

Registered number 09978017

ROCK RAIL MOORGATE (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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ROCK RAIL MOORGATE (HOLDINGS) LIMITED

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ROCK RAIL MOORGATE (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors

G K W Dunbar
M Tarasiuk
M R Swindell (resigned 1 September 2019)
R McDonald (appointed 22 January 2019)
N Ritter (resigned 22 January 2019)
MG Kean (appointed 1 September 2019)

Company secretary

J C Shepherd

Registered number

09978017

Registered office

Capital Tower
91 Waterloo Road
London
SE1 8RT

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Solicitor

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Banker

Lloyds Bank plc
10 Gresham Street
London
EC2V 7AE

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Review of the business

The sole activity of Rock Rail Moorgate (Holdings) Limited (the "Company") is as a holding company for its subsidiary, Rock Rail Moorgate plc (collectively the "Group") which is engaged in the funding, ownership and leasing of a fleet of 25 class 717 electric trains manufactured by Siemens plc.

On 17 February 2016, the Group entered into a manufacturing and supply agreement and loan documentation to fund the construction and delivery of the new trains. At the balance sheet date the full fleet of 25 units has been accepted and is on lease to Govia Thameslink Railways to run on the Great Northern Route. Govia Thameslink Railways is responsible for the maintenance of the trains.

Financial performance and position of the business

The Group made a loss before tax of £7,094k (2018: £941k) for the year ended 31 December 2019, in line with its operating budget and as expected at the start of the operating phase (2018: during construction phase). The units completed acceptance on 18 April 2019 and have generated revenue of £13,831k (2018: £1,533) with corresponding cost of sales of £7,369k (2018: £680k) as a result of depreciation charges being incurred. Liquidated damages of £618k (2018: £623k) from Siemens have been received during the year due to unit deliveries being behind schedule compared to the contract. The interest payable on bank loans and subordinated loans recognised in the Consolidated Statement of Comprehensive Income has increased as accepted units entered the operational phase and the proportion of interest capitalised into fixed assets reduced. During the year £9,641k (2018: £178,015k) has been capitalised into fixed assets which is made up of payments of £6,366k (2018: £167,730k) to Siemens for the manufacture of units and £3,275k (2018: £10,285k) of other costs including interest capitalised of £1,262k (2018: £10,204k).

The Group's position remains consistent in all material respects with the financial forecasts prepared at the time of financial close in February 2016.

Key performance indicators ("KPI's")

The main KPI is performance against operating budget. The project is being managed against an operating program and budget that the Directors monitor regularly, and funding is in place to meet all the Group's expected financing needs.

Principal risks and uncertainties

The principal current risk of the business during the initial franchise period is the credit of the counterparty as lease rentals are fixed. On franchise renewal, the main risk for the business will be the market rental rates prevailing at that time which will influence the rental that the business can charge.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Covid-19

The Directors are monitoring the impact of Covid-19. Lease rentals are due under a 'hell or high water' lease and therefore continue to be paid. The Government is providing emergency management contracts to all operators to ensure that lease rental payments will continue.

Financial risk management

The obligation to fund the purchase of the trains has been fully met through fixed rate loans which have been drawn down in line with the terms of its agreements. Cashflow is carefully monitored against the operating budget and the available financing.

Going Concern

The Consolidated Statement of Comprehensive Income shows a loss for the year of £6,053k (2018: £788k) and the Consolidated Statement of Financial Position at 31 December 2019 reports net liabilities of £7,600k (2018: £1,547k). The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and is considered in more details in note 1.3 of the accounts.

This report was approved by the board and signed on its behalf



R McDonald
Director

Date: 20 May 2020

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The Directors of the Company at 31 December 2019 and subsequent to the year end are listed on page 2.

Dividend

The Directors do not recommend the payment of a dividend (2018: no dividend).

Matters covered in the Strategic Report

A review of the business and principal risks and uncertainties are not shown in the Directors' Report as this information is included within the Strategic Report under s.414c(11) of the Companies Act 2006.

Political and charitable contributions

The Group made no political or charitable donations during the year.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Pursuant to section 489 of the Companies Act 2006 a resolution for the reappointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board and signed on its behalf.


R McDonald
Director

Date: 20/5/20

Capital Tower
91 Waterloo Road
London
SE1 8RT

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROCK RAIL MOORGATE (HOLDINGS) LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Rock Rail Moorgate (Holdings) Limited ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group and parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. No non-audit services prohibited by that standard were provided.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2018).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROCK RAIL MOORGATE (HOLDINGS) LIMITED (CONTINUED)

	The risk	Our response
Tangible fixed assets	Accounting application	Our procedures included:
(£271 million; 2018: £269 million)	Although we do not consider tangible fixed assets to be an area with a high risk of significant misstatement, or requiring a significant level of judgement, it is considered to be one of the key drivers of financial position and as such had the greatest effect on our audit and allocation of resources in the planning and completing our audit.	Tests of Details: Selecting a sample of capitalised costs and agreeing these to supporting documentation, assessing whether they have been appropriately capitalised. Additionally, we selected a sample of costs which were not capitalised and agreed these to supporting documentation, assessing whether they should have been capitalised. The depreciation charge was also recalculated for the period.
Refer to page 20 (accounting policy) and page 25 (financial disclosures).	Significant costs are capitalised in relation to the construction of rolling stock. The capitalisation of these costs require judgement from the Directors as to what can be capitalised under FRS102.	
Loan facilities and loan notes	Accounting treatment	Our procedures included:
(£295 million; 2018: £292 million)	Although we do not consider loan facilities or loan notes to be an area with a high risk of significant misstatement, or requiring a significant level of judgement, it is considered to be one of the key drivers of financial position and as such had the greatest effect on our audit and allocation of resources in the planning and completing our audit.	Accounting analysis: We evaluated the Directors' choice of accounting policy by comparing this with the requirements of FRS102.
Refer to page 21 (accounting policy) and page 28 (financial disclosures).	The Directors must treat the loans and loan notes correctly as required under FRS102.	Reperformance: We recalculated the effective interest rate calculation based on the interest rates and other terms included in loan agreements (which were agreed back to source documentation) for each of the loans to assess whether the Directors' calculation was materially misstated.
	Calculation error	
	The measurement of the loan at amortised cost requires the Directors to use the effective interest rate method which is a complex calculation.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROCK RAIL MOORGATE (HOLDINGS) LIMITED (CONTINUED)

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.8m (2018: £1.46m), determined with reference to a benchmark of group total assets, of which it represents 1% (2018: 0.5%). We consider total assets to be the most appropriate benchmark as the Group's value is derived from its rolling stock asset base.

Materiality for the parent Company financial statements as a whole was set at £0.45m (2018: £0.22m), determined with reference to a benchmark of company total assets, of which it represents 1% (2018: 0.5%).

We agreed to report to the board any corrected or uncorrected identified misstatements exceeding £0.14m (2018: £0.07m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected the Group's only subsidiary to a full scope audit for group reporting purposes in both 2019 and 2018.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The global and regional economic impact of coronavirus
- The impact of a disorderly Brexit

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROCK RAIL MOORGATE (HOLDINGS) LIMITED (CONTINUED)

4 We have nothing to report on going concern (continued)

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROCK RAIL MOORGATE (HOLDINGS) LIMITED (CONTINUED)

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 6, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Smith (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date: 22 May 2020

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£'000	£'000
Turnover	2	13,831	1,533
Cost of sales	3	(7,369)	(680)
Gross profit		6,462	853
Other operating income	2	618	623
Operating expenses	4	(438)	(1,278)
Operating profit		6,642	198
Interest receivable and similar income		128	164
Interest payable and similar charges	7	(13,864)	(1,303)
Loss on ordinary activities before taxation		(7,094)	(941)
Tax on loss	8	1,041	153
Loss for the financial year		(6,053)	(788)
Total comprehensive deficit for the year		(6,053)	(788)

The result for the financial year has been derived from continuing activities.

There were no recognised gains or losses during the year other than as recorded in the Statement of Comprehensive Income.

The notes on pages 18 to 32 form an integral part of these financial statements.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Tangible fixed assets	9	271,419	269,147
Total fixed assets		<u>271,419</u>	<u>269,147</u>
Current assets			
Debtors	12	1,426	1,376
Cash at bank		16,084	22,217
		<u>17,510</u>	<u>23,593</u>
Creditors: amounts falling due within one year	13	(4,608)	(3,351)
Net current assets		<u>12,902</u>	<u>20,242</u>
Total assets less current liabilities		<u>284,321</u>	<u>289,389</u>
Creditors: amounts falling due after more than one year	14	(291,921)	(290,936)
Net liabilities		<u>(7,600)</u>	<u>(1,547)</u>
Capital and reserves			
Called up share capital	20	50	50
Retained deficit		(7,650)	(1,597)
Shareholders' deficit		<u>(7,600)</u>	<u>(1,547)</u>

The notes on pages 18 to 32 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

R McDonald
Director



Date: 20/5/20

Registered number 09978017

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
	Notes	£'000	£'000
Fixed Assets			
Investments	10	50	50
Total fixed assets		50	50
Current assets			
Debtors: including £44,582k (2018: £44,440k) due after more than one year	12	45,563	44,777
Cash at bank		19	16
		45,582	44,793
Creditors: amounts falling due within one year	13	(980)	(337)
Net current assets		44,602	44,456
Total assets less current liabilities		44,652	44,506
Creditors: amounts falling due after more than one year	14	(44,753)	(44,574)
Net liabilities		(101)	(68)
Capital and reserves			
Called up share capital	20	50	50
Retained deficit		(151)	(118)
Shareholders' deficit		(101)	(68)

The notes on pages 18 to 32 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board on and were signed on its behalf by:

R McDonald
Director

R McDonald

Date:

20/5/20

Registered number 09978017

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balances at 1 January 2019	50	(1,597)	(1,547)
Loss and total comprehensive deficit for the year	-	(6,053)	(6,053)
Balances at 31 December 2019	50	(7,650)	(7,600)
Balances at 1 January 2018	50	(809)	(759)
Loss and total comprehensive deficit for the year	-	(788)	(788)
Balances at 31 December 2018	50	(1,597)	(1,547)

The notes on pages 18 to 32 form an integral part of the financial statements.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balances at 1 January 2019	50	(118)	(68)
Loss and total comprehensive deficit for the year	-	(33)	(33)
Balances at 31 December 2019	50	(151)	(101)
Balances at 1 January 2018	50	(76)	(26)
Loss and total comprehensive deficit for the year	-	(42)	(42)
Balances at 31 December 2018	50	(118)	(68)

The notes on pages 18 to 32 form an integral part of the financial statements.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss on ordinary activities after taxation		(6,053)	(788)
Depreciation	9	7,369	680
Interest payable and similar expense	7	13,864	1,303
Interest receivable and similar income		(128)	(164)
Tax credit	8	(1,041)	(153)
Decrease/(increase) in debtors		991	(961)
Increase in creditors		2,410	1,637
Increase in long term creditors		956	104
Net cash inflows from operating activities		18,368	1,658
Cash flows from investing activities			
Purchase of fixed assets	9	(9,641)	(178,015)
Interest received		128	164
Net cash flows from investing activities		(9,513)	(177,851)
Cash flows from financing activities			
(Repayment of)/proceeds from long-term senior debt		(952)	1,308
(Repayment of)/proceeds from loan from shareholders		(172)	189,586
Interest paid	7	(13,864)	(1,303)
Net cash flows (used in)/generated by financing activities		(14,988)	189,591
Decrease/(increase) in cash and cash equivalents in the year		(6,133)	13,398
Cash and cash equivalents at the beginning of the year		22,217	8,819
Cash and cash equivalents at the end of the year		16,084	22,217

The notes on pages 18 to 32 form an integral part of the financial statements.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

1.1 General information and basis of preparation

Rock Rail Moorgate (Holdings) Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The address of the registered office is given in the company information page of these financial statements and has the same principal place of trading.

These financial statements are the consolidated financial statements of Rock Rail Moorgate (Holdings) Limited (the "Company") and its subsidiary Rock Rail Moorgate plc (collectively known as the "Group") for the year to 31 December 2019.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The principal activity of the Company is that of a holding company for its subsidiary. The presentational and functional currency of these financial statements is sterling. The financial statements have been rounded to the nearest £'000.

Rock Rail Moorgate (Holdings) Limited meets the definition of a qualifying entity under FRS 102, paragraph 1.8 - 1.12 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

The following exemptions have been applied:

- reconciliation of the number of shares outstanding from the beginning to end of the year;
- no separate parent company Cash Flow Statement with related notes is included; and
- key management personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of the subsidiary undertaking is included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, are carried at cost less impairment.

1.3 Going concern

The financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons outlined below and where they have reviewed cash flow forecasts for a period of 12 months from the date of signing these financial statements. The Group has made a loss for the year of £6,053k (2018: £788k) and has net liabilities of £7,600k (2018: £1,547k). The Directors have reviewed the Group's operations and made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources available to continue in operation for the foreseeable future and at least 12 months from the date of approval of these financial statements.

In preparing these forecasts, the Directors considered the uncertainty of Covid-19 and its impact on short and medium term cash liquidity. The full fleet is in operation and rental receipts are on a 'hell or high water' basis (i.e. the operator's obligation to pay rent under the lease is not dependent on whether the trains are used or passenger demand). An economic downturn has no effect on contracted rentals. In the event of an operator failure, the Department for Transport is expected to step in as the operator of last resort to fulfil its statutory duties to provide rail services and would take responsibility for contractual lease payments.

Despite uncertainties relating to Covid-19 and the soon to be published Williams Review (which is expected to propose changes to the existing rail franchising model), the Directors believe it is highly likely that the trains will continue to be leased after the end of the current lease in September 2021, either by Govia Thameslink (if its franchise is extended in accordance with its terms as the Group's lease would also be automatically extended) or by the next operator of the Thameslink network.

Under both its base-case scenario and reasonably plausible downside scenarios, the Directors consider that the Group is well positioned to manage risk during this period of economic uncertainty and is able to realise its assets and discharge its liabilities and commitments in the normal course of business. The Directors conclude that the cash reserves in place gives them confidence that the going concern basis remains appropriate.

1.4 Turnover

Operating lease income is recognised on a straight line basis over the lease term.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.5 Interest receivable and payable

Interest payable relates to interest due on loans from group undertaking and on senior debt borrowed to finance the manufacturing of the trains. Other interest receivable and similar income include interest receivable on cash balances.

Interest income and interest payable are recognised as they accrue, using the effective interest method.

1.6 Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which take substantial time to become ready for their use or sale, are capitalised as part of those assets. All other borrowing costs are expensed.

1.7 Tangible fixed assets

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs capitalised include invoices from Siemens plc relating to construction of the assets, professional fees and borrowing costs capitalised in line with the accounting policy outlined above. Depreciation of these assets commences when the assets are ready for use.

Rolling stock and other railway assets are depreciated on a straight line basis over their useful economic lives (35 years). Useful lives are reviewed annually.

1.8 Impairment of property, plant and equipment and operating lease assets

At each balance sheet date, or more frequently when events or changes in circumstances dictate, property, plant and equipment and operating lease assets are assessed for indicators of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's or the cash-generating unit's net selling price and its value in use. Net selling price, if available, is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of assets are written down by the amount of any impairment and the loss is recognised in the Statement of Comprehensive Income in the year in which it occurs. A previously recognised impairment loss relating to an asset may be reversed in part or full when a change in circumstances leads to a change in the estimates used to determine the asset's recoverable amount.

The carrying amount of the asset will only be increased up to the amount that would have been had the original impairment not been recognised. For conducting impairment reviews, cash generating units are the lowest level at which management monitors the return on investment on assets.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.8 Impairment of property, plant and equipment and operating lease assets (continued)

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

1.9 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangements constitute a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.10 Taxation (continued)

The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle this obligation, taking into account relevant risks and uncertainties.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except, where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2. Turnover and other operating income

	2019 £'000	2018 £'000
Operating lease income	13,831	1,533
Other operating income	618	623

Other operating income represents the liquidated damages received during the year for late delivery of rolling stock under the Group's contract with its supplier.

All operating lease income is generated within the UK.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3. Cost of sales

	2019 £'000	2018 £'000
Depreciation of owned tangible fixed assets	7,369	680

4. Operating expenses

	2019 £'000	2018 £'000
Administrative expenses include the following:		
Audit of these annual financial statements	25	26
Audit of financial statements of subsidiary of the Company	9	8

5. Employees

During the year the Group had no employees other than the Directors.

6. Directors' remuneration

The remuneration received by the Directors during the year in relation to the services that the Directors provide was not material.

7. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest on senior debt	10,189	964
Interest on subordinated loans	3,652	324
Other interest payable	23	15
	13,864	1,303

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8. Taxation

	2019 £'000	2018 £'000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(1,156)	(170)
Adjustment in respect of previous periods	(7)	-
Tax rate changes	122	17
Total deferred tax	(1,041)	(153)
Taxation on loss on ordinary activities	(1,041)	(153)

Factors affecting tax credit for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(7,094)	(941)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,348)	(179)
Effects of:		
Expenses not deductible for tax purposes	-	1
Tax rate changes	122	17
Adjustment in respect of previous periods	(7)	-
Transfer pricing adjustment	192	-
Deferred tax not recognised	-	8
Total tax credit for the year	(1,041)	(153)

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 December 2019 has been calculated based on these rates substantively enacted at the Statement of Financial Position date.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9. Tangible fixed assets

Group	Assets under construction £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
At 1 January 2019	83,059	186,768	269,827
Additions	9,641	-	9,641
Transfers	(87,628)	87,628	-
At 31 December 2019	5,072	274,396	279,468
Depreciation			
At 1 January 2019	-	680	680
Charge for the year	-	7,369	7,369
At 31 December 2019	-	8,049	8,049
Carrying amounts			
At 31 December 2019	5,072	266,347	271,419
At 31 December 2018	83,059	186,088	269,147

Assets under construction consist of construction payments provided to manufacturers for trains which will be leased to train operators on completion via an operating lease, legal and financial costs. The aggregate amount of finance costs included in the cost of tangible fixed assets is £22,706k (2018: £21,444k).

During the year £1,262k (2018: £10,204k) of interest on the senior debt and debt from a group undertaking was capitalised into the asset under construction.

10. Fixed asset investments

Company	Investments in subsidiary undertaking £'000
Cost or valuation	
At 1 January 2019 and 31 December 2019	50
Net book value	
At 31 December 2019 and 31 December 2018	50

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11. Subsidiary undertaking

The following company was a subsidiary undertaking of the Company:

Name	Country of incorporation	Nature of business	Class of shares	Holding
Rock Rail Moorgate plc	England and Wales	Rolling stock lessor	Ordinary	100%

The registered office of Rock Rail Moorgate plc is Capital Tower, 91 Waterloo Road, London, SE1 8RT.

12. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due after more than one year				
Amounts owed by group undertaking	-	-	44,582	44,440
Due within one year				
Other debtors	2	592	981	27
Amounts owed by group undertaking	-	-	-	310
Prepayments and accrued income	93	494	-	-
Deferred taxation (see note 19)	1,331	290	-	-
Total	1,426	1,376	45,563	44,777

	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Loan notes in Rock Rail Moorgate plc	5.77% rising to 9.26%	2047	30 instalments commencing March 2019	44,582	44,750

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13. Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade creditors	-	617	-	-
Accruals and deferred income	3,796	117	980	27
Other creditors	466	1,118	-	-
Interest bearing loans and borrowings	346	1,189	-	-
Shareholder loan notes	-	310	-	310
	4,608	3,351	980	337

Information about the contractual terms of group borrowings is provided in note 15.

14. Creditors: amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Interest bearing loans and borrowings	246,278	246,387	-	-
Shareholder loan notes	44,583	44,445	44,583	44,445
Amounts owed to group undertaking	-	-	170	129
Other creditors	1,060	104	-	-
	291,921	290,936	44,753	44,574

Information about the contractual terms of group borrowings is provided in note 15.

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings which are measured at amortised cost.

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Senior debt	246,624	247,576	-	-
Shareholder loan notes	44,583	44,755	44,583	44,755
Amounts owed to group undertaking	-	-	170	129
	291,207	292,331	44,753	44,884

Group	Nominal interest rate	Year of maturity	Repayment schedule	2019 £'000	2018 £'000
Senior debt	4.29%	2047	57 instalments commencing March 2019	246,624	247,576
Shareholder loan notes	5.76% rising to 9.26%	2047	30 instalments commencing March 2019	44,583	44,755

The senior debt is secured by a fixed and floating charge over the assets of Rock Rail Moorgate plc.

Company	Nominal interest rate	Year of maturity	Repayment schedule	2019 £'000	2018 £'000
Shareholder loan notes	5.76% rising to 9.26%	2047	30 instalments commencing March 2019	44,583	44,755

Amounts owed to group undertaking are subject to a rate of interest at 6% per annum.

The maturity profile of the carrying amount of non-current interest bearing loans and borrowings at 31 December 2019 was as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
In more than one year and less than two	235	346	-	-
In more than two years and less than five	7,508	949	-	-
In more than five years	283,118	289,537	44,583	44,445
	290,861	290,832	44,583	44,445

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16. Analysis of changes in net debt

Group

	1 January 2019 £'000	Cash flow £'000	Non- cash changes £'000	31 December 2019 £'000
Cash and cash equivalents				
Cash	22,217	(6,133)	-	16,084
	22,217	(6,133)	-	16,084
Interest bearing loans and borrowings				
Due within one year	(1,499)	1,499	(346)	(346)
Due after one year	(290,832)	-	(29)	(290,861)
	(292,331)	1,499	(375)	(291,207)
Total net debt	(270,114)	(4,634)	(375)	(275,123)

17. Financial instruments

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Financial assets				
Amounts owed by group undertaking	-	-	44,582	44,750
Other debtors	2	592	981	27
Accrued interest income	10	15	-	-
Cash at bank	16,084	22,217	19	16
Assets measured at amortised cost	16,096	22,824	45,582	44,793
Financial liabilities				
Trade creditors	-	617	-	-
Accruals	3,796	117	980	27
Other creditors	1,526	1,222	-	-
Amounts owed to group undertaking	-	-	170	129
Senior debt	246,624	247,576	-	-
Shareholder loan notes	44,583	44,755	44,583	44,755
Liabilities measured at amortised cost	296,529	294,287	45,733	44,911

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17. Financial instruments (continued)

Liquidity risk

The Group manages its liquidity risk by monitoring detailed cash flow forecasts which highlight liquidity issues to ensure funds are available when required.

Interest rate risk

The Group utilises a mixture of fixed senior debt and shareholder debt financing to mitigate its exposure to interest rate risk.

18. Operating lease - lessor

Rolling stock assets are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group 2019 £'000	Group 2018 £'000
Less than one year	14,559	14,559
Between one and five years	10,919	25,478
	25,478	40,037

During the year £13,831k (2018: £1,533) of operating lease rentals was recognised as income by the Group. Current lease matures in September 2021 and has option to extend by 2 years.

19. Deferred tax asset

Group	2019 £'000	2018 £'000
At 1 January 2019	290	137
Credited to profit and loss	1,034	153
Adjustment from previous periods	7	-
At 31 December 2019	1,331	290

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

19. Deferred tax asset (continued)

	2019 £'000	2018 £'000
Accelerated capital allowances	(2,135)	(4,718)
Short term timing differences	1,101	652
Tax losses carried forward	2,365	4,356
	<u>1,331</u>	<u>290</u>
	2019 £'000	2018 £'000
Deferred tax asset	3,466	5,008
Deferred tax liabilities	(2,135)	(4,718)
	<u>1,331</u>	<u>290</u>

The deferred tax asset at 31 December 2019 has been calculated based on the rate of 17% (2018: 17%) substantively enacted at the reporting date. In addition to the deferred tax asset above, the Group has no additional unrecognised gross tax losses (2018: £nil).

20. Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50</u>	<u>50</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21. Reserves

Profit and loss account

The reserve represents cumulative profits and losses of the Group.

22. Financial commitments

The Group is committed to the purchase of new rolling stock to be leased to Govia Thameslink Railways Limited. Amounts contracted for but not yet provided for in the financial statements amounted to £2.9m (2018: £6.4m).

ROCK RAIL MOORGATE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

23. Related party transactions

The Group has taken advantage of exemptions conferred by FRS 102 from the requirement to make disclosures concerning 100% owned group undertakings in connection with group transactions.

During the year to 31 December 2019, the Group incurred charges for management services of £246k (2018: £739k) payable to Rock Rail Moorgate Management Limited, a shareholder of Rock Rail Moorgate (Holdings) Limited, the holding company of Rock Rail Moorgate plc. The payments are made on arm's length terms under a contract between Rock Rail Moorgate plc and Rock Rail Moorgate Management Limited. At year end, there were no amounts due to Rock Rail Moorgate Management Limited.

24. Subsequent events

There have been no material events or circumstances that have occurred after the balance sheet date, but prior to the signing of the financial statements that require disclosure or adjustment to balances and transactions that existed at the balance sheet date.

The Directors are monitoring the impact of Covid-19. Lease rentals are due under a 'hell or high water' lease and therefore continue to be paid. The Government is providing emergency management contracts to all operators to ensure that lease rental payments will continue.

25. Ultimate controlling party

The Company is an indirect subsidiary of SL Capital Infrastructure I LP, whose ultimate controlling party as at 31 December 2019 was Standard Life Aberdeen plc (formerly Standard Life plc), by virtue of its shareholding in the general partner of SL Capital Infrastructure I LP.