AGILITY TRAINS EAST LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Registered Number 07930598

WEDNESDAY
ABJD2ØQY
A10 21/12/2022 #106
COMPANIES HOUSE

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

CONTENTS	**Page**

DIRECTORS AND ADVISERS

Directors

M E Binnington	(appointed on 23 June 2021)
A N Chivers	
T Hawkesworth	
D F Hobson	
J F Hovmand	(appointed on 29 March 2022)
M L Iversen	
B J Moorhouse	(resigned on 23 June 2021)
A S Pearson	(resigned on 28 September 2021)
A C Pitt	(appointed on 21 July 2021)

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 Company for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

Agility Trains East Limited is a wholly-owned subsidiary of Agility Trains East (MidCo) Limited. Agility Trains East (MidCo) Limited is a wholly-owned subsidiary of Agility Trains East (Holdings) Limited which is a joint venture between AIP Mallard Holding K/S (30%), Equitix Orange Bidco Limited (15%), GLIL Blue Comet Holdings Limited (30%) and Hitachi Rail Limited (25%). 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 Company is a private company limited by shares.

The principal activity of the Company, 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.

BUSINESS REVIEW

The revenue for the year was £135.7m (2021: £365.2m). The loss for the year before taxation amounted to £3.4m (2021: £14.8m profit). After the taxation charge of £5.5m (2021: £1.1m) the loss for the year was £8.9m (2021: £13.7m profit). The reduction in revenue and profit is due to less capital revenue being recognised following acceptance of the final train into operational service in September 2020.

Net liabilities decreased to £235.5m in 2022 (2021: £443.6m) primarily due to movements in the fair value of the Company's hedging derivatives.

Following the detection of cracking between the body frame and some underframe components on Class 800 series fleets in May 2021, extensive investigation concluded sets could be safely returned into operational service. The Class 800 repair works programme developed by Hitachi Rail Limited (Hitachi) is due to commence shortly. All repair costs and performance penalties incurred were within the existing contractual limits and were borne by Hitachi.

On 23 June 2021 Hitachi Rail Limited sold a 15% shareholding in Agility Trains East (Holdings) Limited to Equitix Orange Bidco Limited. As part of this transaction, Equitix Orange Bidco Limited also acquired 15% of the total loan notes issued by the Company and rights to any associated accrued loan note interest.

On 28 September 2021 John Laing Investments Limited sold its entire 15% shareholding in Agility Trains East (Holdings) Limited to AIP Mallard Holding K/S. As part of this transaction, AIP Mallard Holding K/S also acquired a further 15% of the total loan notes issued by Agility Trains East (MidCo) Limited and rights to any associated accrued loan note interest.

During the year the Company successfully transitioned all of its bank loans and fixed interest rate swaps, which previously used GBP London Inter-Bank Offered Rate (LIBOR) as a benchmark, to the Sterling Overnight Index Average Rate (SONIA).

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 Company's activities in the next twelve months.

IMPACT OF THE COVID-19 PANDEMIC

Throughout the global Coronavirus (COVID-19) pandemic the Company has been in regular discussion with key stakeholders on its impact on operations.
The Company's key supplier, Hitachi Rail Limited, has continued to meet its contractual obligations, fully maintain the fleet and as a result availability based revenue receipts has continued to be received on time. The Directors have had no indication or reason to believe that the virus will significantly impact maintenance services in the future.

The contractual framework in place throughout the term of the MARA guarantees the receipt of revenue subject to performance obligations being met and therefore the Directors consider there to be no impact on going concern or the Company's ability to meet all of its financial and operational contractual obligations.

STRATEGIC REPORT (CONTINUED)

GOING CONCERN

Having made the appropriate enquiries, the Directors have a reasonable expectation that the Company has 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 Company's accounting policies.

KEY PERFORMANCE INDICATORS

The Company's financial key performance indicators are detailed in the Business Review section of the Strategic Report on page 2. The operational performance of the fleet is measured using MTIN (Miles Per Technical Incident Number), a UK rail industry statistic. Over the year the fleet achieved an average MTIN of 28,816 miles (2021: 19,478 miles).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company 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 Company 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 Company has passed down all train performance obligations to its train maintenance provider Hitachi Rail Limited under the Train Service Agreement (TSA); and

(ii) the Company is also exposed to interest rate risk which is managed through the use of interest rate swaps, details of which are set out in note 12 to the financial statements.

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 Company is a special purpose company, 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 Comany providing finance and acting as the central contracting party with the DfT, Hitachi and the Train Operating Company (the ultimate user of the trains and their services) as well as the Company's lenders and shareholders providing finance. This means that Agility'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 Company.

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

STRATEGIC REPORT (CONTINUED)

SECTION 172 (1) STATEMENT (CONTINUED)

The likely consequences of any decision in the long-term
Because the Company is a special purpose vehicle it does not expect to enter into new projects or investments. The Company'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 Company's compliance with its MARA obligations. The Directors also review and prioritise the key risks faced by the Company, making appropriate decisions to mitigate the probability of the risks occurring and the impact if they do.

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

The need to foster the Company's business relationships with suppliers, customers and other industry stakeholders
The Company 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 Company's sole customer, the DfT, and the Train Operating Company which is the user of the IEP infrastructure. Similarly under the terms of the MSA and TSA regular meetings are held with the Company's key supplier, Hitachi, which accounts for more than 95% of the Company's supply chain. In practice, in addition to these formalised scheduled discussions, the Company also engages in continual dialogue on an ad-hoc basis with these stakeholders whenever necessary.

The Company maintains key relationships with its Senior Lending Group members, making available all required information under the terms of its financing agreements and meeting on a regular basis to understand the views of the Company's lenders.

The interests of the Company's employees
The Company's activities are resourced through a combination of management service and consultancy agreements. The Company's Directors and management are in close contact with staff, allowing them to understand and act on any concerns and feedback on an ad-hoc basis. The Company 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 Company for the benefit of its members as a whole. To successfully achieve this a number of key policies have been established through the Company's assurance plan. These include health and safety, modern slavery, anti-bribery and corruption, environment and data protection.

Of these areas the Directors consider that the desirability of the Company maintaining a reputation for high standards of health and safety in the IEP infrastructure is the single most important in order to ensure the health and safety of the public and the Company's contractors, as well as the continuation of its licence to operate from government and society. The Directors receive detailed health and safety monitoring information from Hitachi, including quantitative and qualitative reporting of incidents and near misses including investigations of causes and proposed remedial actions.

The impact of the Company's operations on the community and the environment
As a special purpose vehicle the Company'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 7 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.

STRATEGIC REPORT (CONTINUED)

SECTION 172 (1) STATEMENT (CONTINUED)

All members of the Agility Trains East (Holdings) Limited Group are currently represented by a director on the Company's 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 key 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:
- entering into management services agreement with newly formed management services company;
- approval of the annual budget and long-term forecast; and
- review and approval of the Company'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. E. Binnington
Director
30 June 2022

DIRECTORS' REPORT

The Directors submit their Report and the audited financial statements for the year ended 31 March 2022.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year (2021: £nil).

USE OF FINANCIAL INSTRUMENTS

As disclosed in the Strategic Report, the Company is exposed to interest rate risk which is managed through the use of interest rate swaps. Further information can be found within the Company's accounting policies for the year ended 31 March 2022 and note 12 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 Company'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 Company'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 22. 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 Company 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 have indicated their willingness to continue as auditor for another term.

Approved by the Board and signed on its behalf by:

M. E. B

M. E. Binnington
Director
30 June 2022

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 Company and maintaining the confidence of its member.

For the year ended 31 March 2022, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company 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 Company. 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 Company's long-term strategy and direction to make available and maintain 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 Company'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 members of the Agility Trains East (Holdings) Limited Group are currently represented on the Board of Directors. The Board meets regularly, providing Directors with an opportunity to discuss key matters of importance and communicate their views.

Directors' responsibilities

The Board of Directors receives regular information on operations, financial performance, stakeholder engagement and management of key business risks to make effective decisions when necessary. 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.

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 Company'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 Agility Trains East (Holdings) Limited member who they represent.

Stakeholder relationships and engagement

The Board understands that engagement with stakeholders and relationship management is essential to enable the Company to meet its immediate and long-term objectives. The section 172 (1) statement on pages 3, 4 and 5 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 law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom adopted international accounting standards. 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 financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting polices, 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 LIMITED

Report on the audit of the financial statements

Opinion on financial statements

In our opinion:

- the financial statements of Agility Trains East Limited (the 'Company') give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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 income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the accounting policies; and
- the notes 1 to 19.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law, and United Kingdom adopted international accounting standards.

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 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 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 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.

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

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/auditorsresponsibilitie 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 Company's industry and its control environment, and reviewed the Company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company 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 Company'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.

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 light of the knowledge and understanding of the 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 ma ers.

Use of our report

This report is made solely to the Company's member, 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 member 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 member 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
30 June 2022

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue	1	**135,713**	365,178
Cost of sales		**(119,423)**	(334,727)
Gross profit		**16,290**	30,451
Administrative expenses		**(238)**	(231)
Operating profit	2	**16,052**	30,220
Investment revenues	5	**155,481**	153,496
Finance costs	5	**(174,956)**	(168,910)
(Loss) / profit before tax		**(3,423)**	14,806
Tax	6	**(5,493)**	(1,145)
(Loss) / profit for the year		**(8,916)**	13,661
Attributable to:			
Owners of the Company		**(8,916)**	13,661

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	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	16	**162,744**	**-**	**162,744**
Reclassified and reported in income statement for derivatives	16	**77,023**	**-**	**77,023**
Movement in the fair value of hedging derivatives		**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**

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Hedging reserve £'000	2021 Retained earnings £'000	Total £'000
Profit for the year		-	13,661	13,661
Items that may be reclassified subsequently to profit or loss:				
Fair value movement of hedging derivatives		121,571	-	121,571
Reclassified and reported in income statement for derivatives		80,507	-	80,507
Movement in the fair value of hedging derivatives	16	202,078	-	202,078
Deferred tax relating to hedging derivatives	6	(36,987)	-	(36,987)
Other comprehensive income		165,091	-	165,091
Total comprehensive income for the year		165,091	13,661	178,752

BALANCE SHEET AS AT 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Service concession asset	7	**1,898,153**	1,921,276
Trade and other receivables	8	**1,441**	1,488
Deferred tax asset	14	**133,472**	150,745
		2,033,066	2,073,509
Current assets			
Service concession asset	7	**11,172**	19,753
Trade and other receivables	8	**45,604**	46,107
Cash and cash equivalents	9	**201,676**	203,838
		258,452	269,698
Total assets		**2,291,518**	2,343,207
Current liabilities			
Trade and other payables	10	**(70,187)**	(69,880)
Current portion of interest-bearing loans and borrowings	9	**(54,500)**	(70,591)
		(124,687)	(140,471)
Net current assets		**133,765**	129,227
Non-current liabilities			
Non-current portion of interest-bearing loans and borrowings	9	**(1,966,459)**	(1,981,398)
Deferred tax liability	14	**(54,910)**	(43,938)
Derivative financial instruments	13	**(380,913)**	(620,950)
		(2,402,282)	(2,646,286)
Total liabilities		**(2,526,969)**	(2,786,757)
Net liabilities		**(235,451)**	(443,550)
Equity			
Share capital	15	**50**	50
Hedging reserve	16	**(280,426)**	(497,441)
Retained earnings		**44,925**	53,841
Total equity		**(235,451)**	(443,550)

The financial statements of Agility Trains East Limited, registered number 07930598, were approved by the Board of Directors and authorised for issue on 30 June 2022. They were signed on its behalf by:

M. E. Binnington
Director
30 June 2022

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
		15	16		
Balance at 1 April 2021		**50**	**(497,441)**	**53,841**	**(443,550)**
Expense 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)**

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
		15	16		
Balance at 1 April 2020		50	(662,532)	40,180	(622,302)
Income for the year		-	-	13,661	13,661
Fair value movement in other comprehensive income		-	121,571	-	121,571
Reclassified and reported in income statement		-	80,507	-	80,507
Deferred tax relating to hedging derivatives		-	(36,987)	-	(36,987)
Total comprehensive income for the year		-	165,091	13,661	178,752
Balance at 31 March 2021		50	(497,441)	53,841	(443,550)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
Net cash inflow from operating activities	17	**325,998**	332,748
Investing activities			
Interest received		**238**	113
Increase in service concession asset		**(122,093)**	(326,680)
Net cash outflow from investing activities		**(121,855)**	(326,567)
Financing activities			
Interest paid		**(141,339)**	(178,662)
Financing fees		**-**	(696)
Financing fee refund		**-**	699
Repayment of borrowings		**(67,313)**	(39,656)
Proceeds from borrowings		**-**	225,207
Net cash inflow from financing activities		**(208,652)**	6,892
Net (decrease) / increase in cash and cash equivalents		**(4,509)**	13,073
Cash and cash equivalents at beginning of the year		**206,185**	193,112
Cash and cash equivalents at the end of the year	9	**201,676**	206,185

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022

BASIS OF PREPARATION

Agility Trains East 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 nature of the Company's operations and its principal activities are set out in the Strategic Report.

The Company 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 the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates.

ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements, the Company adopted a number of amendments to IFRS and interpretations that are effective (and have been endorsed for use within the UK).

Standard/amendment/interpretation
Amendments to: IAS 16: Property, Plant and Equipment - Proceeds before Intended Use; IAS 37: Onerous Contracts - Cost of Fulfilling a Contract; IFRS 3: Definition of Business, References to the Conceptual Framework in IFRS Standards; IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rates Benchmark Reform Phase 2; IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9; and IFRS 16: COVID-19 Related Rent Concessions;
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.

The adoption of the above standards, along with the other amendments and interpretations, has not had a material impact on the financial statements of the Company.

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
IFRS 17: Insurance Contracts.
Amendments to: IAS 1: Classification of Liabilities as Current or Non-current; 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;

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

Impact of the initial application of Interest Rate Benchmark Reform

In the current year, the Company adopted the Phase 2 amendments of the Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enabled the Company to reflect the effects of transitioning from London Interbank Offered Rates (LIBOR) to Sterling Overnight Interbank Average Rate (SONIA) as an alternative benchmark interest rate (also referred to as 'risk free rate' or RFR) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Phase 2 amendments are relevant to the Company because it applies hedge accounting to its interest rate benchmark exposures, and in the current period modifications in response to the reform have been made to all of it's derivatives and bank borrowings. Details of the interest rate benchmark reform is further explained in note 12.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the period presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the United Kingdom ("adopted IFRSs").

b) Going concern

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

i) The Directors have considered the ability of the train operating company 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 Company's derivative instruments were in a net liability position at the year end. The Directors have assessed the Company's ability to meet future swap interest payments and do not consider this to be a material risk.

iv) The Directors have considered the Company'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.

v) The Directors have considered the impact of COVID-19 and assessed it to have no or very limited impact on the long-term going concern of the Company. For additional details see the Strategic Report on page 2.

Having considered the above factors and having reviewed the Company's forecasts and projections, the Directors have a reasonable expectation that the Company 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 Company is a special purpose vehicle 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 Company over the contract term. Based on the contractual arrangements the Company 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, the Company 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 Train Operating Company (TOC). The availability payment is subject to amendment in the event of a variation to the MARA. The Company has contracted Hitachi Rail Limited to provide train maintenance services, including train and depot lifecycle, over the concession period.

Under the terms of the arrangement, where the Company has the right to receive the Set Availability Payments from or at the direction of the grantor (the Secretary of State for Transport), 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 Company has considered both the business model and the solely payments of principal and interest tests, and believes the sole purpose for it holding the financial asset is to collect contractual cashflows and that all payments received by it are principal and interest. The Company has therefore accounted for its service concession financial asset using the amortised cost method in accordance with IFRS 9.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

c) Accounting for service concession arrangements (continued)

The Company does not have material financial assets other than its service concession arrangement. The Company 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 2022 (2021: £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 Train Operating Company at 31 March 2022 (2021: immaterial). Both these results reflect the contractual guarantee provided by the Secretary of State for Transport underwriting cashflows receivable from the Train Operating Company, accordingly the Company does not foresee any requirement to revalue or write off the financial asset in future years.

d) Revenue recognition

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

During the delivery phase, capital revenue is recognised at cost, plus attributable profit. Costs for this purpose include all works carried out and certified by subcontractors, and include all overheads other than those relating to the general administration of the Company and are directly linked to the delivery of the asset.

During the operational phase, 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 Company. During this phase amounts received in respect of the service concession are recognised as a reduction against the service concession asset.

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. Upon utilisation of the facility, 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 Company 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.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

h) Derivative financial instruments - hedge designation and effectiveness testing

The Company has designated its interest rate swaps as cash flow hedges of floating rate debt. At the inception of the hedge, the Company 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 Company 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 income statement, included within finance costs or investment income, depending on the level of ineffectiveness experienced.

Hedge accounting

The Company 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 Company'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 Company's derivative instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 16. 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.

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 Company 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 Company actually hedges and the quantity of the hedging instrument that the Company 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 Company 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 Company 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 Company 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 cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

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

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 balance sheet comprise cash at bank and short-term deposits with original maturity of three months or less. For the purposes of the 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 Company after deducting all of its liabilities.

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 Company'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 Company estimates a capital margin of 13.6% will be earned over the concession period and this has been applied to capital costs incurred during the year (2021: 7.9%) contributing to a gross capital profit of £0.03m (2021: £16.9m). The decrease is due to less capital payments made during the year.

The Company estimates an operating margin of 13.3% will be earned over the concession period and this has been applied to operating costs incurred during the year (2021: 11.7%) contributing to a gross operating profit of £16.2m (2021: £13.4m). The increase is due to a full year of operations.

Estimates of the levels of capital margin and operating margin over the 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 Company under the MARA. Over the next 12 months a 1% movement in the capital margin would result in a £0.2m movement in the result for the year. Over the same period, a 1% movement in the operating margin would result in a £1.3m movement in the result for the year.

Critical accounting judgements

Service concession asset

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

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

n) Critical accounting judgements and sources of estimation uncertainty (continued)

As required by IFRS 13 Fair value measurement, the Company incorporates an adjustment for own credit risk into the valuation of its interest rate swap derivatives. In previous years the Company has used an unadjusted credit default swap spread for the listed debt of a single comparable company in order to determine the quantum of this adjustment. From 31 March 2021 the Company has used 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, removes the limitations of the previous approach which arose due to the small population of one available comparable company but 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 Agility.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 REVENUE

	2022	2021
	£'000	£'000
Revenue in the year is analysed as follows:		
Capital revenue	249	228,885
Operating revenue	135,464	136,293
Investment income (note 5)	239	113
Service concession asset interest (note 5)	155,242	153,383

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

2 OPERATING PROFIT

	2022	2021
	£'000	£'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(74)	(77)
Fees payable to the Company's auditor for other services to Agility Trains East (Holdings) Limited		
- the audit of Agility Trains East (Holdings) Limited Group companies	(3)	(3)
Total audit fees	(77)	(80)
- tax compliance services	-	(8)
- tax advisory services	-	(21)
Total non-audit fees	-	(29)

Tax compliance and advisory services are no longer provided by Deloitte LLP.

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 £161k (2021: £151k).

4 EMPLOYEES

The Company had no employees during the year (2021: none). Resource is provided to the Company through a combination of management service and consultancy agreements.

5 INVESTMENT REVENUES AND NET FINANCE COSTS

	2022	2021
	£'000	£'000
Investment revenues		
Investment income	239	113
Service concession asset interest	155,242	153,383
Total investment revenues	155,481	153,496
Finance costs		
Interest on bank and other loans, overdrafts and derivatives	(179,076)	(152,511)
Gains / (losses) on derivatives at fair value through profit and loss	4,005	(16,284)
Ineffectiveness of fair value profit / (loss) arising from cash flow hedges	115	(115)
Total net finance costs	(174,956)	(168,910)

6 TAX

Income tax recognised in the income statement

	2022	2021
	£'000	£'000
Current tax	-	-
Deferred tax (note 14)	(5,493)	(1,145)
Total tax charge on ordinary activities	(5,493)	(1,145)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

6 TAX (CONTINUED)

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

	2022 £'000	2021 £'000
(Loss) / profit on ordinary activities before taxation	(3,423)	14,806
(Loss) / profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 19% (2021: 19%).	650	(2,813)
Effects of:		
(Expense) / income that are not taxable / deductible in determining taxable profit	(3,515)	1,670
Adjustments in respect of prior years	(201)	(2)
Impact of change in tax rate	(2,427)	-
Total tax charge for the year	(5,493)	(1,145)

Income tax recognised in other comprehensive income

	2022 £'000	2021 £'000
Current tax	-	-
Deferred tax		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(22,752)	(36,987)
Total income tax recognised in other comprehensive income	(22,752)	(36,987)

Deferred tax at the balance sheet date has been calculated applying the current main rate of UK corporation tax of 19% (2021: 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 Company is forecasting sufficient taxable profits against which the asset can be utilised.

7 SERVICE CONCESSION ASSET

	£'000
At 31 March 2020	1,750,305
Additions	357,048
Reductions	(319,707)
Service concession asset interest	153,383
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**

	2022 £'000	2021 £'000
Analysed as:		
Less than one year	11,172	19,753
Greater than one year	1,898,153	1,921,276
At 31 March	1,909,325	1,941,029

8 TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Current assets		
Trade receivables	32,315	34,968
Prepayments	11,786	10,656
Accrued income	1,503	483
	45,604	46,107

As at 1 April 2020, trade receivables from contracts with customers amounted to £28.5m.

	2022 £'000	2021 £'000
Non-current assets		
Prepayments	1,441	1,488
	1,441	1,488

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

9 CASH, CASH EQUIVALENTS AND BORROWINGS

		2022	
	Recourse	**Non-recourse**	**Total**
	£'000	**£'000**	**£'000**
Cash at bank and in hand	**201,676**	**-**	**201,676**
Bank and other loans falling due within one year	**-**	**(54,500)**	**(54,500)**
Bank and other loans falling due after more than one year	**-**	**(1,966,459)**	**(1,966,459)**
	201,676	**(2,020,959)**	**(1,819,283)**

		2021	
	Recourse	Non-recourse	Total
	£'000	£'000	£'000
Cash at bank and in hand	203,838	-	203,838
Bank and other loans falling due within one year	-	(70,591)	(70,591)
Bank and other loans falling due after more than one year	-	(1,981,398)	(1,981,398)
	203,838	(2,051,989)	(1,848,151)

Non-recourse balances are secured against Company assets. There is no collateral pledged for any liabilities or contingent liabilities.

There were no amounts placed on short-term deposits at the year end (2021: £nil).

10 TRADE AND OTHER PAYABLES

	2022	2021
	£'000	£'000
Current liabilities		
Trade payables	**(20,174)**	(22,698)
VAT payable	**(6,434)**	(6,427)
Accruals	**(13,837)**	(13,126)
Deferred income	**(29,742)**	(27,629)
	(70,187)	(69,880)

11 FINANCIAL INSTRUMENTS

a) Financial instruments by category

	Other financial assets at amortised cost	Service concession assets at amortised cost	Financial liabilities at amortised cost	Derivatives designated in hedge r/ship at fair value	Derivatives at fair value through income statement	31 March 2022 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value measurement method	n/a	n/a	n/a	Level 2	Level 2	
2022						
Non-current assets						
Service concession assets	-	1,898,153	-	-	-	1,898,153
Current assets						
Service concession assets	-	11,172	-	-	-	11,172
Trade and other receivables	32,315	-	-	-	-	32,315
Cash and cash equivalents	201,676	-	-	-	-	201,676
Total financial assets	233,991	1,909,325	-	-	-	2,143,316
Current liabilities						
Trade and other payables	-	-	(70,187)	-	-	(70,187)
Interest-bearing loans and borrowings	-	-	(54,500)	-	-	(54,500)
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	-	-	(2,091,146)	(371,771)	(9,142)	(2,472,059)
Net financial assets / (liabilities)	233,991	1,909,325	(2,091,146)	(371,771)	(9,142)	(328,743)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

11 FINANCIAL INSTRUMENTS (CONTINUED)

	Other financial assets at amortised cost £'000	Service concession assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Derivatives designated in hedge r/ship at fair value £'000	Derivatives at fair value through income statement £'000	31 March 2021 Total £'000
Fair value measurement method	n/a	n/a	n/a	Level 2	Level 2	
2021						
Non-current assets						
Service concession assets	-	1,921,276	-	-	-	1,921,276
Current assets						
Service concession assets	-	-	-	-	-	-
Trade and other receivables	34,968	-	-	-	-	34,968
Cash and cash equivalents	203,838	-	-	-	-	203,838
Total financial assets	238,806	1,921,276	-	-	-	2,160,082
Current liabilities						
Trade and other payables	-	-	(69,880)	-	-	(69,880)
Interest-bearing loans and borrowings	-	-	(70,591)	-	-	(70,591)
Non-current liabilities						
Interest-bearing loans and borrowings	-	-	(1,981,398)	-	-	(1,981,398)
Derivative financial instruments	-	-	-	(606,047)	(14,903)	(620,950)
Total financial liabilities	-	-	(2,121,869)	(606,047)	(14,903)	(2,742,819)
Net financial assets / (liabilities)	238,806	1,921,276	(2,121,869)	(606,047)	(14,903)	(582,737)

Derivatives used in hedging relationships 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 Company's financial liabilities at 31 March 2022 were £2,473m (2021: £2,745m), all of which were non-recourse. There were no recourse borrowings as at 31 March 2022 or at 31 March 2021.

	31 March 2022			
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	Total £'000
Non-recourse				
Borrowings < 1 year	(37,019)	(17,481)	-	(54,500)
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	(1,818,693)	(583,179)	(70,187)	(2,472,059)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

11 FINANCIAL INSTRUMENTS (CONTINUED)

	31 March 2021			
	Interest bearing		Non-interest	
	Floating rate	Fixed rate	bearing	Total
	£'000	£'000	£'000	£'000
Non-recourse				
Borrowings < 1 year	(39,313)	(31,278)	-	(70,591)
Borrowings > 1 year	(1,783,239)	(198,159)	-	(1,981,398)
Total derivative liabilities	-	(620,950)	-	(620,950)
Trade and other payables	-	-	(69,880)	(69,880)
Total	(1,822,552)	(850,387)	(69,880)	(2,742,819)

Bank and other loans falling due after more than one year includes £49.1m (2021: £87.6m) 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.

12 FINANCIAL RISK MANAGEMENT

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on it's financial results. The Company uses derivative financial instruments to hedge interest rate exposures. As at 31 March 2022, 97.6% of the derivative financial instruments entered into by the Company were designated as hedging instruments and accounted for using hedge accounting (2021: 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 Company's exposure to market risks or the manner in which these risks are managed and measured.

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

The Company hedges its interest rate risk on the variable rate bank financing it has secured by entering into interest rate swap agreements. The Company 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 £0.1m (2021: £0.1m charge). 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 (ie the derivative) for the period.

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

	31 March 2022			
	Interest bearing		**Non-interest**	**Total**
	Floating rate	**Fixed rate**	**bearing**	
	£'000	**£'000**	**£'000**	**£'000**
Service concession assets	-	**1,909,325**	-	**1,909,325**
Trade and other receivables	-	-	**32,315**	**32,315**
Cash and cash equivalents	**201,676**	-	-	**201,676**
Financial asset exposure to interest rate risk	**201,676**	**1,909,325**	**32,315**	**2,143,316**

	31 March 2021			
	Interest bearing		Non-interest	Total
	Floating rate	Fixed rate	bearing	
	£'000	£'000	£'000	£'000
Service concession assets	-	1,941,029	-	1,941,029
Trade and other receivables	-	-	34,968	34,968
Cash and cash equivalents	203,838	-	-	203,838
Financial asset exposure to interest rate risk	203,838	1,941,029	34,968	2,179,835

While the Company 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 2022 a 50bps increase in future SONIA assumptions would result in an increased loss for the year of £8.7m (2021: £8.5m), and a corresponding 50bps decrease would result in a £8.7m decrease in the loss for the year (2021: £8.5m).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

The above 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 the year end, all other factors remaining constant.

The interest rate on the service concession asset is 8% (2021: 8%) and the remaining amortisation period of the asset is 24 years.

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

	31 March 2022			
	Interest bearing		**Non-interest**	**Total**
	Floating rate	**Fixed rate**	**bearing**	
	£'000	**£'000**	**£'000**	**£'000**
Interest bearing loans and borrowings	(1,818,693)	(202,266)	-	(2,020,959)
Derivative financial instruments	-	(380,913)	-	(380,913)
Trade and other payables	-	-	(70,187)	(70,187)
Financial liability exposure to interest rate risk	**(1,818,693)**	**(583,179)**	**(70,187)**	**(2,472,059)**

	31 March 2021			
	Interest bearing		Non-interest	Total
	Floating rate	Fixed rate	bearing	
	£'000	£'000	£'000	£'000
Interest bearing loans and borrowings	(1,822,552)	(229,437)	-	(2,051,989)
Derivative financial instruments	-	(620,950)	-	(620,950)
Trade and other payables	-	-	(69,880)	(69,880)
Financial liability exposure to interest rate risk	(1,822,552)	(850,387)	(69,880)	(2,742,819)

The interest rates on the interest bearing loan and borrowing facilities are fixed using interest rate swaps, and as at 31 March 2022 the nominal value of the interest rate swaps amounted to £1,909.7m (2021: £1,944.8m). The interest rate swaps mature in 2043 and the effective interest rate is 3.9%. The Company 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 16.

As at 31 March 2022 the Company held nine interest rate swaps, all of which became effective on 30 September 2015. 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 £363.1m relating to continuing hedge relationships and £12.8m relating to discontinued hedge relationships. Gains and losses totalling £4.0m were recognised on non-hedged derivatives in the income statement for the year ended 31 March 2022 (2021: £3.5m). Total ineffectiveness recognised on cashflow hedges for the year amounted to a credit of £0.1m (2021: £0.1m charge).

Interest rate benchmark reform

In the prior year, the Company concluded the adoption of the Phase 1 amendments of the Interest Rate Benchmark Reform - Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modified specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments were amended as a result of the interest rate benchmark reform.

In the current year, the Company concluded the adoption the Phase 2 amendments of the Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enabled the Company to reflect the effects of transitioning from London Interbank Offered Rates (LIBOR) to Sterling Overnight Interbank Average Rate (SONIA) as an alternative benchmark interest rate (also referred to as 'risk free rate' or RFR) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are relevant to the Company because it applies hedge accounting to its interest rate benchmark exposures, and in the current period modifications in response to the reform have been made to all of the Company's derivative and non-derivative financial instruments, without creating any additional risks or requiring any changes to it's risk management strategy.

The amendments are relevant for cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank borrowings.

As a result of the Phase 2 amendments the contractual terms of the Company's bank borrowings were amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows were economically equivalent to the basis immediately preceding the change. The Company changed the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

Changes were made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Company updated the hedge documentation without discontinuing the hedging relationship and the amount accumulated in the cash flow hedge reserve was deemed to be based on SONIA.

Market risk - Inflation risk

The revenues earned by the Company 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 Company's operating cash flows being relatively insensitive to inflation and it is not therefore exposed to significant inflation risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk - price risk

The revenues received by the Company 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 Company is not exposed to significant price risk.

Credit risk

Credit risk faced by the Company 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 Company'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 Company'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 Company is limited to cash and the balance of receivables at the year end.

Upon delivery of the first train into service, the Company 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 Company is not exposed to significant credit risk. As such no provision for expected credit losses has been recognised.

Capital Management

The Company 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 Company's capital consists of borrowings from a combination of related parties and external lenders. The Company 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 Company 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 Company 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 Company is required to project future cash flows and to determine the level of liquid assets necessary to meet these.

Maturity of financial assets

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

	Continuing operations 31 March 2022				
	Less than one year	**less than two years**	**Less than five years**	**Greater than five years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Service concession assets	**11,172**	**(5,946)**	**69,186**	**1,834,913**	**1,909,325**
Trade and other receivables	**32,315**	**-**	**-**	**-**	**32,315**
Cash and cash equivalents	**201,676**	**-**	**-**	**-**	**201,676**
Total financial assets	**245,163**	**(5,946)**	**69,186**	**1,834,913**	**2,143,316**

	Continuing operations 31 March 2021				
	Less than one year	less than two years	Less than five years	Greater than five years	Total
	£'000	£'000	£'000	£'000	£'000
Service concession assets	19,753	2,627	56,472	1,862,177	1,941,029
Trade and other receivables	34,968	-	-	-	34,968
Cash and cash equivalents	203,838	-	-	-	203,838
Total financial assets	258,559	2,627	56,472	1,862,177	2,179,835

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 Company is required to pay. The table includes both interest and principal cash flows.

	31 March 2022		
	Non-recourse liabilities	**Non-recourse derivatives**	**Total**
	£'000	**£'000**	**£'000**
In one year or less, or on demand	**(54,500)**	**(38,472)**	**(92,972)**
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	**(2,020,959)**	**(380,913)**	**(2,401,872)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

12 *FINANCIAL RISK MANAGEMENT (CONTINUED)*

	31 March 2021		
	Non-recourse liabilities	Non-recourse derivatives	Total
	£'000	£'000	£'000
In one year or less, or on demand	(70,591)	(63,508)	(134,099)
In more than one year but less than two years	(37,966)	(57,002)	(94,968)
In more than two years but less than five years	(126,250)	(138,211)	(264,461)
In more than five years	(1,817,182)	(362,229)	(2,179,411)
Total	(2,051,989)	(620,950)	(2,672,939)

The fair value of the loans approximates the carrying value.

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

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

	Weighted average interest rate	In one year or less	In more than one year but less than two years	In more than two years but less than five years	In more than five years	Total
	%	£'000	£'000	£'000	£'000	£'000
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)**
		(125,634)	**(53,808)**	**(151,396)**	**(2,734,092)**	**(3,064,930)**
31 March 2021						
Variable interest rate instruments	3.9	(39,313)	(37,966)	(126,250)	(2,485,454)	(2,688,983)
Fixed interest rate	13.0	(31,278)	(5,988)	(30,546)	(190,944)	(258,756)
Non-interest bearing instruments*	n/a	(69,880)	-	-	-	(69,880)
		(140,471)	(43,954)	(156,796)	(2,676,398)	(3,017,619)

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

The following table details the remaining contractual maturity of the Companys 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	In more than one year but less than two years	In more than two years but less than five years	In more than five years	Total
	%	£'000	£'000	£'000	£'000	£'000
31 March 2022						
Net settled interest rate	**3.9**	**(41,477)**	**(25,287)**	**(104,028)**	**(400,361)**	**(571,153)**
		(41,477)	**(25,287)**	**(104,028)**	**(400,361)**	**(571,153)**
31 March 2021						
Net settled interest rate	3.9	(73,539)	(65,880)	(161,468)	(463,520)	(764,407)
		(73,539)	(65,880)	(161,468)	(463,520)	(764,407)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13 FAIR VALUE OF DERIVATIVES

	2022	2021
	£'000	£'000
Non-current liabilities		
Interest rate swaps	(380,913)	(620,950)
Total fair value of derivatives	(380,913)	(620,950)

The derivatives have been fair valued in accordance with the Company'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 Company has entered into.

As at 31 March 2022 the Company was party to nine interest rate swaps agreements in relation to non-recourse financing. 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 fair value of the liability decreased by £240.0m, of which £236.0m was recognised in other comprehensive income and deferred to the hedging reserve (2021: decrease of £194.6m). Net gains and losses totalling £4.0m representing the movement in fair value of the de-designated swaps was recognised in the income statement (2021: £3.5m). A total of £77.0m was reclassified from the hedging reserve to the income statement during the year. This included ineffectiveness of £0.1m and actual swap payments made totalled £73.2m.

14 DEFERRED TAX

The table below shows the deferred tax asset and liabilities recognised by the Company and movements therein for the years ended 31 March 2022 and 31 March 2021.

	Cash flow hedges	Service concession assets	Tax losses	Short-term timing difference	Total
		£'000	£'000	£'000	£'000
At 31 March 2020	154,968	(59,792)	27,934	21,829	144,939
Recognised in income statement	-	3,040	4,717	(8,902)	(1,145)
Recognised in other comprehensive income	(36,987)	-	-		(36,987)
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

Closing deferred tax balances have been provided at the applicable tax rates against which deductible temporary differences are expected to unwind (2021: 19%).

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

	2022	2021
	£'000	£'000
Deferred tax assets	133,472	150,745
Deferred tax liabilities	(54,910)	(43,938)
	78,562	106,807

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

15 SHARE CAPITAL

	2022	2021
	£'000	£'000
Authorised, allotted, called up and fully paid:		
50,000 ordinary shares of £1 each issued at par	50	50

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

16 HEDGING RESERVE

	£'000
At 31 March 2020	(662,532)
Fair value movement in other comprehensive income	121,571
Reclassified and reported in income statement	80,507
Deferred tax relating to hedging derivatives	(36,987)
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	**(22,752)**
At 31 March 2022	**(280,426)**

As at 31 March 2022 the Company held nine interest rate swaps, all of which became effective on 30 September 2015. 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 £363.1m (2021: £601.9m) relating to continuing hedge relationships and £12.8m (2021: £13.8m) relating to discontinued hedge relationships. Gains and losses totalling £4.0m were recognised on non-hedged derivatives in the income statement for the year ended 31 March 2022 (2021: £3.5m). Total ineffectiveness recognised on cashflow hedges for the year amounted to a credit of £0.1m (2021: £0.1m charge). Included within the £77.0m interest reclassified to the income statement is £0.9m relating to discontinued hedge relationsips (2021: £0.2m).

17 NOTES TO THE CASH FLOW STATEMENT

	2022 £'000	2021 £'000
Operating Profit	**16,052**	30,220
Decrease in service concession asset	**309,040**	289,339
Decrease / (increase) in receivables	**551**	(1,017)
Increase in payables	**355**	14,206
Net cash inflow from operating activities	**325,998**	332,748

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities. Cash changes generated from financing activities are disclosed in the cash flow statement. Non-cash changes arising from financing activities include £5.3m of accrued interest (2021: £46.7m), £38.4m of prepaid finance costs (2021: £26.9m) and £4.0m fair value gains relating to interest rate swaps during the year (2021: £3.5m).

18 TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its related parties are shown below. Loan note principal and interest are secured against assets and shares in the Company. Invoiced transactions are settled in cash within the agreed payment terms. Details of arms' length transactions between the Company and other related parties are disclosed below.

	2022 £'000	2021 £'000
Agility Trains East (MidCo) Limited		
For the year ended 31 March		
Financing	**57,934**	31,561
	57,934	31,561
Balance payable at 31 March	**229,562**	261,104

In addition to the cash and invoice transactions, finance costs of £15.1m (2021: £31.6m) have been accrued and included within the carrying amount of the liabilities at the year end. The balance payable at 31 March 2022 includes loan note principal totalling £214.4m (2021: £242.5m). Allocated prepaid finance costs totalling £27.2m (2021: £29.3m) have been excluded from the carrying amount of the liabilities at the year end.

	2022 £'000	2021 £'000
AIP Mallard Holding K/S		
For the year ended 31 March		
Administration	**41**	11
	41	11
Balance payable at 31 March	**13**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

18 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	2022 £'000	2021 £'000
Equitix Orange BidCo Limited		
For the year ended 31 March		
Administration	21	-
	21	-
Balance payable at 31 March	-	-

	2022 £'000	2021 £'000
GLIL Blue Comet Holdings Limited		
For the year ended 31 March		
Administration	54	12
	54	12
Balance payable at 31 March	54	-

	2022 £'000	2021 £'000
Hitachi Rail Limited		
For the year ended 31 March		
Trains and depots	219	211,173
Operations and maintenance	105,871	110,121
Administration	396	778
	106,486	322,072
Balance payable at 31 March	21,599	22,135

During the year, and before resignation on 23 June 2021 , B J Moorhouse, a director of the Company, provided professional services to the Agility Trains East (Holdings) Limited Group, for £8.1k (2021: £34.1k). As at 31 March 2022 the balance payable was £nil (2021: £21.0k).

As at 31 March 2022 AIP Mallard Holding K/S, Equitix Orange Bidco Limited, GLIL Blue Comet Holdings Limited and Hitachi Rail Limited were the shareholders of Agility Trains East (Holdings) Limited.

19 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent company and controlling party, and the smallest and largest Company in which its results are consolidated is Agility Trains East (Holdings) Limited, a company incorporated in United Kingdom and registered in England and Wales. The Company's immediate parent company is Agility Trains East (MidCo) Limited. The registered office of both companies is 4th Floor, 4 Copthall Avenue, London, EC2R 7DA.

Copies of the consolidated accounts of Agility Trains East (Holdings) Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.