

AGILITY TRAINS EAST (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Registered Number 07930434

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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DIRECTORS AND ADVISERS

Directors

M E Binnington
A N Chivers
T Hawkesworth
D F Hobson
J F Hovmand
M L Iversen
A C Pitt
K D Shuman (appointed 18 July 2022)

Registered office

4th Floor
4 Copthall Avenue
London, United Kingdom
EC2R 7DA

Auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Solicitors

DLA Piper UK LLP
160 Aldersgate Street
London, United Kingdom
EC1A 4HT

STRATEGIC REPORT

The Directors submit their Strategic Report on the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

Agility Trains East (Holdings) Limited (the 'Company') is a joint venture between AIP Mallard Holding K/S (30%), GLIL Blue Comet Holdings Limited (30%), Hitachi Rail Limited (25%) and Equitix Orange Bidco Limited (15%). GLIL Blue Comet Holdings Limited and Hitachi Rail Limited are both incorporated in the United Kingdom and registered in England and Wales. Equitix Orange Bidco Limited is incorporated and registered in Guernsey. AIP Mallard Holding K/S is incorporated and registered in Denmark. Agility Trains East (Holdings) Limited is a private company limited by shares.

The principal activity of the Company is the holding of investments in Agility Trains East (MidCo) Limited and Agility Trains Management Services Limited. Agility Trains East (MidCo) Limited is a special purpose company whose principal activity is the holding of an investment in Agility Trains East Limited. Agility Trains Management Services Limited is a joint venture with Agility Trains West (Holdings) Limited whose principal activity is the provision of management services. Together Agility Trains East (Holdings) Limited and its subsidiaries make up the Agility Trains East (Holdings) Limited Group (the 'Group').

The principal activity of the Group is the financing, delivery, provision and maintenance of Super Express Trains and train depots under the East Coast Network Intercity Express Programme Master Availability and Reliability Agreement (MARA) entered into with the Secretary of State for Transport on 15 April 2014, and as subsequently amended and restated (the East Coast IEP Project).

BUSINESS REVIEW

All 65 sets in the East Coast IEP Project fleet have been in operational service throughout the year on the East Coast Mainline.

The revenue for the year was £182.6m (2022: £135.7m), the increase being due to a combination of contractual indexation and a significant reduction in the performance penalties that were applied in 2022 due to body frame cracking investigations. Profit for the year before taxation amounted to £32.5m (2022: £3.4m loss) due to improved operating profits and a reduction in financing costs incurred. After the taxation charge of £8.1m (2022: £5.5m) the profit for the year was £24.4m (2022: £8.9m loss).

The Group had net assets of £33.7m in 2023 (2022: net liabilities of £235.5m). The increase is primarily due to movements in the fair value of the Group's hedging derivatives.

The works programme to repair cracking between the body frame and some underframe components identified in May 2021 on Class 800 series fleets has commenced and will continue through to 2029. Sets awaiting repair works were returned into operational service in 2021 following extensive investigation, and will continue to be monitored. All repair costs will be borne by Hitachi Rail Limited as manufacturer.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

The Directors are not aware, at the date of this report, of any likely significant changes in the Group's or the Company's activities in the next twelve months.

GOING CONCERN

Having made the appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors have concluded that the use of the going concern basis in the preparation of the financial statements is applicable.

Further detail is provided in the Group's accounting policies.

KEY PERFORMANCE INDICATORS

The Group's financial key performance indicators are detailed in the Business Review section above. Operational performance indicators focus on the availability and reliability of the fleet. The contractual availability of the fleet was 99.41% for the year (2022: 95.28%). Reliability is measured using MTIN (Miles Per Technical Incident Number), a UK rail industry statistic. Over the year the fleet achieved an average MTIN of 40,156 miles (2022: 28,816 miles). MTIN has improved in the year due to improved efficiencies in both identifying and rectifying faults without incurring delays.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has developed and applied a framework for identifying the risks that apply to each area of the business. The management of these risks is addressed through a series of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management.

Within this risk framework we have identified two principal risks:

(i) the Group is exposed to performance risk in the form of penalty deductions under the terms of the Train Availability and Reliability Agreement (TARA). To mitigate this risk the Group has passed down all train performance obligations to its train maintenance provider Hitachi Rail Limited (Hitachi) under the Train Service Agreement (TSA); and

(ii) the Group is also exposed to interest rate risk which is managed through the use of interest rate swaps.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured. The Group's interest rate risk arises due to fluctuations in interest rates which expose the Group to variability in interest payment cash flows on variable rate borrowings and impact the value of returns from floating rate deposits.

The Group hedges its interest rate risk on the variable rate bank financing it has secured by entering into interest rate swap agreements. The Group assesses the economic relationship between a hedge item and hedging instrument using the hypothetical derivative method in its determination of hedge effectiveness.

SECTION 172 (1) STATEMENT

In performing their duties the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 as follows:

Overview and approach

The Agility Trains East (Holdings) Limited Group was established specifically to fund and implement the Department for Transport's (DfT's) Intercity Express Programme (IEP), delivering new trains and maintenance facilities into operation across the East Coast Mainline.

Under the IEP contracts the design and manufacture of the trains, and provision of the associated depot facilities, has been sub-contracted in its entirety to Hitachi, with the Group providing finance and acting as the central contracting party with the DfT, Hitachi and the Train Operating Company (TOC) as well as the Group's lenders and shareholders providing finance. This means that the Group's business can be operated with a relatively small team provided through management service and consultancy agreements. The Directors consider all these parties to be key stakeholders of the Group.

When making decisions the Directors consider both the detailed operational and financial information provided by management and the opinions of the Group's key stakeholders.

The likely consequences of any decision in the long-term

Because the Group is a special purpose company it does not expect to enter into new projects or investments. The Group's primary focus and the focus of decisions made by the Directors is to ensure compliance with the commercial and financial obligations arising under the long-term MARA.

The Directors meet regularly to review detailed information provided by management within its operational report on the Group's compliance with its MARA obligations. The Directors also review and prioritise the key risks faced by the Group, making appropriate decisions to mitigate the probability of the risks occurring and the impact if they do.

The Directors regularly review long-term operational and financial forecasts prepared by management and make appropriate decisions to protect the Group's long-term value based on the impact of those decisions on these forecasts.

STRATEGIC REPORT (CONTINUED)

SECTION 172 (1) STATEMENT (CONTINUED)

The need to foster the company's business relationships with suppliers, customers and other industry stakeholders

The Group maintains open and transparent dialogue with all of its key stakeholders. Under the terms of the MARA and the TARA routine formal engagement is required with the Group's sole customer, the DfT, and the TOC which is the user of the IEP infrastructure. Similarly under the terms of the TSA regular meetings are held with the Group's key supplier, Hitachi, which accounts for more than 95% of the Group's supply chain. In practice, in addition to these formalised scheduled discussions, the Group also engages in dialogue on an ad-hoc basis with these stakeholders whenever necessary.

The Group maintains key relationships with its Senior Lending Group members, making available all required information under the terms of its financing agreements and responding to ad-hoc enquiries and requests.

The interests of the company's employees

The Group's activities are resourced through a combination of management service and consultancy agreements. The Group's Directors and management are in close contact with staff, allowing them to understand and act on any concerns and feedback. The Group strives to provide a motivating and positive work environment.

The desirability of the company maintaining a reputation for high standards of business conduct

The Board of Directors acts in a way 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. To successfully achieve this a number of key policies have been established through the Group's assurance plan. These include health and safety, modern slavery, anti-bribery and corruption, environment and data protection.

The impact of the company's operations on the community and the environment

As a special purpose company the Group's own operations have only a limited impact on the community and the environment, however where relevant the Directors take the needs of the community and the environment into consideration based on feedback received directly, or reported to management through other stakeholders.

The need to act fairly as between members of the company

As set out in greater detail in the Statement of Corporate Governance on page 6 there is an agreement in place between all members which specifies the matters reserved for joint agreement between them. This agreement seeks to ensure that all members are treated fairly whatever their level of shareholding.

All of the Group's members are currently represented by a director on the Board of Directors. The Board meets regularly, providing the opportunity for the members' appointed Directors to discuss key matters of importance to them and communicate their views to members of the management team, who also attend Board meetings. Additionally risk and finance sub-committees of the Board also meet regularly to review and discuss relevant matters in greater detail.

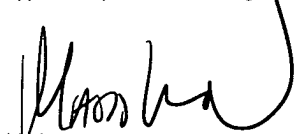
Key decisions in the year

The following key decisions were taken by the Board of Directors during the year:

- approval of the annual budget and long-term forecast; and
- review and approval of the Group's risk register.

The Board made no other long-term key decisions during the year.

Approved by the Board and signed on its behalf by:



M.L. Iversen
Director
22 June 2023

DIRECTORS' REPORT

The Directors submit their Report and the audited financial statements for the year ended 31 March 2023.

DIVIDENDS

The Directors declared an interim dividend during the year totalling £290.80 per ordinary share (2022: £nil). They do not recommend payment of a further dividend for the year. Total dividends declared and paid for the year was £14.5m (2022: £nil).

USE OF FINANCIAL INSTRUMENTS

As disclosed in the Strategic Report, the Group is exposed to interest rate risk which is managed through the use of interest rate swaps. Further information can be found within the Group accounting policies for the year ended 31 March 2023 and note 13 Financial Risk Management.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that ought to be taken as a Director in order to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

DIRECTORS

The Directors who served throughout the year, and subsequently, except where noted are shown on page 1.

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 21. Further information of employee engagement as well as engagement with suppliers, customers and others are included within the Strategic Report.

ENERGY AND CARBON REPORTING

The Group has consumed less than 40,000 kWh of energy during the period and has therefore taken advantage of the exemption available for low energy users not to disclose further energy and carbon information.

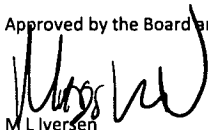
FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

AUDITOR

The Board of Directors is satisfied with the quality of the external audit and Deloitte LLP has indicated its willingness to continue as auditor for another term.

Approved by the Board and signed on its behalf by:



M L Iversen
Director
22 June 2023

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors remains committed to high standards of corporate governance and believes that these high standards are central to the effective management of the Group and maintaining the confidence of its members.

For the year ended 31 March 2023, under the Companies (Miscellaneous Reporting) Regulations 2018, the Group has applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2018. The Wates Principles provide a framework for the Board to monitor corporate governance of the Group and see where governance standards can be raised to a higher level across the business. The Board believes the governance framework will ensure effective engagement with stakeholders and provide the right environment to make decisions for the long-term success of the Group. A summary of the six Wates Principles can be seen below; more information can be found in the Strategic and Directors' Reports.

Purpose and leadership

The Board determines the Group's long-term strategy and direction to be making available and maintaining safe and efficient high speed trains for passenger service. The day-to-day management and implementation of strategies are delegated to the senior management team. It is the Board's responsibility to ensure that the Group's values, strategy and culture are adopted by the senior management team and aligned to ensure the long-term success of the business.

Board composition

The composition of the Board is determined by the Shareholders' Agreement. All of the Group's members are currently represented on the Board of Directors. The Board has an appointed non-executive chair whose role is to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained.

Directors' responsibilities

The Board of Directors meets regularly, providing Directors with an opportunity to discuss key matters of importance and communicate their views. The Board receives regular information on operations, financial performance, stakeholder engagement and management of key business risks to make effective decisions when necessary. The Board meets with management regularly to discuss the performance of the Group, current issues, and potential opportunities.

Opportunity and risk

The Board aims to identify opportunities while ensuring risks are mitigated. Risk reviews are conducted regularly by the Board's Risk Sub-Committee and senior management to ensure that inherent and emerging safety, operational and financial risks are identified and managed appropriately in a timely manner, updating the risk register for any changes in underlying conditions.

Remuneration

The Group's workforce is resourced through a combination of management service and consultancy agreements. Directors do not receive any direct remuneration for services provided; instead fees are payable to the shareholder who they represent.

Stakeholder relationships and engagement

The Board understands that engagement with stakeholders and relationship management is essential to enable the Group to meet its immediate and long-term objectives. The section 172 (1) statement on pages 3 and 4 describes some of the engagement that takes place at an operational level with key stakeholders.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGILITY TRAINS EAST (HOLDINGS) LIMITED

Report on the audit of the financial statements

Opinion on financial statements

In our opinion:

- the financial statements of Agility Trains East (Holdings) Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group balance sheet;
- the Group statement of changes in equity;
- the Group cash flow statement;
- the Group accounting policies;
- the notes 1 to 19 to the Group financial statements;
- the Company income statement;
- the Company balance sheet;
- the Company statement of changes in equity;
- the Company accounting policies; and
- the notes 1 to 8 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- financing facilities including nature of facilities, repayment terms and covenants;
- assumptions used in the forecasts;
- amount of headroom in the forecasts (cash and covenants);
- sensitivity analysis;
- our assessment of the historical accuracy of forecasts prepared by management.

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 and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGILITY TRAINS EAST (HOLDINGS) LIMITED (CONTINUED)

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 and the 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 the Directors 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 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector.

We obtained an understanding of the legal and regulatory framework that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty, such as health and safety legislation.

We discussed among the audit engagement team including relevant internal specialists such as financial instruments and tax specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the presumed risk of fraud in revenue recognition on the service concession asset model, and in particular on accounting estimates around capital and operating margins. Our specific procedures performed to address it are described below:

- We reviewed the nature and quantum of changes made to the service concession asset model over the financial year to ensure that these arise either from valid scope changes to the service concession, updates to account for actual costs incurred rather than estimates, or other valid sources and that these changes are consistent with our understanding of the changes to the project (and hence to the service concession asset model) over the course of the last financial year;
- We checked that cost inputs into the service concession asset model are consistent with the cost inputs into the latest bank-approved models;
- We checked that actual costs included within the carrying value of the service concession asset are complete, accurate and were validly incurred for the project;
- We reviewed the changes to the service concession asset model to assess whether those changes have been appropriately allocated between capital margin and operating margin based on the nature of the underlying costs which have changed;
- We checked that the effective interest rate of the service concession asset, capital margin and operating margin calculated by the service concession asset model have been correctly calculated based on the updated inputs to the model.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGILITY TRAINS EAST (HOLDINGS) LIMITED (CONTINUED)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

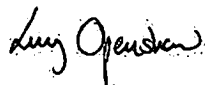
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

Use of our report

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.



Lucy Openshaw (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 June 2023

AGILITY TRAINS EAST (HOLDINGS) LIMITED

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Continuing operations			
Revenue	1	182,566	135,713
Cost of sales		(159,337)	(119,423)
Gross profit		<u>23,229</u>	<u>16,290</u>
Administrative expenses		(273)	(238)
Operating profit	2	<u>22,956</u>	<u>16,052</u>
Investment revenues	5	157,889	155,481
Finance costs	5	(148,386)	(174,956)
Profit / (loss) before tax		<u>32,459</u>	<u>(3,423)</u>
Tax	6	(8,079)	(5,493)
Profit / (loss) for the year		<u>24,380</u>	<u>(8,916)</u>
Attributable to:			
Owners of the Company		<u>24,380</u>	<u>(8,916)</u>

AGILITY TRAINS EAST (HOLDINGS) LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Hedging reserve £'000	2023 Retained earnings £'000	Total £'000
Profit for the year		-	24,380	24,380
Items that may be reclassified subsequently to profit or loss:				
Fair value movement of hedging derivatives	17	321,003	-	321,003
Reclassified and reported in income statement for derivatives	17	27,727	-	27,727
Movement in the fair value of hedging derivatives		348,730	-	348,730
Deferred tax relating to hedging derivatives	6	(89,429)	-	(89,429)
Other comprehensive income		259,301	-	259,301
Total comprehensive income for the year		259,301	24,380	283,681

FOR THE YEAR ENDED 31 MARCH 2022

		Hedging reserve £'000	2022 Retained earnings £'000	Total £'000
Loss for the year		-	(8,916)	(8,916)
Items that may be reclassified subsequently to profit or loss:				
Fair value movement of hedging derivatives		162,744	-	162,744
Reclassified and reported in income statement for derivatives		77,023	-	77,023
Movement in the fair value of hedging derivatives	17	239,767	-	239,767
Deferred tax relating to hedging derivatives	6	(22,752)	-	(22,752)
Other comprehensive income		217,015	-	217,015
Total comprehensive income / (expense) for the year		217,015	(8,916)	208,099

AGILITY TRAINS EAST (HOLDINGS) LIMITED

GROUP BALANCE SHEET AS AT 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Service concession asset	8	1,906,617	1,898,153
Trade and other receivables	9	1,394	1,441
Deferred tax asset	15	43,320	133,472
		<u>1,951,331</u>	<u>2,033,066</u>
Current assets			
Service concession asset	8	(20,381)	11,172
Trade and other receivables	9	61,879	45,604
Cash and cash equivalents	10	225,724	202,624
		<u>267,222</u>	<u>259,400</u>
Total assets		<u>2,218,553</u>	<u>2,292,466</u>
Current liabilities			
Trade and other payables	11	(93,176)	(70,187)
Current portion of interest-bearing loans and borrowings	10	(58,055)	(55,448)
		<u>(151,231)</u>	<u>(125,635)</u>
Net current assets		<u>115,991</u>	<u>133,765</u>
Non-current liabilities			
Non-current portion of interest-bearing loans and borrowings	10	(1,947,600)	(1,966,459)
Deferred tax liability	15	(62,266)	(54,910)
Derivative financial instruments	14	(23,766)	(380,913)
		<u>(2,033,632)</u>	<u>(2,402,282)</u>
Total liabilities		<u>(2,184,863)</u>	<u>(2,527,917)</u>
Net assets / (liabilities)		<u>33,690</u>	<u>(235,451)</u>
Equity			
Share capital	16	50	50
Hedging reserve	17	(21,125)	(280,426)
Retained earnings		54,765	44,925
Total equity		<u>33,690</u>	<u>(235,451)</u>

The financial statements of Agility Trains East (Holdings) Limited, registered number 07930434, were approved by the Board of Directors and authorised for issue on 22 June 2023. They were signed on its behalf by:



M. L. Iversen
Director
22 June 2023

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £'000 15	Hedging reserve £'000 16	Retained earnings £'000	Total equity £'000
Notes				
Balance at 1 April 2022	50	(280,426)	44,925	(235,451)
Profit for the year	-	-	24,380	24,380
Fair value movement in other comprehensive income	-	321,003	-	321,003
Reclassified and reported in income statement	-	27,727	-	27,727
Deferred tax relating to hedging derivatives	-	(89,429)	-	(89,429)
Total comprehensive income for the year	-	259,301	24,380	283,681
Dividends paid	-	-	(14,540)	(14,540)
Balance at 31 March 2023	50	(21,125)	54,765	33,690

FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'000 15	Hedging reserve £'000 16	Retained earnings £'000	Total equity £'000
Notes				
Balance at 1 April 2021	50	(497,441)	53,841	(443,550)
Loss for the year	-	-	(8,916)	(8,916)
Fair value movement in other comprehensive income	-	162,744	-	162,744
Reclassified and reported in income statement	-	77,023	-	77,023
Deferred tax relating to hedging derivatives	-	(22,752)	-	(22,752)
Total comprehensive income / (expense) for the year	-	217,015	(8,916)	208,099
Balance at 31 March 2022	50	(280,426)	44,925	(235,451)

AGILITY TRAINS EAST (HOLDINGS) LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Net cash inflow from operating activities	18	347,203	325,998
Investing activities			
Interest received		5,167	238
Increase in service concession asset		(141,495)	(122,093)
Net cash outflow from investing activities		(136,328)	(121,855)
Financing activities			
Dividends paid	7	(14,540)	-
Interest paid		(132,869)	(140,391)
Repayment of borrowings		(40,366)	(67,313)
Net cash outflow from financing activities		(187,775)	(207,704)
Net increase / (decrease) in cash and cash equivalents		23,100	(3,561)
Cash and cash equivalents at beginning of the year		202,624	206,185
Cash and cash equivalents at the end of the year	10	225,724	202,624

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023

BASIS OF PREPARATION

Agility Trains East (Holdings) Limited is a private limited company incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The operations and principal activity of the Agility Trains East (Holdings) Limited Group are set out in the Strategic Report.

The Group has adopted accounting policies that are compliant with International Financial Reporting Standards (IFRSs) in so far as they have been codified and endorsed by the United Kingdom. The Financial Statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The functional currency of Agility Trains East (Holdings) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated Group financial statements are also presented in pounds sterling.

ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

Standard/amendment/interpretation

Amendments to:

IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies;
IAS 8: Definition of Accounting Estimates;
IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
IFRS 16: Lease Liability in a Sale and Leaseback; and
IFRS 17: Insurance Contracts.

Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

At the date of authorisation of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue and relevant, but not yet effective (and in some cases had not yet been adopted by the UK).

Standard/amendment/interpretation

Amendments to:

IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants; Deferral of Effective Date Amendment; Classification of Liabilities as Current or Non-current

The Directors do not anticipate that the adoption of the standards will have a material impact on the financial statements of the Group in future reporting periods. The Directors' assessment of the impact of these standards remains ongoing. No additional IFRSs have been adopted in the year.

SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The composition of the Group is disclosed in note 5 to the Company financial statements.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

b) Going concern

The Directors have considered a number of factors in determining whether the Group remains a going concern. The key factors and related conclusions are summarised below.

i) The Directors have considered the ability of the TOC to meet future contractual payments, as well as the robustness of the guarantee provided by the Secretary of State for Transport. The Directors have concluded that they do not currently consider this to be a material risk.

ii) The Directors have considered the impact of changes in the performance of key subcontractors, and their ability to continue to meet contractual commitments. The Directors do not currently consider this to be a material risk.

iii) Senior debt is hedged using derivative financial instruments. The Directors regularly monitor the credit worthiness of the derivative providers, and do not currently consider this to be a material risk. The Group's derivative instruments were in a net liability position at the year end. The Directors have assessed the Group's ability to meet future swap interest payments and do not consider this to be a material risk.

iv) The Directors have considered the Group's compliance with financial covenant requirements and are forecasting full compliance with all covenants having reviewed the Group's forecasts and projections for 36 months after the balance sheet date.

Having considered the above factors and having reviewed the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

c) Accounting for service concession arrangements

The Group includes Agility Trains East Limited, a special purpose company that has been established to perform the East Coast IEP Project and has subsequently entered into agreements with the Secretary of State for Transport, finance providers and sub-contractors.

Under the terms of the MARA, the Secretary of State for Transport (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with IFRIC 12 Service Concession Arrangements.

Service concession asset

The East Coast Mainline IEP concession will run for a period of 27.5 years from first train acceptance which was achieved on 8 March 2019. Under the terms of the MARA, Agility Trains East Limited has an obligation to make available and provide maintenance for a fleet of 65 Super Express Trains, in return for which it will receive a predetermined availability payment from the TOC. The availability payment is subject to amendment in the event of a variation to the MARA. Agility Trains East Limited has contracted Hitachi to provide train maintenance services, including train and depot lifecycle, over the concession period.

Under the terms of the arrangement, where the Group has the right to receive the Set Availability Payments from or at the direction of the grantor, the asset created and/or provided is accounted for as a financial asset. Revenue is recognised by allocating a proportion of the Set Availability Payment to capital revenue, operating revenue and finance income performance obligations. The consideration received is allocated by reference to the relative fair value of the services delivered, where the amounts are separately identifiable. Once the principal assets are determined to be recognised as a financial asset in accordance with IFRIC 12, the financial asset recognition falls under IFRS 9.

The Group has considered both the business model and the payments of principal and interest tests, and believes the sole purpose for the Group holding the financial asset is to collect contractual cashflows and that all payments received by it are principal and interest. The Group has therefore accounted for its service concession financial asset using the amortised cost method in accordance with IFRS 9.

The Group does not have material financial assets other than its service concession arrangement held by Agility Trains East Limited. Agility Trains East Limited performed a qualitative assessment of the expected credit loss on its financial asset at the year end, which concluded a £nil expected credit loss should be booked at 31 March 2023 (2022: £nil). This assessment was supported by a further quantitative assessment determined by applying an assumed probability of default and recovery rate to discounted future cashflows. The assessment calculated an immaterial impact to the expected cashflows receivable from the TOC at 31 March 2023 (2022: immaterial). Both these results reflect the contractual guarantee provided by the Secretary of State for Transport underwriting cashflows receivable from the TOC, accordingly the Group does not foresee any requirement to revalue or write off the financial asset in future years.

d) Revenue recognition

Under IFRS 15 the Group recognises revenue from the point the Secretary of State for Transport receives the benefits from the Group's performance obligations, which is over the term of the concession from financial close through to the end of the Usage Guarantee Period (UGP).

Operating revenue is recognised upon the provision of operational maintenance services performance obligations. Costs for this purpose are directly linked to the maintenance of the assets by subcontractors, and include all overheads other than those relating to the general administration of the special purpose company. During this phase amounts received in respect of the service concession are recognised as a reduction against the service concession asset.

Capital revenue is recognised at cost, plus attributable profit. Costs for this purpose include all delivery and lifecycle works carried out and certified by subcontractors.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

e) Borrowing costs

Project specific financing costs, including arrangement fees paid to secure loan facilities, commitment fees payable for reserving undrawn facilities and interest costs, are capitalised and held as a prepayment on the balance sheet. Financing costs are charged to the income statement over the remaining term of the debt using the effective interest rate method.

Net interest income and expense amounts receivable or payable on interest rate derivatives are credited or charged to the income statement in the period in which they are incurred.

f) Taxation

The tax charge or credit represents the sum of current tax and deferred tax.

Current tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable 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 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.

The carrying amount of any deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

g) Derivative financial instruments - recognition and measurement

The financial risks faced by the Group in relation to the East Coast IEP contract have been hedged at the inception of the project through fixed interest rate swap agreements.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

h) Derivative financial instruments - hedge designation and effectiveness testing

The Group has designated its interest rate swaps as cash flow hedges of floating rate debt. At the inception of the hedge, the Group documents the relationship between the hedging instrument and the hedged interest payments.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

The instruments are tested prospectively for effectiveness at each reporting date and if results are effective then hedge accounting is applied and the hedging instruments are treated as cash flow hedges. The instruments are marked to market and the differences are taken directly to other comprehensive income.

Where ineffectiveness is judged to have occurred, either a proportion or the full amount of the ineffectiveness is taken to the Group income statement, included within finance costs or investment income, depending on the level of ineffectiveness experienced.

Hedge accounting

The Group designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges). Accounting standards require that the fair value of financial instruments reflects their credit quality, and also changes in credit quality where there is evidence that this has occurred. The credit risk associated with the Group's derivatives is reflected in derivative valuations.

Hedge accounting is discontinued when the hedging instrument expires or is terminated. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

The fair values of the Group's derivative instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 17. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

h) Derivative financial instruments - hedge designation and effectiveness testing (continued)

Hedge accounting (continued)

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and accumulated in the hedge reserve. Any ineffective portion is recognised immediately in the income statement in finance costs. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in the cash flow hedge reserve are recognised in the income statement in the same period in which the hedged items affect net profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item (finance costs). Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Where financial instruments no longer meet the requirements of hedge accounting, they will be de-designated as hedging instruments. Cumulative gains or losses recognised within equity will subsequently be amortised through the income statement over the remaining maturity of the hedged item.

i) Trade and other receivables

Trade and other receivables are held at amortised cost.

j) Cash and cash equivalents

Cash and cash equivalents in the Group balance sheet comprise cash at bank and short-term deposits with original maturity of three months or less. For the purposes of the Group cash flow statement, cash and cash equivalents comprise cash and short term deposits as defined above, net of bank overdrafts.

k) Trade and other payables

Trade and other payables are held at amortised cost.

l) Bank borrowings

Interest bearing bank loans and overdrafts are initially recorded at fair value, being the proceeds received, net of direct finance costs, which are subsequently amortised using the effective interest rate method.

m) Share capital

Ordinary shares are classified as equity instruments on the basis that they evidence a residual interest in the assets of the Group after deducting all of its liabilities.

GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

n) Critical accounting judgements and sources of estimation uncertainty

The critical judgements and estimates 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 the financial statements, are set out below.

Key sources of estimation uncertainty

Revenue recognition

The Group estimates a capital margin of 17.5% will be earned over the remaining concession period and this has been applied to capital costs incurred during the year (2022: 13.6%) contributing to a gross capital profit of £0.9m (2022: £0.03m).

The Group estimates an operating margin of 16.3% will be earned over the remaining concession period and this has been applied to operating costs incurred during the year (2022: 13.3%) contributing to a gross operating profit of £22.2m (2022: £16.2m).

Estimates of the levels of capital margin and operating margin over the remaining concession period are sensitive to variances to the quantum and timing of capital and operating costs incurred as the project progresses. Project income is re-allocated to capital and operating activities, resulting in a change to gross profit recognised over the remaining term of the service concession, and is necessary to ensure total service concession income is allocated to services provided by the Group under the MARA. Over the next 12 months a 5 percentage point change in the capital margin would result in a £2.7m movement in the result for the year (2022: £1.1m). Over the same period, a 5 percentage point change in the operating margin would result in a £7.4m movement in the result for the year (2022: £6.6m).

Critical accounting judgements

Service concession asset

Under IFRS 9 the Group is required to determine the appropriate classification for the service concession asset. As set out further in note (c) above, the Group has made a judgement that the appropriate classification is amortised cost.

Fair value measurement

As required by IFRS 13, the Group incorporates an adjustment for its own credit risk into the valuation of its interest rate swap derivatives. The Group uses a specialist credit data provider, IHS Markit, to provide composite sector spreads based on a mapping in terms of sector, geography and credit rating. This approach, which includes a broader range of businesses and debt instruments with differing tenors, means that the credit risk adjustment reflects an average CDS spread from a population of businesses which are typically exposed to a greater degree of credit risk than the Group.

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1 REVENUE

	2023	2022
	£'000	£'000
Revenue in the year is analysed as follows:		
Capital revenue	6,287	249
Operating revenue	176,279	135,464
Investment income (note 5)	5,168	239
Service concession asset interest (note 5)	152,721	155,242

All Group revenue is earned in the United Kingdom and generated from a single business segment.

2 OPERATING PROFIT

	2023	2022
	£'000	£'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(3)	(3)
Fees payable to the Company's auditor for other services to the Group		
the audit of Company's subsidiaries	(101)	(74)
Total audit fees	(104)	(77)

3 DIRECTORS' REMUNERATION

The Directors did not receive any remuneration during the year or the previous year. Fees payable to shareholding companies for the services of the Directors totalled £166k (2022: £161k).

4 EMPLOYEES

The Group had no employees during the year (2022: none). Resource is provided to the Group through a combination of management service and consultancy agreements.

5 INVESTMENT REVENUES AND NET FINANCE COSTS

	2023	2022
	£'000	£'000
Investment revenues		
Investment income	5,168	239
Service concession asset interest	152,721	155,242
Total investment revenues	157,889	155,481
Finance costs		
Interest on bank and other loans, overdrafts and derivatives	(156,302)	(179,076)
Gains on derivatives at fair value through profit and loss	7,894	4,005
Ineffectiveness of fair value profit arising from cash flow hedges	22	115
Total net finance costs	(148,386)	(174,956)

6 TAX

Income tax recognised in the income statement

	2023	2022
	£'000	£'000
Current tax	-	-
Deferred tax (note 15)	(8,079)	(5,493)
Total tax charge on ordinary activities	(8,079)	(5,493)

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

6 TAX (CONTINUED)

The charge for the year can be reconciled to the profit in the income statement as follows:

	2023 £'000	2022 £'000
Profit / (loss) on ordinary activities before taxation	32,459	(3,423)
Profit / (loss) on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 19% (2022: 19%)	(6,167)	650
Effects of:		
Expenses that are not taxable / deductible in determining taxable profit	(1,941)	(3,515)
Adjustments in respect of prior years	29	(201)
Impact of change in tax rate	-	(2,427)
Total tax charge for the year	(8,079)	(5,493)

Income tax recognised in other comprehensive income

	2023 £'000	2022 £'000
Current tax	-	-
Deferred tax		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(89,429)	(22,752)
Total income tax recognised in other comprehensive income	(89,429)	(22,752)

Deferred tax at the balance sheet date has been calculated applying the current main rate of UK corporation tax of 25% (2022: 19%).

On 24 May 2021, the Finance Act 2021 was substantively enacted and provided for a increase in the main rate of UK corporation tax to 25% from 1 April 2023. Where relevant the higher rates have been reflected in the calculation of deferred tax at the balance sheet date. A deferred tax asset has been recognised in full on trading losses and other timing differences on the basis that the Group is forecasting sufficient taxable profits against which the asset can be utilised.

7 DIVIDENDS

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 March 2023 of £290.80 per ordinary share (2022: £nil)	(14,540)	-
	(14,540)	-

8 SERVICE CONCESSION ASSET

	£'000
At 31 March 2021	1,941,029
Additions	138,363
Reductions	(325,309)
Service concession asset interest	155,242
At 31 March 2022	1,909,325
Additions	164,656
Reductions	(340,466)
Service concession asset interest	152,721
At 31 March 2023	1,886,236

	2023 £'000	2022 £'000
Analysed as:		
Less than one year	(20,381)	11,172
Greater than one year	1,906,617	1,898,153
At 31 March	1,886,236	1,909,325

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

9 TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Current assets		
Trade receivables	36,742	32,315
Prepayments	22,609	11,786
Accrued income	2,528	1,503
	<u>61,879</u>	<u>45,604</u>
Non-current assets		
Prepayments	1,394	1,441
	<u>1,394</u>	<u>1,441</u>

As at 1 April 2021, trade receivables from contracts with customers amounted to £34.9m.

10 CASH, CASH EQUIVALENTS AND BORROWINGS

	2023		
	Recourse £'000	Non-recourse £'000	Total £'000
Cash at bank and in hand	225,724	-	225,724
Bank and other loans falling due within one year	-	(58,055)	(58,055)
Bank and other loans falling due after more than one year	-	(1,947,600)	(1,947,600)
	<u>225,724</u>	<u>(2,005,655)</u>	<u>(1,779,931)</u>

	2022		
	Recourse £'000	Non-recourse £'000	Total £'000
Cash at bank and in hand	202,624	-	202,624
Bank and other loans falling due within one year	-	(55,448)	(55,448)
Bank and other loans falling due after more than one year	-	(1,966,459)	(1,966,459)
	<u>202,624</u>	<u>(2,021,907)</u>	<u>(1,819,283)</u>

Non-recourse balances are secured against assets and shares in Agility Trains East Limited, a Group company. There is no collateral pledged for any liabilities or contingent liabilities.

11 TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Current liabilities		
Trade payables	(42,566)	(20,174)
VAT payable	(2,816)	(6,434)
Accruals	(15,430)	(13,837)
Deferred income	(32,364)	(29,742)
	<u>(93,176)</u>	<u>(70,187)</u>

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

12 FINANCIAL INSTRUMENTS

a) Financial instruments by category

	Other financial assets at amortised cost £'000 n/a	Service concession assets at amortised cost £'000 n/a	Financial liabilities at amortised cost £'000 n/a	Derivatives designated in hedge r/ship at fair value £'000 Level 2	Derivatives at fair value through income statement £'000 Level 2	31 March 2023 Total £'000
Fair value measurement method 2023						
Non-current assets						
Service concession assets	-	1,906,617	-	-	-	1,906,617
Current assets						
Service concession assets	-	(20,381)	-	-	-	(20,381)
Trade receivables	36,742	-	-	-	-	36,742
Cash and cash equivalents	225,724	-	-	-	-	225,724
Total financial assets	262,466	1,886,236	-	-	-	2,148,702
Current liabilities						
Trade and other payables	-	-	(93,176)	-	-	(93,176)
Interest-bearing loans and borrowings	-	-	(58,055)	-	-	(58,055)
Non-current liabilities						
Interest-bearing loans and borrowings	-	-	(1,947,600)	-	-	(1,947,600)
Derivative financial instruments	-	-	-	(23,196)	(570)	(23,766)
Total financial liabilities	-	-	(2,098,831)	(23,196)	(570)	(2,122,597)
Net financial assets / (liabilities)	262,466	1,886,236	(2,098,831)	(23,196)	(570)	26,105
Fair value measurement method 2022						
Non-current assets						
Service concession assets	-	1,898,153	-	-	-	1,898,153
Current assets						
Service concession assets	-	11,172	-	-	-	11,172
Trade receivables	32,315	-	-	-	-	32,315
Cash and cash equivalents	202,624	-	-	-	-	202,624
Total financial assets	234,939	1,909,325	-	-	-	2,144,264
Current liabilities						
Trade and other payables	-	-	(70,187)	-	-	(70,187)
Interest-bearing loans and borrowings	-	-	(55,448)	-	-	(55,448)
Non-current liabilities						
Interest-bearing loans and borrowings	-	-	(1,966,459)	-	-	(1,966,459)
Derivative financial instruments	-	-	-	(371,771)	(9,142)	(380,913)
Total financial liabilities	-	-	(2,092,094)	(371,771)	(9,142)	(2,473,007)
Net financial assets / (liabilities)	234,939	1,909,325	(2,092,094)	(371,771)	(9,142)	(328,743)

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

12 FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives have been measured applying Level 2 of the fair value hierarchy. The fair value equals the net present value of future derivative cashflows, incorporating XVA adjustments, and is determined by applying a forecast interest rate curve to committed nominal values as per the derivative agreements. Financial assets together with all financial liabilities (other than derivatives) are carried at amortised cost.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between the hierarchies in the current year or prior year.

b) Interest rate profile of financial liabilities

The Group's financial liabilities at 31 March 2023 were £2,123m (2022: £2,473m), all of which were non-recourse liabilities of Agility Trains East Limited, a Group project company. Agility Trains East Limited's lenders have recourse solely to the company with no recourse to the Group. There were no recourse borrowings as at 31 March 2023 or at 31 March 2022.

	31 March 2023			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
Non-recourse				
Borrowings < 1 year	(40,808)	(17,247)	-	(58,055)
Borrowings > 1 year	(1,764,933)	(182,667)	-	(1,947,600)
Total derivative liabilities	-	(23,766)	-	(23,766)
Trade and other payables	-	-	(93,176)	(93,176)
Total	(1,805,741)	(223,680)	(93,176)	(2,122,597)

	31 March 2022			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
Non-recourse				
Borrowings < 1 year	(37,967)	(17,481)	-	(55,448)
Borrowings > 1 year	(1,781,674)	(184,785)	-	(1,966,459)
Total derivative liabilities	-	(380,913)	-	(380,913)
Trade and other payables	-	-	(70,187)	(70,187)
Total	(1,819,641)	(583,179)	(70,187)	(2,473,007)

Borrowings include £23.7m (2022: £49.1m) of unamortised financing costs that have been netted off against the carrying value of the debt. Finance costs are released to the income statement using the effective interest rate method over the term of the debt.

13 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, inflation risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results. The Group uses derivative financial instruments to hedge interest rate exposures. As at 31 March 2023, 97.6% of the derivative financial instruments entered into by the Group were designated as hedging instruments and accounted for using hedge accounting (2022: 97.6%).

The various types of financial risk are managed as set out below.

Market risk - interest rate risk

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

The Group's interest rate risk arises due to fluctuations in interest rates which expose the Group to variability in interest payment cash flows on variable rate borrowings and impact the value of returns from floating rate deposits.

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group hedges its interest rate risk on the variable rate bank financing it has secured by entering into interest rate swap agreements. The Group assesses the economic relationship between a hedge item and hedging instrument using the hypothetical derivative method in its determination of hedge effectiveness. All hedging ratios are currently around 1:1. Credit risk is the main source of ineffectiveness identified in its measure of hedge effectiveness; however, this is not considered to be a significant risk. The late designation of the swaps with a non-zero fair value on day 1 is another source of ineffectiveness. Total ineffectiveness recognised on the interest rate swaps in the year amounted to a credit of £0.02m (2022: £0.1m credit). This was based on a comparison of the change in fair value of the hedged item (i.e. the hypothetical derivative) and the change in fair value of the hedging instrument (i.e. the derivative) for the period.

The exposure of the Group's financial assets to interest rate risk is as follows.

	31 March 2023			
	Interest bearing		Non-interest bearing	Total
	Floating rate	Fixed rate		
	£'000	£'000	£'000	£'000
Service concession assets	-	1,886,236	-	1,886,236
Trade receivables	-	-	36,742	36,742
Cash and cash equivalents	225,724	-	-	225,724
Financial asset exposure to interest rate risk	225,724	1,886,236	36,742	2,148,702

	31 March 2022			
	Interest bearing		Non-interest bearing	Total
	Floating rate	Fixed rate		
	£'000	£'000	£'000	£'000
Service concession assets	-	1,909,325	-	1,909,325
Trade receivables	-	-	32,315	32,315
Cash and cash equivalents	202,624	-	-	202,624
Financial asset exposure to interest rate risk	202,624	1,909,325	32,315	2,144,264

While the Group hedges interest rate cashflow risk on variable rate bank financing, movements in SONIA impact the quantum of interest charges to the income statement under the effective interest rate method. As at 31 March 2023 a 50bps increase in future SONIA assumptions would result in a reduction in the profit for the year of £8.5m (2022: £8.7m), and a corresponding 50bps decrease would result in a £8.5m increase in the profit for the year (2022: £8.7m).

The sensitivity analysis was performed by flexing effective interest rate calculations. A flat 50bps increase and a flat 50bps decrease was added to the forecast SONIA rates as at year end, all other factors remaining constant.

The interest rate on the service concession asset is 8.1% (2022: 8.1%) and the remaining amortisation period of the asset is 23 years.

The exposure of the Group's financial liabilities to interest rate risk is set below.

	31 March 2023			
	Interest bearing		Non-interest bearing	Total
	Floating rate	Fixed rate		
	£'000	£'000	£'000	£'000
Interest bearing loans and borrowings	(1,805,741)	(199,914)	-	(2,005,655)
Derivative financial instruments	-	(23,766)	-	(23,766)
Trade and other payables	-	-	(93,176)	(93,176)
Financial liability exposure to interest rate risk	(1,805,741)	(223,680)	(93,176)	(2,122,597)

	31 March 2022			
	Interest bearing		Non-interest bearing	Total
	Floating rate	Fixed rate		
	£'000	£'000	£'000	£'000
Interest bearing loans and borrowings	(1,819,641)	(202,266)	-	(2,021,907)
Derivative financial instruments	-	(380,913)	-	(380,913)
Trade and other payables	-	-	(70,187)	(70,187)
Financial liability exposure to interest rate risk	(1,819,641)	(583,179)	(70,187)	(2,473,007)

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

The interest rates on the interest bearing loan and borrowing facilities are fixed using interest rate swaps, and as at 31 March 2023 the nominal value of the interest rate swaps amounted to £1,867.1m (2022: £1,909.7m). The interest rate swaps mature in 2043 and the effective interest rate is 3.9%. The Group has designated 97.6% of its interest rate swap portfolio in a cash flow hedge of the variability in floating rate interest on the debt facilities, see note 17.

As at 31 March 2023 the Group held nine interest rate swaps. 97.6% of the interest rate swaps are held to hedge against interest rate risk on four senior debt facilities. Included within the hedging reserve balance are amounts totalling £15.3m relating to continuing hedge relationships (2022: £363.1m) and £11.9m relating to discontinued hedge relationships (2022: £12.8m). Gains and losses totalling £7.9m were recognised on non-hedged derivatives in the income statement for the year ended 31 March 2023 (2022: £4.0m). Total ineffectiveness recognised on cashflow hedges for the year amounted to a credit of £0.02m (2022: £0.1m credit).

Interest rate benchmark reform

In the prior year, the Group concluded the adoption of the Interest Rate Benchmark Reform enabling it to reflect the effects of transitioning to Sterling Overnight Interbank Average Rate (SONIA) as the benchmark interest rate on its IBOR-linked derivatives and IBOR-linked bank borrowings without giving rise to accounting impacts, creating any additional risks or requiring any changes to the Group's risk management strategy.

Market risk - Inflation risk

The revenues earned by the Group and the majority of operating costs incurred are linked to inflation indices under the terms of the East Coast IEP Network project documents. This results in the Group's operating cash flows being relatively insensitive to inflation and the Group is not therefore exposed to significant inflation risk.

Market risk - price risk

The revenues received by the Group, from the TOC are based on a combination of pre-agreed fixed and escalating payments which are subject to poor performance adjustments. As a result, the Group is not exposed to significant price risk.

Credit risk

Credit risk faced by the Group arises from a combination of the value and term to settlement of balances due and payable with counterparties for both financial and trade transactions.

In order to minimise credit risk, the Group's cash balances, cash investments and derivative transactions are limited to financial institutions with an investment grade credit rating of A+, in line with financing agreements. The Group's exposure and the credit ratings of its counterparties, which are supplied by independent rating agencies and are regularly monitored. The maximum exposure faced by the Group is limited to cash and the balance of receivables at the year end.

Upon delivery of the first train into service, the Group began to receive revenue from the TOC that is operating the East Coast mainline. Under the terms of the MARA, the Secretary of State for Transport is obliged to provide a replacement in the event of a default and as a result the Group is not exposed to significant credit risk. As such no provision for expected credit losses has been recognised.

Capital Management

The Group manages its capital in order to maximise the returns available to shareholders while preserving its ability to continue as a going concern. All but £50,000 of the Group's capital consists of borrowings from a combination of related parties and external lenders. The Group is not subject to any significant externally imposed lending covenants, aside from restrictions on equity distributions in the event that senior debt cover ratios and gearing ratios do not meet prescribed minimum levels. The Group prepares quarterly long-term forecasts which apply contractual and non-contractual assumptions to forecast performance, cashflows and liquidity. The forecasts are circulated to the Board for review.

Liquidity risk

The Group adopts a prudent approach to liquidity management by maintaining sufficient cash and available committed facilities to meet its current and immediate obligations.

Under the terms of the existing financing agreements the Group is required to project future cash flows and to determine the level of liquid assets necessary to meet these.

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity of financial assets

The maturity profile of the Group's financial assets is as follows.

	Continuing operations 31 March 2023				Total
	Less than one year £'000	less than two years £'000	Less than five years £'000	Greater than five years £'000	
Service concession assets	(20,381)	29,940	68,562	1,808,115	1,886,236
Trade receivables	36,742	-	-	-	36,742
Cash and cash equivalents	225,724	-	-	-	225,724
Total financial assets	242,085	29,940	68,562	1,808,115	2,148,702

	Continuing operations 31 March 2022				Total
	Less than one year £'000	less than two years £'000	Less than five years £'000	Greater than five years £'000	
Service concession assets	11,172	(5,946)	69,186	1,834,913	1,909,325
Trade receivables	32,315	-	-	-	32,315
Cash and cash equivalents	202,624	-	-	-	202,624
Total financial assets	246,111	(5,946)	69,186	1,834,913	2,148,264

None of the financial assets are impaired or overdue.

The table below reflects the net present value of cash flows relating to financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

	31 March 2023		Total
	Non-recourse liabilities £'000	Non-recourse derivatives £'000	
In one year or less, or on demand	(58,056)	14,209	(43,847)
In more than one year but less than two years	(48,931)	5,141	(43,790)
In more than two years but less than five years	(158,057)	(12,339)	(170,396)
In more than five years	(1,740,612)	(30,777)	(1,771,389)
Total	(2,005,656)	(23,766)	(2,029,422)

	31 March 2022		Total
	Non-recourse liabilities £'000	Non-recourse derivatives £'000	
In one year or less, or on demand	(55,448)	(38,472)	(93,920)
In more than one year but less than two years	(53,808)	(22,498)	(76,306)
In more than two years but less than five years	(151,396)	(92,020)	(243,416)
In more than five years	(1,761,255)	(227,923)	(1,989,178)
Total	(2,021,907)	(380,913)	(2,402,820)

The fair value of the loans approximates the carrying value.

No capital commitments were entered into during the current or preceding year.

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table details the remaining contractual maturity of the Group's non-derivative liabilities. The table reflects the undiscounted cash flows relating to financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	In one year or less £'000	In more than one year but less than two years £'000	In more than two years but less than five years £'000	In more than five years £'000	Total £'000
31 March 2023						
Variable interest rate instruments	3.9	(40,809)	(44,209)	(142,787)	(2,851,188)	(3,078,993)
Fixed interest rate	13.0	(17,247)	(4,722)	(15,270)	(188,587)	(225,826)
Non-interest bearing instruments*	n/a	(93,176)	-	-	-	(93,176)
		<u>(151,232)</u>	<u>(48,931)</u>	<u>(158,057)</u>	<u>(3,039,775)</u>	<u>(3,397,995)</u>
31 March 2022						
Variable interest rate instruments	3.9	(37,966)	(40,809)	(136,256)	(2,550,152)	(2,765,183)
Fixed interest rate	13.0	(17,481)	(12,999)	(15,140)	(183,940)	(229,560)
Non-interest bearing instruments*	n/a	(70,187)	-	-	-	(70,187)
		<u>(125,634)</u>	<u>(53,808)</u>	<u>(151,396)</u>	<u>(2,734,092)</u>	<u>(3,064,930)</u>

* Non-interest bearing instruments relate to trade and other payables.

The following table details the remaining contractual maturity of the Group's derivative instruments. The table reflects the undiscounted net cash flows relating to derivative instruments that are settled on a net basis.

	Weighted average interest rate %	In one year or less £'000	In more than one year but less than two years £'000	In more than two years but less than five years £'000	In more than five years £'000	Total £'000
31 March 2023						
Net settled interest rate	3.9	14,750	5,509	(14,524)	(89,149)	(83,414)
		<u>14,750</u>	<u>5,509</u>	<u>(14,524)</u>	<u>(89,149)</u>	<u>(83,414)</u>
31 March 2022						
Net settled interest rate	3.9	(41,477)	(25,287)	(104,028)	(400,361)	(571,153)
		<u>(41,477)</u>	<u>(25,287)</u>	<u>(104,028)</u>	<u>(400,361)</u>	<u>(571,153)</u>

14 FAIR VALUE OF DERIVATIVES

	2023 £'000	2022 £'000
Non-current liabilities		
Interest rate swaps	(23,766)	(380,913)
Total fair value of derivatives	<u>(23,766)</u>	<u>(380,913)</u>

The derivatives have been fair valued in accordance with the Group's accounting policies and IFRS 13 fair value measurement principles. The movement in fair value reflects the changes in the forward curves of interest rates at the year end on the derivative agreements the Group has entered into.

As at 31 March 2023 the Group was party to nine interest rate swaps agreements in relation to the non-recourse financing of Agility Trains East Limited. The swaps were designated as cash flow hedges at inception, having met the criteria for hedge accounting. Following the cancellation of unutilised debt, 97.6% of the interest rate swaps now hedge against interest rate risk on four senior debt facilities and the remaining 2.4% of the interest rate swaps are amortised through the income statement. During the year the total fair value of derivatives decreased by £357.1m, of which £349.2m was recognised in other comprehensive income and deferred to the hedging reserve (2022: decrease of £240.0m). Net gains and losses totalling £7.9m representing the movement in fair value of the de-designated swaps was recognised in the income statement (2022: £4.0m). A total of £27.7m was reclassified from the hedging reserve to the income statement during the year. This included ineffectiveness of £0.02m and actual swap payments made totalled £28.4m.

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

15 DEFERRED TAX

The table below shows the deferred tax asset and liabilities recognised by the Group and movements therein for the years ended 31 March 2023 and 31 March 2022.

	Cash flow hedges	Service concession assets	Tax losses	Short-term timing difference	Total
	£'000	£'000	£'000	£'000	£'000
At 31 March 2021	117,981	(56,752)	32,651	12,927	106,807
Recognised in income statement	-	(10,972)	2,197	3,282	(5,493)
Recognised in other comprehensive income	(22,752)	-	-	-	(22,752)
At 31 March 2022	95,229	(67,724)	34,848	16,209	78,562
Recognised in income statement	-	(7,356)	(3,259)	2,536	(8,079)
Recognised in other comprehensive income	(89,429)	-	-	-	(89,429)
At 31 March 2023	5,800	(75,080)	31,589	18,745	(18,946)

Closing deferred tax balances have been provided at the applicable tax rates against which temporary differences are expected to unwind.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The table below provides analysis of deferred tax balances (after offset) for financial reporting purposes.

	2023	2022
	£'000	£'000
Deferred tax assets	43,320	133,472
Deferred tax liabilities	(62,266)	(54,910)
	<u>(18,946)</u>	<u>78,562</u>

A deferred tax asset has been recognised in full on trading losses and other timing differences on the basis that the Group is forecasting sufficient taxable profits against which the asset can be utilised.

16 SHARE CAPITAL

	2023	2022
	£'000	£'000
Authorised, allotted, called up and fully paid:		
50,000 ordinary shares of £1 each issued at par	<u>50</u>	<u>50</u>

17 HEDGING RESERVE

	£'000
At 31 March 2021	(497,441)
Fair value movement in other comprehensive income	162,744
Reclassified and reported in income statement	77,023
Deferred tax relating to hedging derivatives	<u>(22,752)</u>
At 31 March 2022	(280,426)
Fair value movement in other comprehensive income	321,003
Reclassified and reported in income statement	27,727
Deferred tax relating to hedging derivatives	<u>(89,429)</u>
At 31 March 2023	<u>(21,125)</u>

As at 31 March 2023 the Group held nine interest rate swaps. 97.6% of the interest rate swaps are held to hedge against interest rate risk on four senior debt facilities. Included within the hedging reserve balance are amounts totalling £15.3m relating to continuing hedge relationships (2022: £363.1m) and £11.9m relating to discontinued hedge relationships (2022: £12.8m). Gains and losses totalling £7.9m were recognised on non-hedged derivatives in the income statement for the year ended 31 March 2023 (2022: £4.0m). Total ineffectiveness recognised on cashflow hedges for the year amounted to a credit of £0.02m (2022: £0.1m credit). Included within the £27.7m interest reclassified to the income statement is £0.9m relating to discontinued hedge relationships (2022: £0.9m).

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

18 NOTES TO THE GROUP CASH FLOW STATEMENT

	2023 £'000	2022 £'000
Operating profit	22,956	16,052
Decrease in service concession asset	317,306	309,040
Increase / (decrease) in receivables	(16,228)	551
Increase in payables	23,169	355
Net cash inflow from operating activities	347,203	325,998

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group cash flow statement as cash flows from financing activities. Cash changes generated from financing activities are disclosed in the Group cash flow statement. Non-cash changes arising from financing activities include £1.3m of accrued interest (2022: £5.3m), £25.5m of prepaid finance costs (2022: £38.4m) and £7.9m fair value gains relating to interest rate swaps during the year (2022: £4.0m).

19 TRANSACTIONS WITH RELATED PARTIES

Group

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Loan note principal and interest are secured against assets and shares in Agility Trains East Limited. Invoiced transactions are settled in cash within the agreed payment terms. Details of arms' length transactions between the Group and other related parties are disclosed below.

	2023 £'000	2022 £'000
AIP Mallard Holding K/S		
For the year ended 31 March		
Financing	9,007	17,380
Administration	55	41
Dividend	4,362	-
	13,424	17,421
Balance payable at 31 March	67,762	69,545

In addition to the cash and invoice transactions, finance costs of £4.1m (2022: £5.1m) have been accrued and included within the carrying amount of the liabilities at the year end. The balance payable at 31 March 2023 includes loan note principal totalling £63.6m (2022: £64.3m). Allocated prepaid finance costs totalling £7.8m (2022: £8.2m) have been excluded from the carrying amount of the liabilities at the year end.

	2023 £'000	2022 £'000
Equitix Orange BldCo Limited		
For the year ended 31 March		
Financing	4,503	8,690
Administration	28	21
Dividend	2,181	-
	6,712	8,711
Balance payable at 31 March	33,874	34,292

In addition to the cash and invoice transactions, finance costs of £2.1m (2022: £2.1m) have been accrued and included within the carrying amount of the liabilities at the year end. The balance payable at 31 March 2023 includes loan note principal totalling £31.8m (2022: £32.1m). Allocated prepaid finance costs totalling £3.9m (2022: £4.1m) have been excluded from the carrying amount of the liabilities at the year end.

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (CONTINUED)

19 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	2023 £'000	2022 £'000
GLIL Blue Comet Holdings Limited		
For the year ended 31 March		
Financing	9,007	17,380
Administration	55	54
Dividend	4,362	-
	<u>13,424</u>	<u>17,434</u>
Balance payable at 31 March	<u>67,803</u>	<u>68,318</u>

In addition to the cash and invoice transactions, finance costs of £4.1m (2022: £4.2m) have been accrued and included within the carrying amount of the liabilities at the year end. The balance payable at 31 March 2023 includes loan note principal totalling £63.6m (2022: £64.3m). Allocated prepaid finance costs totalling £7.8m (2022: £8.2m) have been excluded from the carrying amount of the liabilities at the year end.

	2023 £'000	2022 £'000
Hitachi Rail Limited		
For the year ended 31 March		
Trains and depots	854	219
Operations and maintenance	143,384	105,871
Financing	7,506	14,483
Administration	28	396
Dividend	3,635	-
	<u>155,407</u>	<u>120,969</u>
Balance payable at 31 March	<u>99,174</u>	<u>78,753</u>

In addition to the cash and invoice transactions, finance costs of £3.4m (2022: £3.5m) have been accrued and included within the carrying amount of the liabilities at the year end. The balance payable at 31 March 2023 includes loan note principal totalling £53.0m (2022: £53.6m). Allocated prepaid finance costs totalling £6.5m (2022: £6.8m) have been excluded from the carrying amount of the liabilities at the year end.

In the year ended 31 March 2022 and before her resignation on 23 June 2021, B J Moorhouse, a director of Group companies, provided professional services to the Group, for £8.1k.

As at 31 March 2023 AIP Mallard Holding K/S, Equitix Orange Bidco Limited, GLIL Blue Comet Holdings Limited and Hitachi Rail Limited were the shareholders of the Company.

AGILITY TRAINS EAST (HOLDINGS) LIMITED

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Investment revenues	4	14,540	-
Profit before tax		14,540	-
Tax		-	-
Profit for the year and total comprehensive income		14,540	-
Attributable to: Owners of the Company		14,540	-

AGILITY TRAINS EAST (HOLDINGS) LIMITED

COMPANY BALANCE SHEET AS AT 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Investments in subsidiaries	5	50	50
Net assets		<u>50</u>	<u>50</u>
Equity			
Share capital	6	50	50
Total equity		<u>50</u>	<u>50</u>

As permitted by Section 408(2) of the Companies Act 2006, the Company's income statement and statement of comprehensive income are not presented in these financial statements. There was neither a profit or loss for the current or prior financial year.

The financial statements of Agility Trains East (Holdings) Limited, registered number 07930434, were approved by the Board of Directors and authorised for issue on 22 June 2023. They were signed on its behalf by:



M L Iversen
Director
22 June 2023

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2022	6	50	-	50
Profit for the year	4	-	14,540	14,540
Total comprehensive income for the year		50	14,540	14,590
Dividends paid	7	-	(14,540)	(14,540)
Balance at 31 March 2023		50	-	50

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2021	6	50	-	50
Profit for the year	4	-	-	-
Total comprehensive income for the year		50	-	50
Balance at 31 March 2022		50	-	50

COMPANY ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2023

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the period, is shown below.

The separate financial statements of the Parent Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard (FRS) 101 'Reduced Disclosure Framework'. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of a cash flow statement, standards not yet effective, and certain related party transactions. Where required, equivalent disclosures are given in the Group accounts of Agility Trains East (Holdings) Limited.

There were no items of comprehensive income in the course of the financial period.

SIGNIFICANT ACCOUNTING POLICIES

- a) **Going concern**
The Company exists to hold investments in subsidiaries, one of which provides services under specific private finance agreements. The subsidiary has been established as a Special Purpose Company under non-recourse arrangements, and the Company has limited its exposure to the associated liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made. Having reviewed the Company's investment portfolio, including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.
- b) **Investments in subsidiaries**
Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.
- c) **Critical accounting judgements and sources of estimation uncertainty**
The Directors believe that there are no critical judgements or key sources of estimation uncertainty relevant to this Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1 AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £2,500 (2022: £2,500). These were borne by Agility Trains East Limited, a fellow member of the Agility Trains East (Holdings) Limited Group.

2 DIRECTORS' REMUNERATION

No Director received any remuneration for services provided to the Company during the year (2022: £nil).

3 EMPLOYEES

The Company had no employees during the year (2022: nil). Management services are provided to the Company by Agility Trains East Limited.

4 INVESTMENT REVENUES

	2023 £'000	2022 £'000
Investment revenues		
Investment income	14,540	-
Total investment revenues	14,540	-

5 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	Shares in Investment undertaking £'000
Cost at 31 March 2022	50
Cost at 31 March 2023	50
Net book value at 31 March 2022	50
Net book value at 31 March 2023	50

Details of the Company's investments as at 31 March 2023 are as follows:

Name	Investment Class	Place of Incorporation and operation	Proportion of ownership Interest %	Proportion of voting power held %	Type of shares held
Agility Trains East (MidCo) Limited	Subsidiary	United Kingdom	100	100	Ordinary
Agility Trains East Limited	Subsidiary	United Kingdom	100	100	Ordinary
Agility Trains Management Services Limited	Joint Venture	United Kingdom	50	50	Ordinary

The investments are stated at cost less any provision for impairment. In the opinion of the Directors the value of the investments are not less than the amount stated in the balance sheet. The Agility Trains East (Holdings) Limited Group accounts for the above joint venture using the equity method.

The registered office of Agility Trains East Limited, Agility Trains East (MidCo) Limited and Agility Trains Management Services Limited is 4th Floor, 4 Copthall Avenue, London, United Kingdom, EC2R 7DA.

6 SHARE CAPITAL

	2023 £'000	2022 £'000
Authorised, allotted, called up and fully paid: 50,000 ordinary shares of £1 each	50	50

AGILITY TRAINS EAST (HOLDINGS) LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

7 DIVIDENDS

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 March 2023 of £290.80 per ordinary share (2022: £nil)	14,540	-
	<u>14,540</u>	<u>-</u>

8 ULTIMATE PARENT UNDERTAKING

As at 31 March 2023 the Company is owned by AIP Mallard Holding K/S (30%), GLIL Blue Comet Holdings Limited (30%), Hitachi Rail Limited (25%) and Equitix Orange Bidco Limited (15%). GLIL Blue Comet Holdings Limited and Hitachi Rail Limited are both incorporated in the United Kingdom and registered in England and Wales. Equitix Orange Bidco Limited is incorporated and registered in Guernsey. AIP Mallard Holding K/S is incorporated and registered in Denmark.

The Directors consider there to be no ultimate controlling entity. The ultimate parent entity is therefore Agility Trains East (Holdings) Limited.