AGILITY TRAINS WEST LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

Registered Number 07930606

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS

DIRECTORS AND ADVISERS

Directors
A J Dormer
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J A Mee
B J Moorhouse
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Registered office
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London, United Kingdom

Auditor
Deloitte LLP
London, United Kingdom

Solicitors
DLA Piper UK LLP
3 Noble Street,
London, United Kingdom

STRATEGIC REPORT

The Directors submit their Strategic Report for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

Agility Trains West Limited was incorporated on 31 January 2012. The Company is a wholly-owned subsidiary of Agility Trains West (Midco) Limited. Agility Trains West (Midco) Limited is a wholly-owned subsidiary of Agility Trains West (Holdings) Limited which is a joint venture between Hitachi Rail Europe Limited (70.0%) and Rail Investments Great Western Limited (30.0%), both of which are incorporated in the United Kingdom and registered in England and Wales.

The principal activity of the Company is the financing, delivery, provision and maintenance of Super Express Trains and train depots under the Great Western Network Intercity Express Programme Master Availability and Reliability Agreement (MARA) entered into with the Secretary of State for Transport on 24 July 2012, and subsequent amendments and restatements to the MARA.

BUSINESS REVIEW

On 12 May 2016, Agility Trains West Limited and the Secretary of State for Transport agreed a variation to the MARA to amend the Great Western Mainline Intercity Express Programme (IEP) fleet. The variation replaced the twenty one 9-Car electric trains in the fleet with twenty one 9-car bi-mode trains. The Secretary of State for Transport has committed to meet the additional financing obligations of this variation, although retained an option to request Agility Trains West Limited to seek additional financing at a later date.

The delivery of depots and trains under the MARA has progressed during the year. Construction activity at the North Pole, Stoke Gifford and Swansea Maliphant depot sites is now complete. During the year further Intercity Express Programme trains have arrived in the UK and the manufacturing of trains has commenced in the UK.

Train testing and commissioning began in the year but was limited by a delay in the provision of designated infrastructure for testing on the Great Western Mainline. As a result, train acceptances have been delayed, with the first train now forecast to be accepted in Autumn 2017.

On 11 July 2016 Hitachi Rail Europe Limited and John Laing Investments Limited subscribed to £285.2m of Loan Notes in Agility Trains West (Midco) Limited. On the same date Agility Trains West (Midco) Limited subscribed to loan notes of equal value in Agility Trains West Limited. Agility Trains West Limited used the funds received from Agility Trains West (Midco) Limited to repay the Equity Bridge Facility on 25 July 2016.

RESULTS

The loss for the year before taxation amounted to £15.7m (2016: £2.8m loss). After the taxation credit of £5.7m (2016: £0.3m credit) the loss for the year was £10.0m (2016: £2.5m loss).

Net liabilities increased to £531m in 2017 from £475m in 2016, primarily due to movements in the fair value of the Company's hedging derivatives. The Company continued to invest cash in the Company's service concession financial asset, financed by the proceeds from additional borrowings.

FUTURE DEVELOPMENTS

Other than the delays to train acceptances caused by late provision of designated infrastructure, as mentioned above in the Business Review section and the impacts of which are being addressed through the contractual provisions for such events, at the date of this report the Directors are not aware of any likely significant changes to the Company's activities in the next year.

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

During the delivery phase of the contract the Company measures its performance by reference to whether various milestones (such as train and depot delivery dates and the provision of required document deliverables to key stakeholders) have been, or are forecast to be, delivered in line with the original planned delivery programme under the various project and finance agreements entered into as part of the Great Western IEP project. Although delays in the provision of infrastructure for testing have resulted in changes to train and depot delivery forecasts from the original programme, the Company has continued to provide all contractual deliverables to the appropriate counterparties in the year.

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.

A significant risk is the late acceptance of trains into service, resulting in a delay in the commencement of operations and receipt of the associated payments from the Train Operating Company (TOC). To mitigate this risk the Company has passed down delivery obligations under the MARA and Train Availability and Reliability Agreement (TARA) to its train supplier, Hitachi Rail Europe Limited under the Manufacture and Supply Agreement (MSA) and Train Services Agreement (TSA). The Company monitors all delivery obligations.

The Company is also exposed to interest rate risk which is managed through the use of interest rate swaps and interest rate caps, details of which are set out in note 13 to the financial statements.

On behalf of the Board

J Mee.

J A Mee
Director
29 June 2017

DIRECTORS' REPORT

The Directors submit their Report and the audited financial statements for the year ended 31 March 2017.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year (2016: £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 accounting policies for the year ended 31 March 2017 and note 13 Financial risk management.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

- as far as the Director is aware, there is no relevant audit information of which the 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 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 16.

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 propose that Deloitte LLP are reappointed for the year ending 31 March 2018. Deloitte LLP have indicated their willingness to continue as auditor for another term. Arrangements have been made in accordance with Section 485 of the Companies Act 2006, for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the Board

J A Mee
Director
29 June 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the 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 the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 results of the Company for that period.

In preparing the Company 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 in IFRSs 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 WEST LIMITED

We have audited the financial statements of Agility Trains West Limited for the year ended 31 March 2017 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor
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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andrew Lowes

Andrew Lowes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 June 2017

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017	2016
		£'000	£'000
Continuing operations			
Revenue	1	**27,271**	85,245
Cost of sales		**(26,146)**	(83,483)
Gross profit		**1,125**	1,762
Administrative expenses		**(216)**	(183)
Operating profit	2	**909**	1,579
Investment revenues	5	**32,424**	26,239
Finance costs	5	**(48,994)**	(30,660)
Loss before tax		**(15,661)**	(2,842)
Tax	6	**5,683**	352
Loss for the year		**(9,978)**	(2,490)
Attributable to:			
Owners of the Company		**(9,978)**	(2,490)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Hedging reserve £'000	2017 Retained earnings £'000	Total £'000
Loss for the year		-	**(9,978)**	**(9,978)**
Items that may be reclassified subsequently to profit or loss:				
Decrease in the fair value of hedging derivatives	17	(42,843)	-	**(42,843)**
Ineffectiveness on cash flow hedges	17	1,765	-	**1,765**
Deferred tax relating to hedging derivatives	6	(4,475)	-	**(4,475)**
Other comprehensive expense		**(45,553)**	-	**(45,553)**
Total comprehensive expense for the year		**(45,553)**	**(9,978)**	**(55,531)**

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Hedging reserve £'000	2016 Retained earnings £'000	Total £'000
Loss for the year		-	(2,490)	(2,490)
Items that may be reclassified subsequently to profit or loss:				
Decrease in the fair value of hedging derivatives	17	(94,100)	-	(94,100)
Ineffectiveness on cash flow hedges	17	4,617	-	4,617
Deferred tax relating to hedging derivatives	6	10,369	-	10,369
Other comprehensive expense		(79,114)	-	(79,114)
Total comprehensive expense for the year		(79,114)	(2,490)	(81,604)

BALANCE SHEET AS AT 31 MARCH 2017

	Notes	2017	2016
		£'000	£'000
Non-current assets			
Property, plant and equipment	7	**64**	61
Financial assets - available for sale	8	**400,416**	340,826
Trade and other receivables	9	**1,086**	43,378
Deferred tax asset	15	**125,322**	118,971
Derivative financial instruments	14	**-**	6
		526,888	503,242
Current assets			
Trade and other receivables	9	**24,190**	5,496
Cash and cash equivalents	10	**469**	2,460
		24,659	7,956
Total assets		**551,547**	511,198
Current liabilities			
Trade and other payables	11	**(30,644)**	(12,045)
Current portion of interest-bearing loans and borrowings	10	**-**	(285,152)
		(30,644)	(297,197)
Net current liabilities		**(5,985)**	(289,241)
Non-current liabilities			
Non-current portion of interest-bearing loans and borrowings	10	**(389,330)**	(74,882)
Deferred tax liability	15	**(15,200)**	(10,057)
Derivative financial instruments	14	**(647,255)**	(604,413)
		(1,051,785)	(689,352)
Total liabilities		**(1,082,429)**	(986,549)
Net liabilities		**(530,882)**	(475,351)
Equity			
Share capital	16	**50**	50
Hedging reserve	17	**(520,334)**	(474,781)
Retained earnings		**(10,598)**	(620)
Total equity		**(530,882)**	(475,351)

The financial statements of Agility Trains West Limited, registered number 07930606, were approved by the Board of Directors and authorised for issue on 29 June 2017. They were signed on its behalf by:

JMee

J A Mee
Director
29 June 2017

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital	**Hedging revaluation reserve**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2016	**50**	**(474,781)**	**(620)**	**(475,351)**
Loss for the year	**-**	**-**	**(9,978)**	**(9,978)**
Other comprehensive expense for the year	**-**	**(45,553)**	**-**	**(45,553)**
Balance at 31 March 2017	**50**	**(520,334)**	**(10,598)**	**(530,882)**

FOR THE YEAR ENDED 31 MARCH 2016

	Share capital	Hedging revaluation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 April 2015	50	(395,667)	1,870	(393,747)
Loss for the year	-	-	(2,490)	(2,490)
Other comprehensive expense for the year	-	(79,114)	-	(79,114)
Balance at 31 March 2016	50	(474,781)	(620)	(475,351)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Net cash from operating activities	18	**6,137**	1,538
Investing activities			
Interest received		**49**	34
Increase in financial assets		**(27,216)**	(85,245)
Purchases of property, plant and equipment		**(41)**	(1)
Net cash from investing activities		**(27,208)**	(85,212)
Financing activities			
Interest paid		**(14,772)**	(14,055)
Financing fees		**(13,835)**	(38,235)
Repayment of borrowings		**(285,152)**	-
Proceeds from borrowings		**332,839**	129,757
Net cash from financing activities		**19,080**	77,467
Net decrease in cash and cash equivalents		**(1,991)**	(6,207)
Cash and cash equivalents at beginning of the year		**2,460**	8,667
Cash and cash equivalents at the end of the year	10	**469**	2,460

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2017

BASIS OF PREPARATION

Agility Trains West Limited is a private limited company incorporated in England and Wales in the United Kingdom 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 on pages 2 to 3.

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 European Union member states and, therefore, these accounts comply with Article 4 of the EU IAS regulation.

The functional currency of Agility Trains West Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

ADOPTION OF NEW AND REVISED STANDARDS

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 EU):

Standard/amendment/interpretation

IFRS 9: Financial Instruments;
IFRS 15: Revenue from Contracts with Customers;
IFRS 16: Leases
IFRIC 22: Foreign Currency Transactions and Advance Consideration

Amendments to;
IFRS 2 Classification and Measurement of Share-based Payment Transactions
IFRS 4 Applying IFRS 9 Financial Instruments to IFRS 4 Insurance Contracts
IFRS 10 Consolidated Financial Statements;
IAS 7 Statement of Cash flows
IAS 12 Income Taxes
IAS 28 Investments in Associates
IAS 40 Investment Property

Amendments arising from the Annual Improvements to IFRS (2014 - 2016) Cycle

With the exception of IFRS 9, the Directors do not anticipate that the adoption of these standards listed above will have a material impact on the financial statements of the Company in future reporting periods. The adoption of IFRS 9, when it becomes mandatory, may have an impact on future reporting classifications and disclosures. No additional IFRSs have been adopted in the year.

SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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 European Union ("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) The Company has secured bank facilities totalling £2.5bn to fund the Great Western IEP project, of which £529m had been drawn at the year end (2016: £481m). The secured facilities are available to be drawn upon request, subject to agreement from the lenders technical adviser. Total funds forecast to be withdrawn over the next 12 months amount to £1,016m. The Directors have considered the continued availability of finance from the Company's lenders and derivative providers. During the delivery phase of the project the Directors regularly monitor the creditworthiness of the lenders and derivative providers, and do not currently consider this to be a material risk.

The Directors have considered the ability of the committed parties to subscribe for the remaining committed loan notes issued by Agility Trains West (Midco) Limited under the terms of the Amended and Restated Shareholder Support Agreement signed on 7 July 2015. The Directors regularly monitor the credit worthiness of the committed parties and do not consider this to be a material risk.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2017

b) Going concern (continued)

iv) The Directors have considered the Company's compliance with financial covenant tests and confirmed that the covenants do not apply until the conclusion of the delivery phase of the project, currently projected to be in 2018. As this is more than one year from the date of approval of the financial statements the Directors do not consider this currently to be a material risk.

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 company that has been established to perform the Great Western 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 Great Western IEP Project Master Availability and Reliability Agreement, 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 financial asset - available for sale

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 delivery income and to operational income. 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 IAS39. Under IAS 39, the characteristics of the concession's financial asset are such that it can be held at either fair value through profit and loss or as available for sale. Management have elected to hold the assets as available for sale.

The Great Western Mainline IEP concession will run for a period of 27.5 years from acceptance of the first train. Under the terms of the MARA, the Company has an obligation to make available and provide maintenance for a fleet of 57 Super Express Trains, in return it will receive an predetermined availability payment from the TOC. The availability payment is subject to amendment in the event of a variation to the MARA. The Company has contracted Hitachi Rail Europe Limited to provide train maintenance services, including train and depot lifecycle, over the concession period.

d) Revenue recognition

During the delivery phase, revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IAS 11 Construction Contracts. 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 special purpose company.

During the operational phase, cash received in respect of the service concession is allocated between capital repayments and interest income using an effective interest rate method, the balance is recognised as operational income by applying a derived margin on costs.

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.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2017

b) Taxation (continued)

The carrying amount of any deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is not certain 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) Property, plant and equipment

Plant and equipment, including fixtures and fittings, office equipment and computer equipment, are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful economic lives using the straight line method on the following basis:

Fixtures and fittings	5 years
Office Equipment	5 years
Computer Equipment	3 years

h) Derivative financial instruments - recognition and measurement

The financial risks faced by the Company in relation to the Great Western IEP contract have been hedged at the inception of the project through fixed interest rate swap agreements and interest rate cap 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.

i) Derivative financial instruments hedge designation and effectiveness testing

The Company has designated its interest rate swaps and the intrinsic value of its interest rate caps as cash flow hedges. At the inception of the hedge, the Company documents the relationship between the hedging instrument and the hedged interest payments.

The instruments are tested both retrospectively and prospectively for effectiveness at each reporting date and if results are within a range of 80% to 125% 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 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 14. Movements in the hedging reserve in shareholder's equity are shown in note 17. The full fair value of the hedging derivative is classified as a non-current asset or liability when the hedged item has more than 12 months to maturity and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations. 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

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 fair values or cash flows of the hedged item.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2017

Derivative financial instruments hedge designation and effectiveness testing (continued)

Cash flow hedges

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.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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.

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 Company Cash Flow Statement, cash and cash equivalents comprise cash and short term deposits as defined above, net of bank overdrafts.

k) 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.

l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

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.

Revenue recognition

The Company estimates a capital margin of 4% will be earned over the concession period and this has been applied to capital costs incurred during the year (2016: 0%)

Available for sale assets

Under IAS 39 the Company is required to determine the appropriate classification for the contract financial asset. As set out further in note (c) above, the Company has made a judgement that the appropriate classification is available for sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 REVENUE

	2017	2016
	£'000	£'000
Revenue in the year is analysed as follows:		
Capital revenue	**27,271**	85,245
Investment income (note 5)	**49**	34
Financial asset interest (note 5)	**32,375**	26,205

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

2 OPERATING PROFIT

	2017	2016
	£'000	£'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**(3)**	(3)
Fees payable to the Company's auditor for other services to the Agility Trains West (Holdings) Limited Group		
- the audit of the Agility Trains West (Holdings) Limited Group companies	**(42)**	(40)
Total audit fees	**(45)**	(43)
- tax compliance services	**(12)**	(10)
- tax advisory services	**(20)**	(13)
- audit related assurance services	**(7)**	(55)
Total non-audit fees	**(39)**	(78)
Payments under operating lease:		
- rental of land and buildings	**(75)**	(75)
Depreciation of property, plant and equipment	**(38)**	(48)

3 DIRECTORS' REMUNERATION

The Directors did not receive any remuneration during the year or the previous year. Fees paid to shareholding companies for the services of the Directors totalled £139k *(2016: £118k).*

4 EMPLOYEES

The Company has had no direct employees in the year (2016: Nil). Secondees are provided to the Company under separate agreements by shareholders.

5 INVESTMENT REVENUES AND FINANCE COSTS

	2017 £'000	2016 £'000
Investment revenues		
Investment income	**49**	34
Financial asset interest	**32,375**	26,205
Total investment revenues	**32,424**	26,239
Finance costs		
Interest on bank and other loans, overdrafts and derivatives	**(47,223)**	(17,309)
Fair value loss on undesignated time value of interest rate caps	**-**	(99)
Ineffectiveness of fair value loss arising from cashflow hedges	**(1,771)**	(4,618)
Fair value loss on novated interest rate swaps	**-**	(5,612)
Derivative arrangement fee	**-**	(3,022)
Total finance costs	**(48,994)**	(30,660)

6 TAX

Income tax recognised in the income statement

	2017 £'000	2016 £'000
Current tax	**-**	-
Deferred tax (note 15)	**5,683**	352
Total tax credit on ordinary activities	**5,683**	352

The credit for the year can be reconciled to the loss in the income statement as follows:

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation	**(15,661)**	(2,842)
Loss on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 20% (2016: 20%).	**3,132**	**568**
Income / expenses that are not taxable / deductible in determining taxable profit	**996**	124
Adjustments in respect of prior years	**1,650**	(240)
Impact of change in tax rate	**(95)**	(100)
Total tax credit for the year	**5,683**	352

Income tax recognised in other comprehensive income

	2017 £'000	2016 £'000
Current tax	**-**	-
Deferred tax		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	**(4,475)**	10,369
Total income tax recognised in other comprehensive income	**(4,475)**	10,369

On 26 October 2015, the Finance (No.2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and a further 1% reduction to 18% from 1 April 2020. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020. Accordingly, these rates have been reflected in the calculation of the deferred tax asset. 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 PROPERTY, PLANT AND EQUIPMENT

	Fixtures & fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Original cost				
At 31 March 2015	106	34	62	202
Additions	-	-	1	1
At 31 March 2016	106	34	63	203
Additions	-	10	31	41
At 31 March 2017	**106**	**44**	**94**	**244**
Accumulated depreciation				
At 31 March 2015	(42)	(14)	(38)	(94)
Charge for the year	(21)	(7)	(20)	(48)
At 31 March 2016	(63)	(21)	(58)	(142)
Charge for the year	(21)	(9)	(8)	(38)
At 31 March 2017	**(84)**	**(30)**	**(66)**	**(180)**
Carrying amount at 31 March 2017	**22**	**14**	**28**	**64**
Carrying amount at 31 March 2016	43	13	5	61

8 FINANCIAL ASSETS - AVAILABLE FOR SALE

	£'000
At 31 March 2015	229,376
Additions	85,245
Financial asset interest	26,205
At 31 March 2016	340,826
Additions	**27,215**
Financial asset interest	**32,375**
At 31 March 2017	**400,416**

	2017 £'000	2016 £'000
Analysed as:		
Less than one year	-	-
Greater than one year	**400,416**	340,826
At 31 March 2017	**400,416**	340,826

9 TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Current assets		
Trade receivables	**17,701**	-
VAT recoverable	**1,444**	121
Prepayments and accrued income	**5,045**	5,375
	24,190	5,496
Non-current assets		
Prepayments and accrued income	**1,086**	43,378
	1,086	43,378

10 CASH AND CASH EQUIVALENTS

	2017 Recourse £'000	2017 Non-recourse £'000	2017 Total £'000
Cash at bank and in hand	**469**	**-**	**469**
Bank and other loans falling due within one year	**-**	**-**	**-**
Bank and other loans falling due after more than one year	**-**	**(389,330)**	**(389,330)**
	469	**(389,330)**	**(388,861)**

	2016 Recourse £'000	2016 Non-recourse £'000	2016 Total £'000
Cash at bank and in hand	2,460	-	2,460
Bank and other loans falling due within one year	-	(285,152)	(285,152)
Bank and other loans falling due after more than one year	-	(74,882)	(74,882)
	2,460	(360,034)	(357,574)

Non-recourse debt is secured against Company assets.

11 TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Current liabilities		
Trade payables	**(19,450)**	(712)
VAT payable	**(1,136)**	-
Accruals	**(10,058)**	(11,333)
	(30,644)	(12,045)

12 FINANCIAL INSTRUMENTS

a) Financial instruments by category

	Loans and receivables	Available for sale assets	Financial liabilities at amortised cost	Derivatives in effective hedging relationships	31 March 2017 Total
	£'000	£'000	£'000	£'000	£'000
Fair value measurement method	n/a	Level 3	n/a	Level 2	
2017					
Non-current assets					
Financial assets - available for sale	-	400,416	-	-	400,416
Trade and other receivables	1,086	-	-	-	1,086
Current assets					
Trade and other receivables	22,746	-	-	-	22,746
Cash and cash equivalents	469	-	-	-	469
Total financial assets	24,301	400,416	-	-	424,717
Current liabilities					
Trade and other payables	-	-	(29,508)	-	(29,508)
Non-current liabilities					
Interest bearing loans and borrowings	-	-	(389,330)	-	(389,330)
Derivative financial instruments	-	-	-	(647,255)	(647,255)
Total financial liabilities	-	-	(418,838)	(647,255)	(1,066,093)
Net financial liabilities	24,301	400,416	(418,838)	(647,255)	(641,376)

	Loans and receivables	Available for sale assets	Financial liabilities at amortised cost	Derivatives in effective hedging relationships	31 March 2016 Total
	£'000	£'000	£'000	£'000	£'000
Fair value measurement method	n/a	Level 3	n/a	Level 2	
2016					
Non-current assets					
Financial assets - available for sale	-	340,826	-	-	340,826
Derivative financial instruments	-	-	-	6	6
Trade and other receivables	43,378	-	-	-	43,378
Current assets					
Trade and other receivables	5,496	-	-	-	5,496
Cash and cash equivalents	2,460	-	-	-	2,460
Total financial assets	51,334	340,826	-	6	392,166
Current liabilities					
Trade and other payables	-	-	(12,045)	-	(12,045)
Interest bearing loans and borrowings	-	-	(285,152)	-	(285,152)
Non-current liabilities					
Interest bearing loans and borrowings	-	-	(74,882)	-	(74,882)
Derivative financial instruments	-	-	-	(604,413)	(604,413)
Total financial liabilities	-	-	(372,079)	(604,413)	(976,492)
Net financial liabilities	51,334	340,826	(372,079)	(604,407)	(584,326)

The above tables provide an analysis of financial instruments that are measured subsequent to their initial recognition at fair value.

Assets available for sale are carried at fair value. There is no active market for PPP/PFI contract assets and no observable inputs. Accordingly the fair value has been classified as falling within Level 3 of the fair value hierarchy. On the basis that the project remains in the construction phase, the fair value has been taken to be cost incurred to date plus any applicable margin. 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, net of a credit value spread, and determined by applying a forecast interest rate curve to committed nominal values per the derivative agreements. Loans and receivables together with all financial liabilities (other than derivative) are carried at amortised cost.

12 FINANCIAL INSTRUMENTS (CONTINUED)

- 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). Available for sale assets are held at fair value, which has been determined as cost plus accrued financial interest to date plus any applicable margin.

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 2017 were £1,067m (2016: £976m), all of which were non-recourse. The lenders have recourse solely to the Company. There were no recourse borrowings as at 31 March 2017 or at 31 March 2016.

	31 March 2017			
	Interest bearing		**Non-interest**	
	Floating rate	**Fixed rate**	**bearing**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Non-recourse				
Borrowings < 1 year	-	-	-	-
Borrowings > 1 year	**(116,018)**	**(273,312)**	-	**(389,330)**
Total derivative liabilities	-	**(647,255)**	-	**(647,255)**
Trade and other payables	-	-	**(30,644)**	**(30,644)**
Total	**(116,018)**	**(920,567)**	**(30,644)**	**(1,067,229)**

	31 March 2016			
	Interest bearing		Non-interest	
	Floating rate	Fixed rate	bearing	Total
	£'000	£'000	£'000	£'000
Non-recourse				
Borrowings < 1 year	(285,152)	-	-	(285,152)
Borrowings > 1 year	(74,882)	-	-	(74,882)
Total derivative liabilities	-	(604,413)	-	(604,413)
Trade and other payables	-	-	(12,045)	(12,045)
Total	(360,034)	(604,413)	(12,045)	(976,492)

Borrowings include £167m (2016: £121m) of unamortised finance costs that have been netted off against the carrying value of the debt. Finance costs are released to the income statement using the effective interest rate method over the term of the debt.

13 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk and inflation risk), credit risk, price 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 the Company's financial results. The Company uses derivative financial instruments to hedge interest rate risk exposures.

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

Market risk - interest rate risk

The Company's interest rate risk arises due to fluctuations in interest rates which expose the Company 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 and interest cap agreements.

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

	31 March 2017			
	Interest bearing		**Non-interest**	**Total**
	Floating rate	**Fixed rate**	**bearing**	
	£'000	**£'000**	**£'000**	**£'000**
Financial assets - available for sale	**-**	**400,416**	**-**	**400,416**
Trade and other receivables	**-**	**-**	**25,276**	**25,276**
Cash and cash equivalents	**469**	**-**	**-**	**469**
Financial asset exposure to interest rate risk	**469**	**400,416**	**25,276**	**426,161**

	31 March 2016			
	Interest bearing		Non-interest	Total
	Floating rate	Fixed rate	bearing	
	£'000	£'000	£'000	£'000
Financial assets - available for sale	-	340,826	-	340,826
Derivative financial instruments	-	6	-	6
Trade and other receivables	-	-	48,874	48,874
Cash and cash equivalents	2,460	-	-	2,460
Financial asset exposure to interest rate risk	2,460	340,832	48,874	392,166

While the Company hedges interest rate cashflow risk on variable rate bank financing, movements in LIBOR impact the timing of interest charges to the income statement under the effective interest rate method. As at 31 March 2017 a 50bps increase in future LIBOR assumptions would result in an increased interest charge of £1,079k for the current year (2016: £968k increase), and a corresponding 50bps decrease would result in a £1,075k interest charge reduction (2016: £969k reduction).

Under hedge accounting, movements in LIBOR also impact the hedge ineffectiveness credit/charge to the income statement. As at 31 March 2017 a 50bps increase in future LIBOR assumptions would have no effect on the result for the current year (2016: £8.4m debit), and a corresponding 50bps decrease would have no effect on the result for the current year (2016: £Nil).

The above sensitivity analysis was performed by flexing effective interest rate calculations and using the Bloomberg Treasury Resource Management System tool. A flat 50bps increase and a flat 50bps decrease was added to the forecast LIBOR rates as at the year end, all other factors remaining constant.

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

The interest rate on the financial asset is 9% (2016: 9%), and the remaining amortisation period of the asset is 28 years.

The exposure of the Company's financial liabilities to interest rate risk is as follows:

	31 March 2017			
	Interest bearing		**Non-interest**	**Total**
	Floating rate	**Fixed rate**	**bearing**	
	£'000	**£'000**	**£'000**	**£'000**
Interest bearing loans and borrowings	**(116,018)**	**(273,312)**	**-**	**(389,330)**
Fair value of derivatives	**-**	**(647,255)**	**-**	**(647,255)**
Trade and other payables	**-**	**-**	**(30,644)**	**(30,644)**
Financial liability exposure to interest rate risk	**(116,018)**	**(920,567)**	**(30,644)**	**(1,067,229)**

	31 March 2016			
	Interest bearing		Non-interest	Total
	Floating rate	Fixed rate	bearing	
	£'000	£'000	£'000	£'000
Interest bearing loans and borrowings	(360,034)	-	-	(360,034)
Fair value of derivatives	-	(604,413)	-	(604,413)
Trade and other payables	-	-	(12,045)	(12,045)
Financial liability exposure to interest rate risk	(360,034)	(604,413)	(12,045)	(976,492)

The interest rates on the interest bearing loan and borrowing facilities are fixed using interest rate swaps and interest rate caps. The interest rate swaps mature in 2041 and the effective interest rate is 3.8%. The interest rate caps matured in July 2016 and were capped at an interest rate of 0.6%.

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 Great Western IEP Network project documents. This results in the Company's operating cash flows being relatively insensitive to inflation and the Company is not therefore exposed to significant inflation 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, cash investments and derivative transactions are limited to financial institutions with an acceptable credit rating, and counterparties are carefully reviewed. The Company's cash balances are invested in line with the financing agreements which stipulate required ratings that must be achieved. 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 will begin to receive revenue from the TOC that is operating the Great Western mainline. Under the terms of the Great Western IEP Network 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.

Price risk

The revenues received by the Company from the Train Operating Company 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.

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.

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.

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity of financial assets

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

	Continuing operations 31 March 2017				
	Less than one year	**less than two years**	**Less than five years**	**Greater than five years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets - available for sale	-	-	-	400,416	400,416
Derivative financial instruments	-	-	-	-	-
Trade and other receivables	24,190	1,086	-	-	25,276
Cash and cash equivalents	469	-	-	-	469
Total financial assets	**24,659**	**1,086**	**-**	**400,416**	**426,161**

	Continuing operations 31 March 2016				
	Less than one year	less than two years	Less than five years	Greater than five years	Total
	£'000	£'000	£'000	£'000	£'000
Financial assets - available for sale	-	-	-	340,826	340,826
Derivative financial instruments	6	-	-	-	6
Trade and other receivables	5,496	3,786	1,086	38,506	48,874
Cash and cash equivalents	2,460	-	-	-	2,460
Total financial assets	7,962	3,786	1,086	379,332	392,166

None of the financial assets are impaired or overdue.

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

	31 March 2017		
	Non-recourse liabilities	**Non-recourse derivatives**	**Total**
	£'000	**£'000**	**£'000**
In one year or less, or on demand	-	(31,029)	(31,029)
In more than one year but less than two years	-	(59,279)	(59,279)
In more than two years but less than five years	-	(154,291)	(154,291)
In more than five years	(389,330)	(402,656)	(791,986)
Total	(389,330)	(647,255)	(1,036,585)

	31 March 2016		
	Non-recourse liabilities	Non-recourse derivatives	Total
	£'000	£'000	£'000
In one year or less, or on demand	(285,152)	(8,114)	(293,266)
In more than one year but less than two years	-	(30,357)	(30,357)
In more than two years but less than five years	-	(159,164)	(159,164)
In more than five years	(74,882)	(406,778)	(481,660)
Total	(360,034)	(604,413)	(964,447)

The fair value of the loans approximates the carrying value.

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

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017						
Variable interest rate instruments	**3.8**	**-**	**(3,427)**	**(16,307)**	**(347,126)**	**(366,860)**
Fixed interest rate	**13**	**-**	**(33,333)**	**(19,100)**	**(260,242)**	**(312,675)**
Non-interest bearing instruments**	**n/a**	**(30,644)**	**-**	**-**	**-**	**(30,644)**
		(30,644)	**(36,760)**	**(35,407)**	**(607,368)**	**(710,179)**
31 March 2016						
Variable interest rate instruments	3.8	(286,581)	-	(11,474)	(292,321)	(590,376)
Non-interest bearing instruments**	n/a	(12,045)	-	-	-	(12,045)
		(298,626)	-	(11,474)	(292,321)	(602,421)

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

The following table details the remaining contractual maturity of the Company's derivative instruments. The table reflects the undiscounted net cash flows relating to derivative instruments that settle 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 2017						
Net settled interest	**3.8**	**(34,764)**	**(66,842)**	**(150,775)**	**(555,246)**	**(807,627)**
Net settled interest	**0.6**	**-**	**-**	**-**	**-**	**-**
		(34,764)	**(66,842)**	**(150,775)**	**(555,246)**	**(807,627)**
31 March 2016						
Net settled interest	3.8	(9,942)	(38,474)	(241,231)	(999,241)	(1,288,888)
Net settled interest	0.6	6	-	-	-	6
		(9,936)	(38,474)	(241,231)	(999,241)	(1,288,882)

14 FAIR VALUE OF DERIVATIVES

	2017	2016
	£'000	£'000
Non-current assets		
Interest rate caps	-	6
Non-current liabilities		
Interest rate swaps	(647,255)	(604,413)
Total fair value of derivatives	(647,255)	(604,407)

The derivatives have been fair valued in accordance with the Company's accounting policies. 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.

There were no interest rate caps held as at 31 March 2017 (2016:6k), interest rate cap agreements entered into by the Company in July 2012 matured in July 2016.

As at 31 March 2017, the Company had entered into nine interest rate swaps agreements in relation to it's non-recourse financing. The swaps were designated as cash flow hedges at inception having met the criteria for hedge accounting. During the year the decrease of £42.8m in fair value has been recognised in the hedging reserve (2016: £109.0m decrease in fair value of which; £10.3m was taken to the income statement, £89.5m was recognised in the hedging reserve and £9.2m was capitalised as pre-paid finance costs).

15 DEFERRED TAX

The table below shows the deferred tax asset and liabilities recognised by the Company and movements therein for the year ended 31 March 2017 and the year ended 31 March 2016.

	Cash flow hedges	Available for sale financial assets	Tax losses	Total
	£'000	£'000	£'000	£'000
At 31 March 2015	99,196	(4,599)	3,596	98,193
Recognised in income statement	392	(4,330)	4,290	352
Recognised in other comprehensive income	10,369	-	-	10,369
At 31 March 2016	109,957	(8,929)	7,886	108,914
Recognised in income statement	**3,588**	**(5,144)**	**7,239**	**5,683**
Recognised in other comprehensive income	**(4,475)**	**-**	**-**	**(4,475)**
At 31 March 2017	**109,070**	**(14,073)**	**15,125**	**110,122**

Closing deferred tax balances have been provided at 17% (2016: 18%).

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.

	2017	2016
	£'000	£'000
Deferred tax assets	125,322	118,971
Deferred tax liabilities	(15,200)	(10,057)
	110,122	108,914

16 SHARE CAPITAL

	2017	2016
	£'000	£'000
Authorised, allotted, called up and fully paid:		
50,000 ordinary shares of £1 each issued at par	**50**	50

17 HEDGING RESERVE

	£'000
At 31 March 2015	(395,667)
Decrease in fair value of hedging derivatives	(94,100)
Ineffectiveness of cash flow hedges	4,617
Deferred tax relating to hedging derivatives	10,369
At 31 March 2016	(474,781)
Decrease in fair value of hedging derivatives	**(42,843)**
Ineffectiveness of cash flow hedges	**1,765**
Deferred tax relating to hedging derivatives	**(4,475)**
At 31 March 2017	**(520,334)**

As at 31 March 2017 the Company held nine interest rate swaps. The interest rate swaps are held to hedge against interest rate risk on four senior debt facilities. The Company commenced drawing down from the senior debt facilities in August 2014.

Ineffectiveness of £1.8m recognised at 31 March 2017 relates solely to the interest rate cap agreements which matured on 24 July 2016 (2016:£nil). No ineffectiveness was recognised on the interest rate swaps in the income statement for the year ending 31 March 2017 (2016: £4.6m which reflected ineffectiveness prior to the re-negotiation of debt facilities on 7 July 2015).

18 NOTES TO THE CASH FLOW STATEMENT

	2017	2016
	£'000	£'000
Operating profit	**909**	1,579
Adjustments for:		
Depreciation of plant and equipment	**38**	48
(Increase) / decrease in receivables	**(14,908)**	3,541
Increase / (decrease) in payables	**20,098**	(3,630)
Net cash from operating activities	**6,137**	1,538

19 OPERATING LEASE ARRANGEMENTS

	2017 £'000	2016 £'000
Lease payments under operating leases recognised as an expense in the year	**75**	75

	2017 £'000	2016 £'000
In one year or less	**68**	75
In more than one year but less than two years	-	68
In more than two years but less than five years	-	-
In more than five years	-	-
	68	143

Operating lease payments represent rentals payable by the Company for its office premises. The lease term and annual rental charge will be subject to re-negotiation in March 2018.

20 TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and related parties disclosed below.

	2017 £'000	2016 £'000
Hitachi Europe Limited		
Purchases of assets, goods and services in the year		
Financing	**201,117**	4,522
Design and development	**29,964**	79,255
Administration	**2,080**	481
	233,161	84,258
Balance payable at 31 March	**218,971**	615
John Laing Investments Limited		
Purchases of assets, goods and services in the year		
Financing	**86,193**	2,579
Administration	**307**	284
	86,500	2,863
Balance payable at 31 March	**85,564**	18

Hitachi Europe Limited is the immediate parent undertaking of Hitachi Rail Europe Limited, John Laing Investments Limited is the immediate parent undertaking of Rail Investments (Great Western) Limited. Both Hitachi Rail Europe Limited and Rail Investments (Great Western) Limited are shareholders of the Company.

21 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent company and controlling party, and the smallest and largest group in which its results are consolidated is Agility Trains West (Holdings) Limited, a company incorporated in United Kingdom and registered in England and Wales.

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