

# AGILITY TRAINS WEST LIMITED

STRATRGIC REPORT, DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

Registered Number 07930606



**STRATRGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

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**DIRECTORS AND ADVISERS**

**Directors**

A T Barr  
A J Dormer  
K W Jordan  
H Miura  
A S Pearson  
M J Westbrook

**Registered office**

4th Floor  
4 Copthall Avenue  
London, United Kingdom

**Auditor**

Deloitte LLP  
Chartered Accountants  
London, United Kingdom

**Solicitors**

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

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

The Directors submit their Strategic Report for the year ended 31 March 2014.

### 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 Infrastructure Great Western Limited (30.0%). All four companies 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 57 new Super Express Trains and 3 depot sites on the Great Western mainline under the UK Government's Intercity Express Programme.

On 24 July 2012 the Great Western IEP project reached commercial and financial close when the Company entered into the Great Western IEP Network Master Availability and Reliability Agreement (MARA) with the Secretary of State for Transport for the provision and maintenance of trains and depots on the Great Western mainline. The agreement forms the basis of the Company's principal activity and runs from 24 July 2012 until a date 27½ years after the date on which the first train is accepted into service, currently estimated to be in 2017 (the Guaranteed Usage Period). The MARA provides that the Secretary of State will procure that the Train Operating Company (TOC) operating the Great Western Franchise will enter into a Train Availability and Reliability Agreement (TARA) with Agility Trains West Limited under which Agility Trains West Limited will provide trains to, and receive Set Availability Payments from, the TOC during the Guaranteed Usage Period.

On the same date the MARA was signed, Agility Trains West Limited entered into two agreements with Hitachi Rail Europe Limited. The Manufacture and Supply Agreement (MSA) secures the manufacture of the Super Express Trains and the construction of the maintenance depots by Hitachi Rail Europe Limited. The Train Services Agreement (TSA) secures the maintenance of the trains and the depots over the 27½ year operational period through to the end of the MARA agreement.

On 24 July 2012 the Company and Agility Trains West (MidCo) Limited also entered into the key agreements relating to the financing of the Great Western IEP project. These finance documents enable the Company to secure bank and shareholder financing to meet its ongoing obligations to the Secretary of State for Transport, finance providers, subcontractors and other key stakeholders.

### BUSINESS REVIEW

The design of the trains has continued throughout the year and is on schedule to meet the train delivery programme. Construction activity at the depot sites has continued; the North Pole depot site will be complete in Q3 of 2014, with the Swansea Maliphant and Stoke Gifford depot sites scheduled to be completed in 2015 and 2016 respectively.

On 31 January 2014, the Company and the Secretary of State for Transport agreed a variation to the original MARA to amend the train type mix on the Great Western IEP fleet. The variation replaced the original 8-car bi-mode and 8-car electric trains with a combination of 9-car electric trains and additional 5-car bi-mode trains. In order to meet the additional obligations of the variation further bank and shareholder financing was required, and this was secured on the same date.

### RESULTS

The loss for the year before taxation amounted to £24.4m (period from 31 January 2012 to 31 March 2013: £15.6m loss). After the taxation credit of £2.4m (period from 31 January 2012 to 31 March 2013: £3.5m credit) the loss for the year was £22.0m (period from 31 January 2012 to 31 March 2013: £12.1m loss).

### FUTURE DEVELOPMENTS

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

**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014 (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 note (b) to the Company's accounting policies.

**KEY PERFORMANCE INDICATORS**

During the delivery phase of the contract the key performance indicators for the Company are maintaining the forecast train and depot delivery dates in line with the original planned delivery programme and the provision of required document deliverables to key stakeholders under the various project and finance agreements entered into as part of the Great Western IEP project. The current train and depot delivery forecasts remain in line with the original programme and all contractual deliverables have been provided 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.

The Company is 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.

The other principal 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 TOC. To mitigate this risk the Company has passed down delivery obligations under the MARA and TARA to its train supplier, Hitachi Rail Europe Limited.

On behalf of the Board



A S Pearson  
Director

5 September 2014

#### **DIRECTORS' REPORT**

The Directors submit their Report and the audited financial statements for the year ended 31 March 2014.

#### **DIVIDENDS**

The Directors do not recommend the payment of a dividend for the year (period from 31 January 2012 to 31 March 2013: £nil).

#### **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.

#### **AUDITOR**

Deloitte LLP were appointed auditor at a meeting of the Board of Directors held on 20 July 2012. Deloitte LLP have indicated their willingness to be reappointed 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



A S Pearson  
Director  
5 September 2014

## 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the results of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements 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 MEMBER OF AGILITY TRAINS WEST LIMITED

We have audited the financial statements of Agility Trains West Limited for the year ended 31 March 2014 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, accounting policies and the related notes 1 to 21. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's member, 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 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.

### Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 report to identify material inconsistencies with the audited financial statements. 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 2014 and of the loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### 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 the Company's member if, in our opinion:

- adequate accounting records have not been kept by the Company; 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.



**Ross Howard FCA (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom

5 September 2014



**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £'000	Period from 31 January 2012 to 31 March 2013 £'000
<b>Continuing operations</b>			
Revenue	1	33,554	68,962
Cost of sales		(33,554)	(68,962)
<b>Gross profit</b>		<u>-</u>	<u>-</u>
Administrative expenses		(169)	(132)
<b>Operating loss</b>	2	<u>(169)</u>	<u>(132)</u>
Investment revenues	5	8,561	2,782
Finance costs	5	(32,783)	(18,299)
<b>Loss before tax</b>		<u>(24,391)</u>	<u>(15,649)</u>
Tax	6	2,361	3,502
<b>Loss for the period</b>		<u>(22,030)</u>	<u>(12,147)</u>
Attributable to: Owners of the Company		<u>(22,030)</u>	<u>(12,147)</u>

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Hedging reserve £'000	2014 Retained earnings £'000	Total £'000
Loss for the year		-	(22,030)	(22,030)
Items that may be reclassified subsequently to profit or loss:				
Net increase in the fair value of hedging derivatives	17	58,963	-	58,963
Ineffectiveness on cash flow hedges	17	5,062	-	5,062
Deferred tax relating to hedging derivatives	6	(12,796)	-	(12,796)
<b>Total comprehensive Income / (expense) for the year</b>		<b>51,229</b>	<b>(22,030)</b>	<b>29,199</b>

FOR THE PERIOD FROM 31 JANUARY 2012 TO 31 MARCH 2013

	Notes	Hedging reserve £'000	2013 Retained earnings £'000	Total £'000
Loss for the period		-	(12,147)	(12,147)
Items that may be reclassified subsequently to profit or loss:				
Net decrease in the fair value of hedging derivatives	17	(100,791)	-	(100,791)
Deferred tax relating to hedging derivatives	6	22,321	-	22,321
<b>Total comprehensive expense for the period</b>		<b>(78,470)</b>	<b>(12,147)</b>	<b>(90,617)</b>

**BALANCE SHEET AS AT 31 MARCH 2014**

	Notes	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	147	121
Financial assets - available for sale	8	112,446	71,677
Trade and other receivables	9	67,281	65,771
Deferred tax asset	15	18,046	26,941
Derivative financial instruments	14	3,396	2,194
		<u>201,316</u>	<u>166,704</u>
<b>Current assets</b>			
Trade and other receivables	9	4,727	4,936
Cash and cash equivalents	10	68,800	19,214
		<u>73,527</u>	<u>24,150</u>
<b>Total assets</b>		<u>274,843</u>	<u>190,854</u>
<b>Current liabilities</b>			
Trade and other payables	11	(9,876)	(3,617)
<b>Net current assets</b>		<u>63,651</u>	<u>20,533</u>
<b>Non-current liabilities</b>			
Non-current portion of interest-bearing loans and borrowings	10	(283,276)	(177,324)
Deferred tax liability	15	(2,658)	(1,118)
Derivative financial instruments	14	(40,401)	(99,362)
		<u>(326,335)</u>	<u>(277,804)</u>
<b>Total liabilities</b>		<u>(336,211)</u>	<u>(281,421)</u>
<b>Net liabilities</b>		<u>(61,368)</u>	<u>(90,567)</u>
<b>Equity</b>			
Share capital	16	50	50
Hedging reserve	17	(27,241)	(78,470)
Retained earnings		(34,177)	(12,147)
<b>Total equity</b>		<u>(61,368)</u>	<u>(90,567)</u>

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



A S Pearson  
Director  
5 September 2014



A T Barr  
Director  
5 September 2014

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

	Share capital £'000	Hedging revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2013	50	(78,470)	(12,147)	(90,567)
Total comprehensive income for the year	-	51,229	(22,030)	29,199
Balance at 31 March 2014	50	(27,241)	(34,177)	(61,368)

FOR THE PERIOD FROM 31 JANUARY 2012 TO 31 MARCH 2013

	Share capital £'000	Hedging revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 January 2012	-	-	-	-
Issue of share capital	50	-	-	50
Total comprehensive income for the period	-	(78,470)	(12,147)	(90,617)
Balance at 31 March 2013	50	(78,470)	(12,147)	(90,567)

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	2014 £'000	Period from 31 January 2012 to 31 March 2013 £'000
<b>Net cash from operating activities</b>	18	<b>5,306</b>	<b>(12,114)</b>
<b>Investing activities</b>			
Interest received		158	68
Increase in financial assets		(33,554)	(68,961)
Purchases of property, plant and equipment		(26)	(122)
<b>Net cash from investing activities</b>		<b>(33,422)</b>	<b>(69,015)</b>
<b>Financing activities</b>			
Interest paid		(3,288)	(1,691)
Financing fees		(24,334)	(74,085)
Payments to enter into derivative arrangements		(20)	(3,740)
Proceeds from borrowings		105,344	179,809
Proceeds from issue of shares		-	50
<b>Net cash from financing activities</b>		<b>77,702</b>	<b>100,343</b>
<b>Net increase in cash and cash equivalents</b>		<b>49,586</b>	<b>19,214</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>19,214</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>68,800</b>	<b>19,214</b>

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2014

### BASIS OF PREPARATION

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.

### ADOPTION OF NEW AND REVISED STANDARDS

The adoption of the following new and revised standards, amendments and interpretations has not led to any material changes in the Company's accounting policies nor has it had any material impact on these financial statements:

#### Standard/amendment/interpretation

IFRS 10: Consolidated Financial Statements  
 IFRS 11: Joint Arrangements  
 IFRS 12: Disclosures of Interests in Other Entities  
 IFRS 13: Fair Value Measurement  
 IAS 19: Employee Benefits (revised 2011)  
 IAS 27: Separate Financial Statements (2011)  
 IAS 28: Investments in Associates and Joint Ventures (2011)  
 Amendments to IFRS 7 (December 2011): Disclosures - Offsetting Financial Assets and Financial Liabilities  
 Amendments to IFRS 1 (March 2012): Government Loans  
 Annual Improvements 2009 - 2011 Cycle  
 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

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: (November 2009, revised December 2011): Financial Instruments  
 Amendments to IFRS10, IFRS12 and IAS27 (Oct 2012)  
 Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)  
 Amendments to IAS 32 (December 2011): Financial Instruments - Presentation  
 Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets)  
 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments - Recognition and Measurement)  
 Annual Improvements 2010 - 2012 Cycle  
 Annual Improvements 2011 - 2013 Cycle  
 IFRIC 21: Levies

With the exception of IFRS 9, the Directors do not anticipate that the adoption of these standards or interpretations in future periods will have a material impact on the financial statements of the Company when the relevant standards come into effect for periods commencing on or after 1 April 2014. The adoption of IFRS 9, when it becomes mandatory, will have an impact on the measurement, classification and disclosures of financial instruments.

### 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.

a) 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.

b) 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.

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2014

### b) Going concern (continued)

c) The Company has secured bank facilities totalling £2.5bn to fund the Great Western IEP project, of which £285.2m had been withdrawn at the year end (2013: £179.8m). The secured facilities are available to be drawn upon request, subject to agreement from the Lenders Technical Adviser. Total funds forecasted to be withdrawn over the next 12 months amounts to £93m. 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.

d) 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 entity 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 will be 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.

### 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 to operational income based on its fair value, with the remainder being allocated between the capital repayment and interest income applying the effective interest method.

### e) Borrowing costs

Project specific interest costs incurred in the performance of the service concession contract, including net amounts payable on interest rate swaps, are expensed using the effective interest rate method. Arrangement fees paid to secure loan facilities are initially held as a prepayment. Upon utilisation of the facility, the arrangement fees are netted off against the carrying value of the loan facility and charged to the income statement over the term of the debt. Fees payable for reserving undrawn facilities are charged to the income statement in the period that 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.

The changes to the main rate of corporation tax for the UK companies announced in the March 2013 Budget were substantively enacted for financial reporting purposes on 2 July 2013. The main changes in corporation tax rates that will have accounting implications for current and deferred tax are as follows:

The main rate of corporation tax will reduce from 23% to 21% from 1 April 2014

The main rate of corporation tax will further reduce to 20% from 1 April 2015.

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2014

**f) Taxation (continued)**

*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 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) Retirement benefit costs**

The Company operates a defined contribution pension scheme for its employees. Payments to the scheme are charged as an expense as they fall due.

**h) 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

**i) 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.

**j) Derivative financial instruments hedge designation and effectiveness testing**

The Company has designated its interest rate swaps and 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 equity.

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 equity 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 no 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.

The fair values of derivatives at the balance sheet date are obtained from banks or financial institutions with which the derivatives have been transacted, subject to adjustment if required. 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 its derivative valuations.



**ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2014**

**k) 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.

**l) Bank borrowings**

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

**m) 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.

**n) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1 REVENUE

	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
Revenue in the year is analysed as follows:		
Construction revenue	33,554	68,962

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

2 LOSS FROM OPERATIONS

	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
Operating loss 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	(43)	(42)
the audit of Agility Trains West (Holdings) Limited Group companies	(46)	(45)
Total audit fees	(46)	(45)
- tax compliance services	(15)	(15)
- tax advisory services	(4)	(15)
Total non-audit fees	(19)	(30)
Payments under operating lease:		
- rental of land and buildings	(75)	(6)
Depreciation of property, plant and equipment	(46)	-

3 DIRECTORS' REMUNERATION

No Director received any remuneration for services provided to the Company during the year (period from 31 January 2012 to 31 March 2013: £nil).

4 EMPLOYEES

	2014	Period from 31 January 2012 to 31 March 2013
	No.	No.
The average number of persons employed by the Company during the year:		
Finance	1	-
Administration	1	-
	2	-
	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
Employee costs incurred during the year comprise:		
Salaries	(93)	(10)
Social security costs	(11)	(1)
	(104)	(11)

The Company is managed by a combination of the above employees and secondees from shareholders under secondment agreements.

**5 INVESTMENT REVENUES AND FINANCE COSTS**

	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
<b>Investment revenues</b>		
Investment income	165	67
Financial asset interest	7,216	2,715
Fair value gain on interest rate caps	1,180	-
<b>Total investment revenues</b>	<b>8,561</b>	<b>2,782</b>
<b>Finance costs</b>		
Interest on bank loans and overdrafts	(3,288)	(1,691)
Amortised debt issue costs	(1,124)	(327)
Fee on undrawn loan facilities	(23,309)	(16,165)
Fair value loss on interest rate caps	-	(116)
Ineffectiveness of cash flow hedges	(5,062)	-
<b>Total finance costs</b>	<b>(32,783)</b>	<b>(18,299)</b>

**6 TAX**

**Income tax recognised in the income statement**

	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
Current tax	-	-
Deferred tax	2,361	3,502
<b>Total tax credit on loss on ordinary activities</b>	<b>2,361</b>	<b>3,502</b>

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

	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
Loss on ordinary activities before taxation	(24,391)	(15,649)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 23%).	5,610	3,599
<b>Effects of:</b>		
Expenses that are not deductible in determining taxable profit	(3,456)	(97)
Adjustments in respect of prior years	(246)	-
Impact of change in tax rate	453	-
<b>Total tax credit for the year</b>	<b>2,361</b>	<b>3,502</b>

**Income tax recognised in other comprehensive income**

	2014	Period from 31 January 2012 to 31 March 2013
	£'000	£'000
Current tax	-	-
Deferred tax	-	-
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(12,796)	22,321
<b>Total income tax recognised in other comprehensive income</b>	<b>(12,796)</b>	<b>22,321</b>

**7 PROPERTY, PLANT AND EQUIPMENT**

	Fixtures & fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Original cost</b>				
At 31 January 2012	-	-	-	-
Additions	98	16	7	121
At 31 March 2013	98	16	7	121
Additions	8	17	47	72
Disposals	-	-	-	-
At 31 March 2014	106	33	54	193
<b>Accumulated depreciation</b>				
At 31 January 2012	-	-	-	-
Charge for the period	-	-	-	-
At 31 March 2013	-	-	-	-
Charge for the year	(21)	(7)	(18)	(46)
At 31 March 2014	(21)	(7)	(18)	(46)
<b>Carrying amount at 31 March 2014</b>	<b>85</b>	<b>26</b>	<b>36</b>	<b>147</b>
Carrying amount at 31 March 2013	98	16	7	121

**8 FINANCIAL ASSETS - AVAILABLE FOR SALE**

	2014 £'000	2013 £'000
At 31 January 2012	-	-
Additions	68,962	
Financial asset interest	2,715	
At 31 March 2013	71,677	
Additions	33,553	
Financial asset interest	7,216	
At 31 March 2014	112,446	
<b>Analysed as:</b>		
Less than one year	-	-
Greater than one year	112,446	71,677
At 31 March 2014	112,446	71,677

**9 TRADE AND OTHER RECEIVABLES**

	2014 £'000	2013 £'000
<b>Current assets</b>		
VAT recoverable	794	1,223
Prepayments and accrued income	3,933	3,713
	4,727	4,936
<b>Non-current assets</b>		
Prepayments and accrued income	67,281	65,771
	67,281	65,771

# 10 CASH AND CASH EQUIVALENTS

	2014		Total
	Recourse	Non-recourse	
	£'000	£'000	£'000
Cash at bank and in hand	68,800	-	68,800
Bank and other loans falling due after more than one year	-	(283,276)	(283,276)
	<u>68,800</u>	<u>(283,276)</u>	<u>(214,476)</u>

  

	2013		Total
	Recourse	Non-recourse	
	£'000	£'000	£'000
Cash at bank and in hand	19,214	-	19,214
Bank and other loans falling due after more than one year	-	(177,324)	(177,324)
	<u>19,214</u>	<u>(177,324)</u>	<u>(158,110)</u>

Non-recourse debt is secured against Company assets.

Bank and other loans falling due after more than one year includes £1,876,144 (2013: £2,484,330) of unamortised arrangement fees that have been netted off against the carrying value of the debt. The arrangement fees are being amortised and charged to the income statement in line with other costs of borrowing incurred.

# 11 TRADE AND OTHER PAYABLES

	2014	2013
	£'000	£'000
<b>Current liabilities</b>		
Trade creditors	(6,516)	(3,053)
Accruals	(3,360)	(564)
	<u>(9,876)</u>	<u>(3,617)</u>

# 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 2014 Total
	£'000	£'000	£'000	£'000	£'000
<b>Fair value measurement method 2014</b>	<b>n/a</b>	<b>Level 3</b>	<b>n/a</b>	<b>Level 2</b>	
<b>Non-current assets</b>					
Financial assets - available for sale	-	112,446	-	-	112,446
Derivative financial instruments	-	-	-	3,396	3,396
Trade and other receivables	67,281	-	-	-	67,281
<b>Current assets</b>					
Trade and other receivables	4,727	-	-	-	4,727
Cash and cash equivalents	68,800	-	-	-	68,800
<b>Total financial assets</b>	<b>140,808</b>	<b>112,446</b>	<b>-</b>	<b>3,396</b>	<b>256,650</b>
<b>Current liabilities</b>					
Trade and other payables	-	-	(9,876)	-	(9,876)
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	-	-	(283,276)	-	(283,276)
Derivative financial instruments	-	-	-	(40,401)	(40,401)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(293,152)</b>	<b>(40,401)</b>	<b>(333,553)</b>
<b>Net financial liabilities</b>	<b>140,808</b>	<b>112,446</b>	<b>(293,152)</b>	<b>(37,005)</b>	<b>(76,903)</b>

12 FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category (continued)

	Loans and receivables	Available for sale assets	Financial liabilities at amortised cost	Derivatives in effective hedging relationships	31 March 2013 Total
	£'000	£'000	£'000	£'000	£'000
Fair value measurement method	n/a	Level 3	n/a	Level 2	
<b>2013</b>					
<b>Non-current assets</b>					
Financial assets - available for sale	-	71,677	-	-	71,677
Derivative financial instruments	-	-	-	2,194	2,194
Trade and other receivables	65,771	-	-	-	65,771
<b>Current assets</b>					
Trade and other receivables	4,936	-	-	-	4,936
Cash and cash equivalents	19,214	-	-	-	19,214
<b>Total financial assets</b>	<b>89,921</b>	<b>71,677</b>	<b>-</b>	<b>2,194</b>	<b>163,792</b>
<b>Current liabilities</b>					
Trade and other payables	-	-	(3,617)	-	(3,617)
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	-	-	(177,324)	-	(177,324)
Derivative financial instruments	-	-	-	(99,362)	(99,362)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(180,941)</b>	<b>(99,362)</b>	<b>(280,303)</b>
<b>Net financial liabilities</b>	<b>89,921</b>	<b>71,677</b>	<b>(180,941)</b>	<b>(97,168)</b>	<b>(116,511)</b>

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

Assets available for sale have been measured applying level 3 of the fair value methodology. Derivatives used in hedging relationships have been measured applying level 2 of the fair value methodology. The fair value methodology is deemed to be not applicable for both loans and receivables, and financial liabilities.

- 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.

## 12 FINANCIAL INSTRUMENTS (CONTINUED)

### b) Interest rate profile of financial liabilities

The Company's financial liabilities at 31 March 2014 were £333.5 million (2013: £280.3m), all of which were non-recourse. The lenders have recourse solely to the Company. There were no recourse borrowings as at 31 March 2014 or at 31 March 2013.

	31 March 2014			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
<b>Non-recourse</b>				
Borrowings < 1 year	-	-	-	-
Borrowings > 1 year	(283,276)	-	-	(283,276)
Total derivative liabilities	-	(40,401)	-	(40,401)
Trade and other payables	-	-	(9,876)	(9,876)
<b>Total</b>	<b>(283,276)</b>	<b>(40,401)</b>	<b>(9,876)</b>	<b>(333,553)</b>

	31 March 2013			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
<b>Non-recourse</b>				
Borrowings < 1 year	-	-	-	-
Borrowings > 1 year	(177,324)	-	-	(177,324)
Total derivative liabilities	-	(99,362)	-	(99,362)
Trade and other payables	-	-	(3,617)	(3,617)
<b>Total</b>	<b>(177,324)</b>	<b>(99,362)</b>	<b>(3,617)</b>	<b>(280,303)</b>

### 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 financial results. The Company uses derivative financial instruments to hedge certain risk exposures.

The various types of financial risk are managed as follows:

#### 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 has hedged its interest rate risk on the variable rate bank financing it has secured by entering into interest rate swap and interest cap agreements at inception.

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

	31 March 2014			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
Financial assets - available for sale	-	112,446	-	112,446
Derivative financial instruments	-	3,396	-	3,396
Trade and other receivables	-	-	72,008	72,008
Cash and cash equivalents	68,800	-	-	68,800
<b>Financial asset exposure to interest rate risk</b>	<b>68,800</b>	<b>115,842</b>	<b>72,008</b>	<b>256,650</b>

	31 March 2013			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
Financial assets - available for sale	-	71,677	-	71,677
Derivative financial instruments	-	2,194	-	2,194
Trade and other receivables	-	-	70,707	70,707
Cash and cash equivalents	19,214	-	-	19,214
<b>Financial asset exposure to interest rate risk</b>	<b>19,214</b>	<b>73,871</b>	<b>70,707</b>	<b>163,792</b>



### 13 FINANCIAL RISK MANAGEMENT (CONTINUED)

The interest rate on the financial asset is 9.1% (2013: 9.1%), and the remaining amortisation period of the asset is 33 years.

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

	31 March 2014			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
Interest bearing loans and borrowings	(283,276)	-	-	(283,276)
Fair value of derivatives	-	(40,401)	-	(40,401)
Trade and other payables	-	-	(9,876)	(9,876)
<b>Financial liability exposure to interest rate risk</b>	<b>(283,276)</b>	<b>(40,401)</b>	<b>(9,876)</b>	<b>(333,553)</b>

  

	31 March 2013			Total £'000
	Interest bearing		Non-interest	
	Floating rate £'000	Fixed rate £'000	bearing £'000	
Interest bearing loans and borrowings	(177,324)	-	-	(177,324)
Fair value of derivatives	-	(99,362)	-	(99,362)
Trade and other payables	-	-	(3,617)	(3,617)
<b>Financial liability exposure to interest rate risk</b>	<b>(177,324)</b>	<b>(99,362)</b>	<b>(3,617)</b>	<b>(280,303)</b>

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 mature in 2016 and are capped at an interest rate of 0.6%.

#### Market risk - inflation risk

The revenues earned by the Company and the majority of costs incurred are linked to inflation indices under the terms of the Great Western IEP Network project documents. This results in the Company's cash flows being relatively insensitive to inflation and therefore not 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.

Upon delivery of the first train into service, the Company will begin to receive revenue from the Train Operating Company that is operating the Great Western mainline. Under the terms of the Great Western IEP Network Master Availability and Reliability Agreement, 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 in place the Company is required to project future cash flows and to determine the level of liquid assets necessary to meet these.

### 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 2014				Total £'000
	Less than one year £'000	less than two years £'000	Less than five years £'000	Greater than five years £'000	
Financial assets - available for sale	-	-	-	112,446	112,446
Derivative financial instruments	-	-	3,396	-	3,396
Trade and other receivables	4,727	3,942	12,779	50,560	72,008
Cash and cash equivalents	68,800	-	-	-	68,800
<b>Total financial assets</b>	<b>73,527</b>	<b>3,942</b>	<b>16,175</b>	<b>163,006</b>	<b>256,650</b>

	Continuing operations 31 March 2013				Total £'000
	Less than one year £'000	less than two years £'000	Less than one year £'000	Greater than one year £'000	
Financial assets - available for sale	-	-	-	71,677	71,677
Derivative financial instruments	-	-	2,194	-	2,194
Trade and other receivables	4,936	3,785	8,714	53,272	70,707
Cash and cash equivalents	19,214	-	-	-	19,214
<b>Total financial assets</b>	<b>24,150</b>	<b>3,785</b>	<b>10,908</b>	<b>124,949</b>	<b>163,792</b>

None of the financial assets are impaired or overdue.

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

	31 March 2014		Total £'000
	Non-recourse liabilities £'000	Non-recourse derivatives £'000	
In one year or less, or on demand	-	-	-
In more than one year but less than two years	-	-	-
In more than two years but less than five years	(283,276)	-	(283,276)
In more than five years	-	(40,401)	(40,401)
<b>Total</b>	<b>(283,276)</b>	<b>(40,401)</b>	<b>(323,677)</b>

	31 March 2013		Total £'000
	Non-recourse liabilities £'000	Non-recourse derivatives £'000	
In one year or less, or on demand	-	-	-
In more than one year but less than two years	-	-	-
In more than two years but less than five years	(177,324)	-	(177,324)
In more than five years	-	(99,362)	(99,362)
<b>Total</b>	<b>(177,324)</b>	<b>(99,362)</b>	<b>(276,686)</b>

### 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 £'000	In more than one year but less than two years £'000	In more than two years but less than five years £'000	In more than five years £'000	Total £'000
<b>31 March 2014</b>						
Variable interest rate instruments	3.8	-	-	(295,813)	-	(295,813)
Non-interest bearing instruments*	n/a	(9,876)	-	-	-	(9,876)
		<u>(9,876)</u>	<u>-</u>	<u>(295,813)</u>	<u>-</u>	<u>(305,689)</u>
<b>31 March 2013</b>						
Variable interest rate instruments	3.8	-	-	(193,859)	-	(193,859)
Non-interest bearing instruments*	n/a	(3,617)	-	-	-	(3,617)
		<u>(3,617)</u>	<u>-</u>	<u>(193,859)</u>	<u>-</u>	<u>(197,476)</u>

\* 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 £'000	In more than one year but less than two years £'000	In more than two years but less than five years £'000	In more than five years £'000	Total £'000
<b>31 March 2014</b>						
Net settled interest	3.8	-	-	-	(40,401)	(40,401)
Net settled interest	0.6	-	-	3,396	-	3,396
		<u>-</u>	<u>-</u>	<u>3,396</u>	<u>(40,401)</u>	<u>(37,005)</u>
<b>31 March 2013</b>						
Net settled interest	3.8	-	-	-	(99,362)	(99,362)
Net settled interest	0.6	-	-	2,194	-	2,194
		<u>-</u>	<u>-</u>	<u>2,194</u>	<u>(99,362)</u>	<u>(97,168)</u>

### 14 FAIR VALUE OF DERIVATIVES

	2014 £'000	2013 £'000
<b>Non-current assets</b>		
Interest rate caps	3,396	2,194
<b>Non-current liabilities</b>		
Interest rate swaps	(40,401)	(99,362)
<b>Total fair value of derivatives</b>	<u>(37,005)</u>	<u>(97,168)</u>

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 swap and cap agreements the Company has entered into.

As at 31 March 2014 the Company had entered into six interest rate swaps and two interest rate cap agreements in relation to its non-recourse financing. The swaps and caps were designated as cash flow hedges at inception, having met the criteria for hedge accounting. Of the increase in fair value of £60.1m on these instruments during the year (period from 31 January 2012 to 31 March 2014: decrease of £100.9m), £1.1m has been credited to the Income Statement (period from 31 January 2012 to 31 March 2014: charge of £0.1m) and £59.0m has been credited to the hedging reserve (period from 31 January 2012 to 31 March 2014: charge of £100.8m).

## 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 2014 and the period from 31 January 2012 to 31 March 2013.

	Cash flow hedges	Available for sale financial assets	Tax losses	Total
	£'000	£'000	£'000	£'000
At 31 January 2012	-	-	-	-
Recognised in income statement	27	(613)	4,088	3,502
Recognised in other comprehensive income	22,321	-	-	22,321
At 31 March 2013	22,348	(613)	4,088	25,823
Recognised in income statement	(1,622)	(1,366)	5,349	2,361
Recognised in other comprehensive income	(12,796)	-	-	(12,796)
At 31 March 2014	7,930	(1,979)	9,437	15,388

Closing deferred tax balances have been provided at 21% (2013: 23%) to reflect the reduction in the corporation tax rate from 1 April 2014, which was substantively enacted at the balance sheet date.

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:

	2014 £'000	2013 £'000
Deferred tax assets	18,046	26,941
Deferred tax liabilities	(2,658)	(1,118)
	<u>15,388</u>	<u>25,823</u>

## 16 SHARE CAPITAL

	2014 £'000	2013 £'000
Authorised, allotted, called up and fully paid: 50,000 ordinary shares of £1 each issued at par	<u>50</u>	<u>50</u>

## 17 HEDGING RESERVE

	£'000
At 31 January 2012	-
Net decrease in fair value of hedging derivatives	(100,791)
Deferred tax relating to hedging derivatives	22,321
At 31 March 2013	(78,470)
Net increase in fair value of hedging derivatives	58,963
Ineffectiveness of cash flow hedges	5,062
Deferred tax relating to hedging derivatives	(12,796)
At 31 March 2014	<u>(27,241)</u>

As at 31 March 2014 the Company held six interest rate swaps, all of which became effective on 28 February 2014. The interest rate swaps are held to hedge against interest rate risk on four senior debt facilities. As at 31 March 2014 the Company had not drawn on the four senior debt facilities and the nominal values of the interest rate swaps exceeded the debt drawn, resulting in the Company being overhedged by 12.5% (2013: nil%). To reflect the overhedged position £5.1m of the accumulated hedging reserve was charged to the income statement.

## 18 NOTES TO THE CASH FLOW STATEMENT

	2014 £'000	2013 £'000
Loss from operations	(169)	(132)
Increase in receivables	(978)	(15,405)
Increase in payables	6,453	3,423
Net cash from operating activities	<u>5,306</u>	<u>(12,114)</u>

## 19 OPERATING LEASE ARRANGEMENTS

	2014 £'000	2013 £'000
Lease payments under operating leases recognised as an expense in the year	75	6

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £'000	2013 £'000
In one year or less	75	75
In more than one year but less than two years	75	75
In more than two years but less than five years	142	217
In more than five years	-	-
	<u>292</u>	<u>367</u>

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 are disclosed below.

	2014 £'000	Period from 31 January 2012 to 31 March 2013 £'000
<b>Hitachi Europe Limited</b>		
Purchases of assets, goods and services in the year		
Financing	5,988	8,997
Design and development	37,188	43,551
Administration	597	277
	<u>43,773</u>	<u>52,825</u>
Balance payable at 31 March	<u>5,744</u>	<u>2,295</u>
<b>John Laing Investments Limited</b>		
Purchases of assets, goods and services in the year		
Financing	2,560	3,956
Design and development	-	13,678
Administration	353	191
	<u>2,913</u>	<u>17,825</u>
Balance payable at 31 March	<u>675</u>	<u>650</u>

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 Agility Trains West (Holdings) Limited.

## 21 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company and controlling party is Agility Trains West (Midco) Limited. The smallest 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. The largest group in which the results are consolidated is Hitachi, Ltd, a company incorporated and listed in Japan.

Copies of the consolidated accounts of Agility Trains West (Holdings) Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ. Copies of the consolidated accounts of Hitachi, Ltd. are available from the company's website at [www.hitachi.com](http://www.hitachi.com).