changing interest rates, on the issued variable rate debt cash flow exposures.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below.

Notes to the Financial Statements (continued)

28. Risk Management (continued)

Market risk (continued)

Interest rate swap contracts (continued)

The average interest rate is based on the outstanding balances at the end of the financial year. The following tables detail the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as at the reporting date.

Liabilities

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2022	Notional principal amount 31 December 2022	Fair value liabilities 31 December 2022
	%	£'m	£'m
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
Over 5 years	-	-	-
		-	**-**

Liabilities

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2021	Notional principal amount 31 December 2021	Fair value liabilities 31 December 2021
	%	£'m	£'m
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
Over 5 years	1.7	1,380.1	110.4
		1,380.1	**110.4**

Assets

Outstanding interest rate swaps	Average contracted fixed interest rate 31 December 2022	Notional principal amount 31 December 2022	Fair value assets 31 December 2022
	%	£'m	£'m
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	1.4	349.3	37.9
Over 5 years	1.7	1,119.4	268.0
		1,468.7	**305.9**

28. Risk Management (continued)

Market risk (continued)

Interest rate swap contracts (continued)

Assets

Outstanding interest rate swaps	**Average contracted fixed interest rate 31 December 2021**	**Notional principal amount 31 December 2021**	**Fair value assets 31 December 2021**
	%	**£'m**	**£'m**
Within 1 year	-	-	-
Between 1 and 2 years	-	-	-
Between 2 and 5 years	-	-	-
Over 5 years	0.9	75.0	0.2
		75.0	**0.2**

The interest rate swaps settle on a 3 and 6 month basis. The floating rate on the interest rate swaps is 3 and 6 month SONIA during the year. The Group settles the difference between the fixed and floating interest on a net basis.

Credit risk

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

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For derivative financial instruments refer to notes 21 and 23.

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

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

	31 December 2022	**31 December 2021**
	£'m	**£'m**
>30 days	-	-
>1 day	3.2	0.7
Not due	44.8	32.4
	48.0	**33.1**

Notes to the Financial Statements (continued)

28. Risk Management (continued)

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

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

Liquidity management within the Group focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from the undrawn commitments and other contingent obligations. For loans payable refer to note 20. For trade and other payables refer to note 24. The Group policy is to negotiate and agree terms and conditions with its suppliers.

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

The following 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
2022	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Trade and other payables (excluding non-financial liabilities)	87.1	-	-	-	87.1
Loans payable external	102.3	98.3	877.0	1,357.5	2,435.1
Interest payable external	129.7	126.8	299.0	212.6	768.1
Loans from parent undertakings	59.0	743.7	-	-	802.7
Loans from other group members	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
	319.1	**1,027.8**	**1,176.0**	**1,570.1**	**4,093.0**

Notes to the Financial Statements (continued)

28. Risk Management (continued)

Liquidity risk (continued)

2021	Within one year £'m	Between one and two years £'m	Between two and five years £'m	Over five years £'m	Total £'m
Trade and other payables (excluding non-financial liabilities)	79.2	-	-	-	79.2
Loans payable external	114.4	126.0	591.4	2,319.1	3,150.9
Interest payable external	106.6	114.3	293.7	262.8	777.4
Loans from parent undertakings	-	805.6	-	-	805.6
Loans from other group members	-	-	-	-	-
Derivative financial instruments	-	-	-	110.4	110.4
	300.2	**1,045.9**	**885.1**	**2,692.3**	**4,923.5**

At year end, the Group had access to undrawn borrowing facilities of £350.0m (2021: £1,185.6m). The table presented above analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts included in the table are the contractual undiscounted cash flows, except for net settled derivative financial instruments, which are included at their fair value. As a result, these amounts will not reconcile to the amounts disclosed on the balance sheet. Included within loans from parent undertakings is £471.3m (2021: £474.2m) of interest free shareholder loan notes that have no fixed maturity date. Although the loans from parent undertakings are within the time band 'Between one and two years' it is expected that these will not fall due until after five years.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in notes 17 and 18.

29. Retirement benefit scheme

Defined benefit plan

The Group operates a final salary defined benefit scheme for qualifying employees in the UK, the Angel Trains Shared Cost Section ('Section') of the Railways Pension Scheme (the 'Main Scheme'). The Section has separately identifiable assets and liabilities from the remainder of the Main Scheme.

Provision for the costs of these benefits is charged to the income statement over the average remaining future service lives of the eligible employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2022 by independent actuaries. The results of these calculations have been based on the results of the last formal actuarial valuation of the Section as at 31 December 2019, allowing for adjustments, on an approximate basis, to allow for differences between the valuation and IAS 19 calculations. The average contribution rate during the year for the Group's scheme is split between the

29. Retirement benefit scheme (continued)

Group and the employee at 20.1% and 12.3% respectively (2021: 20.1% and 12.3%) of pensionable salaries.

The discounted mean term of the Section's Defined Benefit Obligation (DBO) was 20 years based on the results of the formal valuation as at 31 December 2019.

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

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

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

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

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

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

Technical Provision shortfall

The full actuarial valuation of the Section as at 31 December 2019 highlighted a Technical Provisions shortfall of £1.8m. This is considered recoverable via the existing contributions payable that were established following the last actuarial valuation based at 31 December 2016. The expected value of these contributions are forecast to be £2.3m, leaving the scheme fully funded by the time they have all been paid.

A consultation process to agree a recovery plan with the active members concluded in January 2021. The recovery plan that has been agreed by the trustees, is for the employer to continue with the annual instalments of £0.48m up to April 2024, with the active members' contribution to the deficit, via their section pay, reducing from 1.83% to 1.29% over the period from 1 July 2021 through to 31 March 2025.

In addition to the above, the Future Joint Service Contribution Rate increased to 20.5% employer and 11.0% employee (65%:35% split), from 1 July 2021.

Notes to the Financial Statements (continued)

29. Retirement benefit scheme (continued)

Membership data:

	31 December 2022	31 December 2021
Active members		
Number	47	49
Annual payroll (£m)	3.6	3.6
Average age	51.2	51.1
Deferred members		
Number	119	121
Total deferred pension (£'m)	0.7	0.7
Average age	54.5	54.2
Pension members (including dependants)		
Number	73	67
Annual pension payroll (£'m)	1.7	1.6
Average age	67.5	66.9

Contribution data

	31 December 2022 £'m	31 December 2021 £'m
Employer contributions paid during the year	1.1	1.1
Employer contributions expected over following year	0.7	0.7
Employee contributions paid during year	0.4	0.4
Employee contributions expected over the following year	0.4	0.4

Asset data

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

	31 December 2022 £'m	31 December 2021 £'m
Growth assets	54.6	61.9
Government bonds	20.4	21.7
Other assets	0.3	0.7
Total asset value	**75.3**	**84.3**

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the London Stock Exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

In terms of the distinction between quoted and unquoted assets; the assets are predominately held in pooled funds with unit prices rather than being classified as directly quoted stocks. This is because there is typically no active market in these funds as units can only be bought from or sold to the fund manager.

29. Retirement benefit scheme (continued)

Summary of assumptions:

	31 December 2022	31 December 2021
Discount rate	5.0%	1.9%
Future price inflation (RPI measure)	3.1%	3.2%
Future price inflation (CPI measure)	2.7%	2.8%
Increase in pensions (CPI measure)	2.8%	2.8%
Expected rate of salary increases	6.0% for 1 year, 5.5% for year 2, then 3.1% pa thereafter	4.0% for 1 year, 2.8% for next 2 years, then 3.2% pa thereafter

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

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

	31 December 2022	31 December 2021
Male currently aged 65	22.1	22.2
Male currently aged 45	23.4	23.5
Female currently aged 65	23.0	23.1
Female currently aged 45	24.5	24.6

Defined benefit asset/(liability) at end of year

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

	31 December 2022 £'m	31 December 2021 £'m
Defined Benefit Obligation at end of year		
Active members	(30.4)	(46.5)
Deferred members	(15.4)	(25.7)
Pensioner members (incl. dependants)	(21.7)	(37.1)
Total	(67.5)	(109.3)
Value of assets at end of year	75.3	84.3
Funded status at end of year	7.8	(25.0)
Adjustment for the members' share of (surplus)/deficit	(1.2)	3.7
Net Defined Benefit Asset/(Liability) at end of year	**6.6**	**(21.3)**

Notes to the Financial Statements (continued)

29. Retirement benefit scheme (continued)

Reconciliation of defined benefit asset/(liability):

	31 December 2022 £'m	31 December 2021 £'m
Opening defined benefit liability	(21.3)	(25.9)
Pension expense	(2.1)	(2.1)
Employer contributions	1.5	1.4
Total gain recognised in OCI	28.5	5.3
Closing defined benefit asset/(liability)	**6.6**	**(21.3)**

Pension expense:

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

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Employer's share of service cost	1.6	1.6
Employer's share of administration costs	0.1	0.1
Total employer's share of service cost	1.7	1.7
Employer's share of net interest on net defined benefit liability	0.4	0.4
Employer's share of pension expense	**2.1**	**2.1**

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

Other comprehensive income (OCI)

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Loss/(gain) due to liability experience	7.6	(0.3)
(Gain)/loss due to liability assumption changes	(43.9)	4.1
Return on plan assets less/(greater) than discount rate	7.8	(9.1)
Total gain recognised in the OCI	**(28.5)**	**(5.3)**

Notes to the Financial Statements (continued)

29. Retirement benefit scheme (continued)

Reconciliation of defined benefit obligation (DBO)

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Opening defined benefit obligation	109.3	102.2
Service cost	1.9	1.9
Interest cost on DBO	2.0	1.6
Loss/(gain) on DBO – experience	8.5	(0.3)
Gain on DBO – demographic assumptions	(0.2)	(0.2)
(Gain)/loss on DBO – financial assumption	(51.3)	5.0
Actual benefits payments	(2.7)	(0.9)
Closing defined benefit obligation	**67.5**	**109.3**

Reconciliation of value of assets:

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Opening value of Section assets	84.3	72.2
Interest income on assets	1.5	1.1
Return on plan assets (less)/greater than discount rate	(9.2)	10.6
Contributions by employer	1.5	1.4
Benefits paid	(2.7)	(0.9)
Administration costs	(0.1)	(0.1)
Closing fair value of plan assets	**75.3**	**84.3**

The Reconciliation of Defined Benefit Obligation (DBO) and Reconciliation of Value of Assets tables above show the movement in the assets and DBO of the Section as a whole. Some of the figures therefore differ from those in the other disclosures, which reflect the Group's share of the costs and DBO associated with the Section.

DBO sensitivity analysis to significant actuarial assumptions:

	Sensitivity	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Discount rate	-1.0% p.a	12.2	26.7
Price inflation (CPI measure)	+0.5% p.a	5.7	12.0
Salary increases	+0.5% p.a	0.8	1.7
Life expectancy	+1 year	2.7	4.4

Notes to the Financial Statements (continued)

30. Dividends

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
	Pence per share	**Pence per share**	**Total £'m**	**Total £'m**
Dividends	10,080.9	-	124.6	-

Dividends of £124.6m (2021: £nil) were paid by the Group during the year ended 31 December 2022.

31. Parent companies

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

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the Company is consolidated is Willow Topco Limited which is incorporated and registered in Jersey. The registered office is 27 Hill Street, St Helier, JE2 4UA, Jersey.

32. Related party transactions

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

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

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

31 December 2022

	Income	Purchases/ interest	Amounts owed by related parties	Amounts owed to related parties
Accounts with	**£'m**	**£'m**	**£'m**	**£'m**
Immediate Parent	-	(19.3)	-	(795.1)
Other	0.1	-	-	-
Total	**0.1**	**(19.3)**	**-**	**(795.1)**

Notes to the Financial Statements (continued)

32. Related party transactions (continued)

Trading transactions (continued)

31 December 2021

Accounts with	Income £'m	Purchases/ interest £'m	Amounts owed by related parties £'m	Amounts owed to related parties £'m
Immediate Parent	-	(14.3)	-	(799.6)
Other	0.1	-	-	-
Total	**0.1**	**(14.3)**	**-**	**(799.6)**

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

Compensation of key management personnel

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Short term benefits	2.6	2.6
Post-employment benefits	0.2	0.1
Other long-term benefits	1.3	1.6
	4.1	**4.3**

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

Of the directors of the Company, 7 are paid by Angel Trains Limited, a subsidiary of the Company with the other directors remunerated by the Company's owners for services rendered.

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

The prior year comparatives for Directors remuneration have been restated due to an administrative error in the calculation of directors emoluments. The restated and corrected position results in a decrease in the aggregate emoluments of £0.4m.

33. Acquisition of subsidiary

On 28th January 2022, the Group acquired 100% of the issued shares in Readypower Group, a specialist rail and infrastructure services provider.

Readypower provides specialised on-track plant equipment as well as civil engineering, drainage, haulage and operating services to the UK rail sector. It plays a critical role in helping to modernise the UK's rail network as electrification and upgrades continue throughout the country.

Notes to the Financial Statements (continued)

33. Acquisition of subsidiary (continued)

The acquisition cements the Group's commitment to investing in rail assets in the UK. Readypower operates from six major hubs around the UK and is already supporting vital rail infrastructure improvement projects to help level up the country. The Group plans to support Readypower's growth by investing in

the latest machinery and technology to support critical rail assets, developing sustainable solutions for the future.

Purchase consideration:	
Cash paid	113.9
Deferred consideration	6.2
Total purchase consideration	**120.1**

The amount recognised in respect of the identifiable assets acquired, liabilities and equity assumed are set out in the table below:

	28 January 2022
	£'m
Property, plant and equipment	40.5
Financial assets	20.1
Financial liabilities	(59.2)
Current tax liabilities	(0.0)
Deferred tax liabilities	(2.9)
Total identified assets acquired and liabilities assumed	**(1.5)**

The fair value of acquired trade receivables is £14.0m. The gross contractual amount for trade receivables due is £14.0m, with a loss allowance of £0.0m recognised on acquisition.

Net cash outflow arising on acquisition:	**£'m**
Cash consideration	(120.1)
Cash and cash equivalent balances acquired	5.7
	(114.4)

Acquisition costs of £4.5m are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

Goodwill was recognised as a result of the acquisition as follows:

	£'m
Total purchase consideration	120.1
Less: fair value of identifiable (assets)/liabilities	(1.5)
	121.6

None of the goodwill is expected to be deductible for tax purposes. The goodwill constitutes the workforce employed by Readypower, synergies resulting due to the nature of the business and non-contractual customer relationships that have not met the criteria for recognition as a separate intangible asset.

33. Acquisition of subsidiary (continued)

The acquired business contributed revenues in the year ended 31 December 2022 of £57.8m and a net profit of £4.7m to profit attributable to the owners. If the acquisition had occurred on 1 January 2022, consolidated revenue would have been £62.4m and a net profit attributable to the owners of £5.0m.

The deferred purchase consideration is payable in two instalments, on 28 January 2023 and 28 January 2024. The fair value of the deferred purchase consideration at 31 December 2022 is as follows:

	£'m
Deferred purchase consideration payable within one year	3.4
Deferred purchase consideration payable after one year	3.2
	6.6

34. Reconciliation of liabilities arising from financing activities

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

	Loans payable (note 20) **£'m**
1 January 2021	**3,277.8**
Financing cash flows – net	(191.7)
Non-cash changes*	8.1
31 December 2021	**3,094.2**
Financing cash flows – net	72.2
Debt assumed on acquisition of subsidiary	42.6
Non-cash changes*	4.7
31 December 2022	**3,213.7**

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

35. 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.