# Helix Acquisition Limited

## Annual report and non-statutory financial statements

For the year ended 31 March 2019

Registered number 07428859

## Helix Acquisition Limited
## Contents

# Helix Acquisition Limited
# Officers and professional advisors

**Directors**

J Curley
A Leness
S Jones
K Ludeman
A Pitt
S Springett
M Woodhams

**Chairman**

K Ludeman

**Company secretary**

L Clarke-Bodicoat

**Registered office**

5th Floor
Kings Place
90 York Way
London
N1 9AG

**Auditor**

Deloitte LLP

London
United Kingdom

## Helix Acquisition Limited
## Strategic report

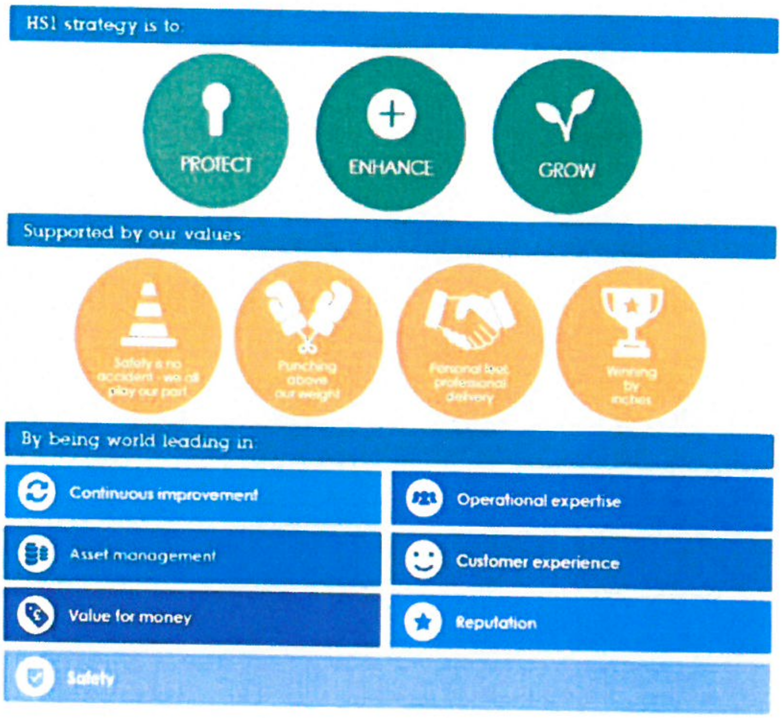
The strategic report has been prepared solely to provide additional information to shareholders to assess Helix Acquisition Limited group of companies (the "Group") strategies and potential for those strategies to succeed.

### The business model

The Group holds the concession through to 31 December 2040 to operate, maintain and renew the 109 kilometre high speed rail line connecting London's St Pancras International station to Kent, and international destinations in Europe such as Paris and Brussels via the Channel Tunnel. In addition to St Pancras International, three stations are served along the route - Stratford International, Ebbsfleet International and Ashford International.

The Group has a clear goal to be recognised as providing the world's leading high speed railway experience. Its strategy is to Protect the core business, Enhance the efficiency of our operations, whilst seeking opportunities to Grow the business. The strategy is underpinned by its values and a number of core delivery work streams.

Our mission is to deliver the **World's leading high speed rail experience**




### A fair review of the business

Key developments during the year ended 31 March 2019 include:

- HS1 Limited ("HS1") completed the fourth year of its Control Period Two. The Periodic Review with the Office of Rail and Road ("ORR") is the process that determines the efficient track operating, maintenance and long-term renewal costs that the Company can charge customers from 1 April 2015 to 31 March 2020. The business operated in line with expectation.

- Station charges are regulated separately by the Department for Transport ("DfT"). Similar to track costs, these charges are composed of operating, maintenance and long-term renewal costs.

- Control Period 3, will commence on 1 April 2020 for 5 years. The Periodic Review 2019 ("PR19") is currently taking place for the route and stations, and the regulatory authorities will publish a final determination on 31 August 2019 for stations and 7 January 2020 for route.

- The Company had a solid year operationally – see key performance indicators below, with annual train path volumes increasing by 1% in the year.

- In the Autumn 2018 National Rail Passenger Survey, St Pancras International was assessed as the Number 2 Station in the UK for overall passenger satisfaction.

### A fair review of the business *(continued)*

- Turnover for the year ended 31 March 2019 was £225.7m (31 March 2018: £212.1m).

### Future developments

The business outlook continues to be positive with demand for International Services expected to remain steady. Demand for domestic train travel is expected to remain strong, as developments continue around the HS1 stations at St Pancras, Ashford and Stratford as well as at Ebbsfleet Garden City

The DfT are yet to announce a preferred bidder for the next South Eastern Franchise or if there will be an extension to the direct award with London South Eastern Railway ("LSER"). The East Midlands Trains ("EMT") refranchise was awarded to Abellio in April 2019, the franchise is expected to start in August 2019.

### Key performance indicators ("KPIs")

Performance during the year to 31 March 2019 remains steady. The number of train paths billed during the year increased to 73,676, a 1% increase on the 73,155 train paths for the year ended 31 March 2018.

Operational performance of the infrastructure remains solid; The average delays per train path for HS1 Limited infrastructure (the Company's primary performance KPI) worsened during the year to 31 March 2019 at 8.24 seconds (31 March 2018: 5.06 seconds). This was driven by several incidents including a trespasser in the final period of the year. The learning from the incidents has been addressed by our main contractor with the aim of continuing to deliver safety and asset performance. Progress will be monitored through regular assurance reviews with the supply chain.

Our supply chain continues to improve safety culture amongst its employees which is demonstrated through the Fatalities and Weighted Injuries per 1,000,000 hours worked index which has decreased to 0.04 at 31 March 2019 (31 March 2018: 0.045). HS1 continue to monitor and challenge the supply chain through regular review meetings and Directors meetings to understand the approach and culture within the different organisations.

Passenger numbers passing through the station have increased over the year following the implementation of the Thameslink timetable. This has been reflected in an increase in passenger accidents at our stations. The accidents are minor in nature and are predominantly in the passenger slips, trips and falls category. Escalator safety is a key focus and HS1 is working at a strategic level to enhance safety at the station through specific escalator risk assessments and initiatives.

Security on HS1 infrastructure remains a priority, and work continues with the authorities to ensure HS1 and its supply chain discharge responsibilities effectively. We continue to monitor the effectiveness of security strategies, sharing information and challenging where required to ensure standards are maintained.

### Key performance indicators ("KPIs") *(continued)*

The Company's financial KPIs are earnings before interest, tax, depreciation and amortisation ("EBITDA") and debt service cover ratio ("DSCR") – the ratio of cash available to service the annual debt interest and principal payments. The EBITDA for the year to 31 March 2019 was £88.7m (31 March 2018: £81.7m). The DSCR for the year to 31 March 2019 was 2.23x (31 March 2018: 2.21x).

### Principal risks and uncertainties

The Company's regulatory and contractual arrangements generally provide a low risk, stable business environment. The principal key risk factors and uncertainties for the Company are:

- Train path volumes - domestic. The Company is paid on the number of timetabled train paths on HS1 Limited infrastructure during the year, adjusted for spot bids and cancellations.1,024 train paths per standard week are underpinned by the UK Government through the Domestic Underpinning Agreement. In addition, the Company has certainty up to one year ahead due to the advanced agreement of the timetable on which billing is raised. The domestic train path volumes are currently timetabled above the underpin arrangement based on the Direct Award between LSER and the DfT– beyond then there is a risk that volumes could fall back to the underpin level.

- Train path volumes – international. Passenger train paths are from Eurostar. Eurostar has now rolled out its direct service to Amsterdam via Brussels. New Amsterdam passengers and underlying passenger growth is expected to increase train paths in the medium to long term. Recent strikes in France mean services to the continent have been disrupted. However, HS1 Limited is insulated from the impact of these, as the Company agrees timetabled train paths in advance and has received the timetable for paths up to December 2019. Furthermore, Eurostar have established a company in France which has been granted the necessary EU license and safety certificates and is now the legal operator of services on the continent, which ensures operational resilience, despite the current uncertainty around Brexit.

- Reliance on two key customers (LSER and Eurostar). The LSER risk is mitigated by the domestic underpinning agreement. Eurostar is indirectly owned by the French and Belgian governments with the remaining 40% stake being owned by a consortium comprising Caisse de Dépôt et Placement du Québec and Hermes Infrastructure. Eurostar is still majority owned by Société nationale des chemins de fer français ("SNCF") which is owned by the French government. Eurostar reported a 7% increase on passenger numbers to 11.0m (2017: 10.3m) for the 2018 calendar year, supported by over 250,000 Amsterdam passengers.

- A major infrastructure failure or incident. The Company has appropriate insurance cover in place, so the exposure is expected to be limited to the insurance excess of £2.5m. The Company regularly tests its business continuity and recovery plans.

- Payment of performance regime penalties to operators. This is triggered on failure of the Company's infrastructure and this is capped at £8.1m (February 2019 prices) but in most instances the first £4.0m (February 2019 prices) is passed onto our principal supplier Network Rail High Speed ("NRHS").

- Failure of off-Company infrastructure such as the Channel Tunnel. Contractual arrangements such as continued domestic train services and £20m insurance cover for off route incidents, would limit the short term financial impact. Long term issues could have a materially negative financial impact.

**Principal risks and uncertainties** *(continued)*

- Unregulated margin. A number of factors could influence the Company's unregulated performance including underlying economic growth and retail competition around St Pancras International Station.

- NRHS operational failure. The Company has contracts with NRHS to operate and maintain the infrastructure and stations (excluding Ashford International) and the Company has ongoing compliance and reporting mechanisms to ensure that contracts are delivered. If NRHS is unable to meet its obligations under the Operator Agreement, HS1 Limited has the right to step in. The contract terms also include a parent guarantee giving HS1 Limited greater security.

- Brexit. In light of the uncertainty around the terms of the UK's departure from the EU, HS1 Limited has conducted a risk review process and has put practical mitigation measures in place against identifiable risks. However, most of the train paths that run on the infrastructure are domestic, which insulates the Company from the impact of this uncertainty. Furthermore, juxtaposed border controls, a key competitive advantage over air travel, are bilateral agreements between the British, French and Belgian governments. The Company continues to have conversations with customers, suppliers, the regulator and government in relation to the impact of Brexit on the business given the current uncertainty.

The principal financial risks and uncertainties faced by the Company are:

- Interest rate risk – the Company is exposed to changes in the interest rate on only 8% of the current external debt;

- Counterparty credit risk – the Company has two key customers, LSER and EIL, whom on a regular basis we review their financial positioning. Other than this the Company is not heavily reliant on any one party or financial instrument. The Company only trades with counterparties above minimum credit risk parameters;

- Foreign exchange risk – the Company has $US denominated debt but the interest and principal repayments are 100% hedged through derivative instruments; and

- Liquidity risk – the Company has medium term and long term debt finance to ensure that the Company has sufficient funds available to meet the current and future needs of the Company. Short term liquidity risk is mitigated through the availability of undrawn credit facilities in place.

The Directors regularly review these risks and approve the use of financial instruments to manage risk.

**Approval**

This report was approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Ann V. Leness
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**A Leness**
*Director*

11 June 2019

5th Floor
Kings Place
90 York Way
London
N1 9AG

## Helix Acquisition Limited
## Directors' report

The Directors present their Annual Report and the audited non-statutory consolidated financial statements of the Helix Acquisition Limited group (the "Group") for the year ended 31 March 2019.

### Matters covered by the strategic report

As permitted, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included within the strategic report. These matters relate to future developments.

### Result for the year

The consolidated profit for the year was £70.5m (31 March 2018: £37.6m).

### Directors

The Directors who served during the year and to the date of approval of the financial statements were as follows:

| | |
|---|---|
| A Bhuwania | Resigned 28 January 2019 |
| J Curley | |
| S Jones | |
| A Leness | Appointed 28 January 2019 |
| B Loomes | Resigned 19 November 2018 |
| K Ludeman | Appointed 30 April 2018 |
| J O'Halloran | Resigned 30 April 2018 |
| A Pitt | Appointed 20 July 2018 |
| S Springett | |
| M Wayment | Resigned 20 July 2018 |
| M Woodhams | Appointed 30 April 2018 |

### Health and safety

The Group has a clear objective to achieve zero harm. The Group has a commitment to continuous improvement in performance in all areas of health, safety and the environment. The Group's policies and procedures relating to health and safety at work recognise the requirements of current legislation and are kept under constant review to ensure a safe working environment for all associated staff.

The Group actively supports and works with NRHS, its contractors, and with other suppliers, in its promotion of strict adherence to all safety standards to ensure a safe environment for all parties using the railway, including train operators and their passengers and staff and customers of the facilities in and adjacent to the stations. The Group monitors safety performance and it is one of the key performance indicators as noted in the Strategic Report.

## Environment

The Group has an Environmental policy which details objectives outlining how HS1 Limited manages and minimises, where possible, the environmental impact of the high speed operation. Objectives cover environmental protection, protection and enhancement of heritage and natural surroundings as well as managing energy consumption and seeking to reduce the carbon footprint. The policy also acknowledges that we can only achieve our aims through influencing and pro-active collaboration with our stakeholders.

The Group has an Environment policy which details objectives outlining how HS1 manages and minimises, where possible, the environmental impact of the high speed operation. Objectives cover environmental protection, prevention and enhancement of heritage and natural surroundings as well as managing energy consumption and seeking to reduce the carbon footprint. The policy also acknowledges that we can only achieve our aims through influencing and pro-active collaboration with our stakeholders.

HS1 is committed to managing and reducing emissions in respect of operational activities and is accredited under the Carbon and Energy Management and Reduction Scheme (CEMARS) for managing reductions in its emissions. The carbon footprint for HS1 (excluding traction power) for the year to March 2018 was 19,265 tonnes $CO_2$ (March 2017: 22,367 tonnes $CO_2$). The footprint from stations and depots is reported as part of the Government's CRC Energy Efficiency Scheme and for the year to March 2018 is 15,660 tonnes $CO_2$ (March 2017: 18,054 tonnes $CO_2$), demonstrating a year on year reduction in carbon emissions. Much of this reported reduction was due to the UK power grid however there was a 1% drop in electricity used.

## Political donations

Political donations during the year were £nil (31 March 2018: £nil).

## Going concern basis

The directors have considered the use of the going concern basis in the preparation of these financial statements in light of the current economic conditions and have concluded that this remains appropriate. More information is provided in note 1.2 to these financial statements.

## Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 21 to the financial statements.

## Disclosure of information to auditor

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

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

**Auditor**

Deloitte LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed to be re-appointed for another term in the absence of an Annual General Meeting.

This report was approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Ann V. Leness

**A Leness**
*Director*

11 June 2019

5th Floor
Kings Place
90 York Way
London
N1 9AG

# Helix Acquisition Limited
## Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable regulations.

The directors prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Ann V. Leness
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**A Leness**
*Director*

11 June 2019

5th Floor
Kings Place
90 York Way
London
N1 9AG

# Independent auditor's report to the members of Helix Acquisition Limited

## Report on the audit of the non-statutory financial statements

### Opinion

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006 which would have applied if the financial statements were statutory financial statements.

We have audited the non statutory financial statements of Helix Acquisition Limited (the 'Group') which comprise

- the consolidated profit and loss account and other comprehensive income;
- the consolidated balance sheets;
- the consolidated statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including IFRSs as adopted by the European Union and the provisions of the Companies Act 2006 that would have applied were these statutory financial statements.

### Basis for opinion

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

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

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the non-statutory financial statements is not appropriate; or
- the directors have not disclosed in the non-statutory financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the non statutory financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

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

# Independent auditor's report to the members of Helix Acquisition Limited *(continued)*

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the non-statutory financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the directors are responsible for assessing the Groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**

This report is made solely to the company's directors, as a body, in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the company's directors 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, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

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**Deloitte LLP**
London, United Kingdom
11 June 2019

## Helix Acquisition Limited

## Consolidated statement of profit and loss and other comprehensive income

*For the year ended 31 March 2019*

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Revenue from contracts with customers** | 3 | **225.7** | 212.1 |
| Other operating expenditure | | **(185.8)** | (178.8) |
| **Operating profit** | 4 | **39.9** | 33.3 |
| Interest receivable and similar income | 6 | **193.1** | 177.7 |
| Finance charges | 7 | **(160.4)** | (168.2) |
| Dividends received | 9 | **5.0** | - |
| **Profit before taxation** | | **77.6** | 42.8 |
| Tax on profit | 8 | **(7.1)** | (5.2) |
| **Profit for the financial year** | | **70.5** | 37.6 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit and loss** | | | |
| Re-measurement of net defined benefit pension liability | 17 | **(0.1)** | 0.4 |
| **Items that may subsequently reclassified to profit and loss** | | | |
| Amounts recycled to the profit and loss account | | **3.3** | 3.2 |
| Effective portion of changes in fair value of cash flow hedges | | **(12.8)** | 52.0 |
| Deferred cost of hedging | | **0.6** | 5.5 |
| Other comprehensive income for the year | | **(9.0)** | 61.1 |
| **Total comprehensive income for the year** | | **61.5** | 98.7 |

The notes on pages 16 to 56 form an integral part of these financial statements.

All activities of the Group in the current and preceding year relate to continuing operations.

## Helix Acquisition Limited

## Consolidated balance sheet
*As at 31 March 2019*

| | Note | 2019 | | 2018 | | As at 1 April 2017 | |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | £m |
| **Non-current assets** | | | | | | | |
| Intangible assets | 10 | | 1,052.5 | | 1,099.5 | | 1,146.3 |
| Right-of-use assets | 18 | | 1.6 | | 2.0 | | - |
| Financial assets | 19 | | 1,408.8 | | 1,396.4 | | 1,374.7 |
| Debtors: amounts falling due after more than one year | 11 | | 993.9 | | 821.5 | | 651.4 |
| | | | 3,456.8 | | 3,319.4 | | 3,172.4 |
| **Current assets** | | | | | | | |
| Debtors: amounts falling due within one year | 12 | 41.4 | | 58.7 | | 43.1 | |
| Cash at bank and in hand | | 10.1 | | 7.9 | | 2.5 | |
| | | 51.5 | | 66.6 | | 45.5 | |
| Creditors: amounts falling due within one year | 13 | (200.0) | | (168.0) | | (147.1) | |
| **Net current liabilities** | | | (148.5) | | (101.4) | | (101.6) |
| **Total assets less current liabilities** | | | 3,308.3 | | 3,218.0 | | 3,070.8 |
| Creditors: amounts falling due after more than one year | 14 | | (2,985.5) | | (2,956.6) | | (2,909.8) |
| Lease liabilities | 18 | | (1.8) | | (2.1) | | - |
| **Net assets excluding pension liability** | | | 321.0 | | 259.3 | | 161.0 |
| Net pension liability | 17 | | (1.4) | | (1.2) | | (1.6) |
| **Net assets** | | | 319.6 | | 258.1 | | 159.4 |
| **Capital and reserves** | | | | | | | |
| Called up share capital | 15 | | - | | - | | - |
| Profit and loss account | 15 | | 303.6 | | 229.9 | | 188.7 |
| Hedging reserve | 15 | | 9.9 | | 22.7 | | (29.3) |
| Other reserves | 15 | | 6.1 | | 5.5 | | - |
| **Shareholders' deficit** | | | 319.6 | | 258.1 | | 159.4 |

The notes on pages 16 to 56 form an integral part of these financial statements.

These financial statements of the Helix Acquisition Limited group were approved by the Board of Directors and authorised for issue on 11 June 2019. They were signed on its behalf by:

**A Leness**
*Director*
Company registered number: 07428859

# Helix Acquisition Limited

## Consolidated cash flow statement

***For the year ended 31 March 2019***

| | 2019<br>£m | 2018<br>£m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(Loss) for the year | 70.5 | 37.6 |
| *Adjustments for:* | | |
| Amortisation of intangible asset and RoU asset | 48.8 | 48.3 |
| Interest receivable and similar income | (193.1) | (177.7) |
| Interest payable and similar charges | 160.4 | 168.2 |
| Taxation | 7.1 | (5.2) |
| Dividends received | (5.0) | - |
| | 88.6 | 71.2 |
| Decrease/(Increase) in debtors | 29.5 | (4.0) |
| (Decrease)/Increase in creditors and deferred income | (10.5) | 31.6 |
| RPI Swap payments | (0.9) | (0.5) |
| Tax paid | (3.1) | - |
| **Net cash from operating activities** | 103.6 | 98.4 |
| **Cash flow used in investing activities** | | |
| Acquisition of intangible and financial assets | (2.1) | (3.5) |
| Repayment of financial asset | 113.5 | 109.7 |
| Dividends received | 5.0 | - |
| **Net cash from investing activities** | 116.4 | 106.2 |
| **Cash flows from financing activities** | | |
| Interest paid | (134.7) | (130.2) |
| Repayment of borrowings | - | (19.6) |
| Loan advanced to parent company | (38.9) | (18.9) |
| Payment of lease liabilities | (21.4) | (20.5) |
| Cash outflow into escrow | (18.8) | (15.8) |
| **Net cash from financing activities** | (213.7) | (205.1) |
| **Net increase/(decrease) in cash and cash equivalents** | 6.2 | (0.5) |
| Cash and cash equivalents at beginning of year | (8.1) | (7.6) |
| **Cash and cash equivalents at end of year** | (1.9) | (8.1) |
| Reconciliation to cash at bank and in hand: | | |
| Cash at bank and in hand | 10.1 | 7.9 |
| Cash equivalents | (12.0) | (16.0) |
| **Cash and cash equivalents at end of year** | (1.9) | (8.1) |

The notes on pages 16 to 56 form an integral part of these financial statements.

## Helix Acquisition Limited

## Consolidated statement of changes in equity

***For the year ended 31 March 2019***

| | Called up share capital £m | Profit and loss account £m | Hedging reserve £m | Other reserves £m | Total equity £m |
|---|---|---|---|---|---|
| Balance at 1 April 2017 | - | 188.7 | (29.3) | - | 159.4 |
| **Total comprehensive profit for the year** | | | | | |
| Profit for the financial year | - | 37.6 | - | - | 37.6 |
| Other comprehensive income | - | 3.6 | 52.0 | 5.5 | 61.1 |
| Total comprehensive income for the year | | 41.2 | 52.0 | 5.5 | 98.7 |
| **Balance at 31 March 2018** | - | 229.9 | 22.7 | 5.5 | 258.1 |
| Balance at 1 April 2018 | - | 229.9 | 22.7 | 5.5 | 258.1 |
| Profit for the financial year | - | 70.5 | - | - | 70.5 |
| Other comprehensive income | - | 3.2 | (12.8) | 0.6 | (9.0) |
| Total comprehensive income for the year | - | 73.7 | (12.8) | 0.6 | 61.5 |
| **Balance at 31 March 2019** | - | **303.6** | **9.9** | **6.1** | **319.6** |

The notes on pages 16 to 56 form an integral part of these financial statements.

# Helix Acquisition Limited

## Notes for the year ended 31 March 2019

### 1 Accounting policies

The consolidated non statutory financial statements of Helix Acquisition Limited for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 11 June 2019.

The Group has transitioned to International Financial Reporting Standards as adopted for use in the European Union ('IFRS') from its previous reporting framework, FRS 102 – The Financial Reporting Standard Applicable in the United Kingdom and Ireland ('FRS 102') for all periods presented. In the transition to IFRS, the Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with IFRS. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in note 22.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

### *1.1 Measurement convention*

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit and loss account.

### *1.2 Going concern*

The Group has net surplus as at 31 March 2019, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Key factors that have been considered as part of these enquiries include:

- The Group has satisfactory financial resources at the balance sheet date and future cash flow projections indicate sufficient liquidity for the foreseeable future.
- The group has external debt of £1,973.6m at 31 March 2019, with varying long term maturity dates. This debt is a mixture of bank debt, private placements and bonds. There is no immediate refinancing risk.
- At 31 March 2019 the financing of the Helix Acquisition Limited group of companies (the "Group") was rated A-/Stable by Standard & Poor's and A-/Stable by Fitch Ratings.
- The Group operates in a low risk, stable regulatory and commercial environment as noted in the principal risks and uncertainties section of the Strategic report.
- The Group's core cash revenues are derived from train and station income which historically has exhibited low volatility. Cash revenues are highly dependent on two key customers, both of whom have reported a stable underlying performance from their businesses and a UK government underpinning arrangement for domestic services reduces the risk to the Group from this reliance.
- The key core operational cash outflows have low variability, representing payments to NRHS for operations and maintenance services and UK Power Networks for lease costs on electrical assets – both of which are subject to fixed price long term contracts.

## 1 Accounting policies *(continued)*

### *1.2 Going concern (continued)*

- The regulatory framework in which HS1 operates remains stable. Revenue rates are locked by regulators following acceptance of the 5 Year Asset Management Statement and Station long term charges for the period 1 April 2015 to 31 March 2020.

Accordingly, the directors continue to adopt the going concern basis in preparing the Annual Report and financial statements.

### *1.3 Basis of consolidation*

These non-statutory consolidated financial statements include the financial statements of the Company and its subsidiary undertakings HS1 Limited, High Speed Rail Finance Plc, High Speed Rail Finance (1) Plc and CTRL (UK) Limited made up to 31 March 2019, it does not consolidate in High Speed One (HS1) Limited. The results of these subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### *1.4 Foreign currency*

Transactions in foreign currencies are translated to the functional currencies of individual companies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

*Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

## 1 Accounting policies *(continued)*

### *1.5 Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*a. Financial assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

*Subsequent measurement - Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group (trade receivables, non-current financial assets) and includes the Group's financial asset arising from its service concession arrangement. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost preliminary includes trade receivables.

*Subsequent measurement - Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated as hedging instruments in an effective hedge, or financial assets mandatorily required to be measured at fair value. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss except to the extent they are subject to hedge accounting.

**1 Accounting policies** *(continued)*

***1.5 Financial instruments*** *(continued)*

*a. Financial assets (continued)*

*Derecognition*

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date where this is applicable. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

No adjustment required to the consolidated financial statements for ECL in the year.

*b. Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other creditors, loans and borrowings including bank overdrafts, and derivative financial instruments.

*Subsequent measurement*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

## 1 Accounting policies *(continued)*

### *1.5 Financial instruments (continued)*

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

*c. Derivative financial instruments and hedge accounting*

*Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income ("OCI"). Any ineffective portion of the hedge is recognised immediately in the profit or loss account.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in the profit or loss account the hedging gain or loss is reclassified to the profit or loss account. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

### *1.6 Service concession assets*

As the provision of the high-speed rail infrastructure services is performed through a contract with a public sector entity to 31 December 2040 whereby the public sector:

- Controls or regulates the services to be provided;
- Controls or regulates the price at which these services can be provided; and
- Holds a residual interest in the assets at the end of the term of the arrangement in December 2040.

The asset is accounted for as a service concession asset.

To the extent that the future consideration relates to revenue that is underpinned through the Domestic Underpinning Agreement ("DUA"), a financial asset is recognised. Cash inflow is allocated to the financial asset using effective interest rate method giving rise to interest income. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

To the extent that the future consideration relates to all other revenues, except that which is underpinned through the DUA, an intangible asset is recognised. The intangible asset is amortised to the profit or loss account on a straight-line basis over the life of the concession, running to 31 December 2040. At each reporting date, the intangible asset is measured for any impairment.

Additions to the intangible assets are amortised from the start of the following six-monthly period in which they are available for use.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as part of the service concession asset. All other leases are classified according to requirements of IFRS16.

## 1 Accounting policies *(continued)*

### *1.7 Renewals income and expenditure*

Income from the renewal's element of the charges to customers is initially recognised as deferred income in the balance sheet. The cash receipts held in escrow is recognised within other debtors due in more than one year. The deferred income is released when spend from Escrow is incurred.

### *1.8 Impairment excluding deferred tax assets*

*Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

### *1.8 Impairment excluding deferred tax assets* (continued)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### *1.9 Cash and short-term deposits*

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

### *1.10 Employee benefits*

*Defined contribution plans*

The Group offers a defined contribution pension scheme for all employees who joined the Group after 17 February 2011. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## 1 Accounting policies *(continued)*

### *1.11 Employee benefits (continued)*

*Defined benefit plans*

The HS1 section of the defined benefit Railways Pension Scheme was closed to new entrants on 17 February 2011. In accordance with IFRS, the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service if the service has vested, is charged to the profit and loss account. A charge equal to the increase in present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected return on assets (based on the market value of the scheme assets at the start of the year), are included in the profit and loss account under net finance charges.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

### *1.12 Provisions*

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters a financial guarantee contract to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### *1.13 Leases*

The Group assess whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the group obtains substantially all the economic benefits from the use of that asset, and whether the group has the right to direct use of the asset.

The group recognizes a right-of-use (ROU) asset and lease a liability at the lease commencement date, except for short term-leases of 12 months or less which are expensed in the income statement on a straight-line basis over the lease term.

## 1 Accounting policies *(continued)*

### *1.13 Leases (continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date; discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate specific to the country, term and currency of the contract. Lease payments can include fixed payments; variable payments that depend on an index or rate known at the commencement date; and extension option payments or purchase options, if the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in of reassessment of options.

At inception the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any Incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

### *1.14 Revenue from contracts with customers*

The Company has applied IFRS 15 since 1 April 2018. IFRS 15 requires a contract as well as the various performance obligations contained in the contract to be identified. IFRS 15 provides a 5 step model for revenue recognition which is summarised below:-

**Step 1: Identify the contract with the customer:** The Company has combined the Concession Agreement and the Domestic Underpinning Agreement because it and its predecessor entities have negotiated and varied these contracts over the concession term as a package with a single commercial objective of making the rail infrastructure available to TOCs and FOCs. The term of the combined contract has been determined to be 30 years.

**Step 2: Identify the performance obligation:** The promise and therefore single performance obligation in the contract is to make the rail infrastructure available to TOCs and FOCs running domestic and international rail services. Hence, the obligation is to make train paths available over some or all the infrastructure such that the relevant TOC or FOC can meet its timetable obligations. If the Company fails to meet this obligation such that as a result a TOC or FOC must either delay or cancel a service, the Company may need to pay compensation to the TOC or FOC that suffers the delay, and the compensation may be an indemnity against loss of profit, a penalty for suboptimal performance, or a rebate of potentially all the IRC that the Company received in the year. This last rebate is therefore substantially similar to an availability deduction in a standard form Private Finance Initiative ('PFI') project.

**Step 3: Identify the transaction price:** The contract specifies the level of income and its relationship to the volume of train paths that TOCs or FOCs can access. There are both fixed and variable elements of the transaction price which the Company has identified at the inception of the contract. Variable revenue from the contract is reassessed on a regular basis by management.

**Steps 4 and 5; Allocate the transaction price and recognise revenue:** As there is only one performance obligation, this being to make the rail infrastructure available for train services, the last two steps have been combined. Therefore, the Company applies the following accounting policies to recognise revenue:

- Apply the IFRC's Underpinning Payment to the financial asset that has been recorded under IFRIC 12. As a result, the Company allocates the Underpinning Payment pro-rata to Baseline Domestic Services under Step 5 above. The Company has then divided those allocations between amortising the financial asset and financial asset interest following IFRIC 12's principles.

## 1 Accounting policies *(continued)*

### *1.14 Revenue from contracts with customers* (continued)

- Allocate IRC elements additional to the Underpinning Payment to profit and loss pro-rata to any domestic train paths additional to the number of Baseline Domestic Services and all international train paths in each railway period.

- Allocate OMRC pro-rata to all train paths in each Railway Period following the method for IRC, while also deferring applicable OMRC to future renewal episodes based on management's estimate of the timing of these amounts.

***Practical expedients***

The Company has elected to make use of the following practical expedients:

- Contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred.

- Application of paragraph 121 of IFRS 15, which allows not to disclose information about remaining performance obligation that have original expected duration of one year or less.

- No adjustment of the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

***Practical expedients***

The Group has elected to make use of the following practical expedients:

- Contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred.
- Application of paragraph 121 of IFRS 15, which allows not to disclose information about remaining performance obligation that have original expected duration of one year or less.
- No adjustment of the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### *1.15 Other expenses and income*

*Interest payable*

Interest payable and similar charges include interest payable, finance charges on finance leases recognised in the profit and loss account using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest bearing bank loans, overdrafts and other loans are recorded at proceeds received net of direct issue costs. Finance charges, including premium payable on settlement or redemptions and direct issue costs are accounted for on an accruals basis and taken to the profit and loss account using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

## 1 Accounting policies *(continued)*

*Interest receivable*

Interest receivable includes interest receivable on funds invested and net foreign exchange gains.

### *1.16 Taxation*

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

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

*Deferred tax*

Deferred tax is an accounting adjustment which reflects where more or less tax is expected to arise in the future due to differences between the accounting and tax rules. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction effects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

*Sales tax*

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 1 Accounting policies *(continued)*

### 1.17 New standards and interpretations not applied

The following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective for the financial period.

The Directors plan to adopt these standards in line with their effective dates stated. The current status of the Group's assessment of these standards is set out below.

**Standards issued but not yet effective**

*- IFRS 17 Insurance Contracts*
This standard is not applicable to the Group.

*- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

*- Amendments to IFRS 9: Prepayment Features with Negative Compensation*
These amendments have no impact on the consolidated financial statements of the Group.

*- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The Group will apply these amendments when they become effective.

*- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*
The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.

These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

*- Amendments to IAS 28: Long-term interests in associates and joint ventures*
Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

*- Annual Improvements 2015-2017 Cycle (issued in December 2017)*
IFRS 3 Business Combinations - These amendments will apply on future business combinations of the Group.
IFRS 11 Joint Arrangements - These amendments are currently not applicable to the Group but may apply to future transactions.
IAS 12 Income Taxes – These amendments will apply to the Group but the Group does not expect any effect on its consolidated financial statements.
IAS 23 Borrowing Costs - These amendments will apply to the Group but the Group does not expect any effect on its consolidated financial statements.

## 2 Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, described in note 1, the directors are required to make judgements and estimates that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis.

### Critical judgements in applying the Group's accounting policies

The Directors do not consider there to be any critical judgments involved in the application of the accounting policies for the preparation of the financial statements.

### Key sources of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The following are key sources of uncertainty, involving estimation uncertainty that the directors have made in the process of applying the Group's accounting policies and that may have an effect on the amounts recognised in the financial statements.

- **Defined benefit pension schemes** - The assumptions used in calculating the balance sheet assets and liabilities of the defined benefit pension scheme include estimates as set out in note 17.

- **Deferred tax assets** - The carrying amount of the deferred tax assets is reviewed at each reporting date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that the Group will earn sufficient taxable profits against which the deductions can be utilised. Any such reductions are reversed to the extent that it becomes probable that sufficient taxable profits will be available.

- **Valuation of derivatives-** The derivative financial instruments are carried at fair value in the financial statements. The fair value is calculated on the basis of market parameters, calculated by external experts, therefore giving rise to an areas of estimation uncertainty.

## 3 Revenue from contracts with customers

All revenue from contracts with customers arises in the United Kingdom from operating the High Speed 1 railway network.

### 3.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

| **Segment** | **2019 £m** | **2018 £m** |
|---|---|---|
| Revenue from operating, maintaining and renewing high speed rail concession | **225.7** | 212.1 |

**Total revenue from contracts with customers**

- The Investment Recovery Charge ('IRC') comprises an amount per train mile that varies with indexation and recovers its costs of constructing the high-speed rail infrastructure.
- The Operations, Maintenance and Renewals Charge ('OMRC'), relates to costs of operating and maintaining the infrastructure.
- Station access charges comprises qualifying operation and maintenance costs including management fee.

### 3.2 Performance obligations

Information about the Company's performance obligations are summarised below. The Company has a single performance obligation under IFRS 15, which is to make the rail infrastructure available to a specific standard. Management has made this judgement based on the following information:

- The contracts in the arrangement are combined into a single arrangement with a common commercial objective of making the infrastructure available to its customers;
- The majority of the Company's revenue streams falling within IFRS 15's scope fund that performance obligation;
- While the contracts require the Company to maintain and renew the infrastructure, these obligations apply to the extent necessary for the Company to meet the standards applicable to the rail infrastructure rather than to complete this maintenance and renewal to specific standards and at specific times.

The single performance obligation is being transferred over time to the customer with the period of the contract being 30 years based on access to the high speed rail infrastructure.

## 4 Operating profit

| | 2019 £m | 2018 £m |
|---|---|---|
| ***Operating profit is stated after:*** | | |
| Depreciation of right-of-use assets | **0.4** | - |
| Amortisation of intangible assets | **48.4** | 48.3 |

*Auditor's remuneration:*

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Audit of Company's financial statements | **7** | 6 |
| Amounts receivable by the Company's auditor and its associates in respect of: Audit-related assurance services | **113** | 62 |

## 5 Staff costs

The aggregate staff costs were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Wages and salaries | **5.3** | 6.1 |
| Social security costs | **0.5** | 0.6 |
| Defined contribution pension scheme costs | **0.4** | 0.3 |
| Defined benefit pension scheme costs | **0.1** | 0.1 |
| | **6.3** | 7.1 |

## 6 Interest receivable and similar income

| | 2019 £m | 2018 £m |
|---|---|---|
| Financial asset interest | **129.6** | 127.5 |
| Other interest receivable | **63.6** | 50.2 |
| | **193.1** | 177.7 |

## 7 Finance charges

| | 2019 £m | 2018 £m |
|---|---|---|
| Interest payable to parent undertaking | **54.2** | 54.2 |
| Interest payable on bank borrowings | **22.3** | 22.7 |
| Interest payable on other loans | **68.0** | 70.1 |
| Interest on lease liabilities | **24.7** | 24.1 |
| Net interest on defined benefit liability | **-** | - |
| Movement in assets/liabilities measured at fair value | **(8.8)** | (2.9) |
| | **160.4** | 168.2 |

## 8 Taxation

Total tax recognised in the profit and loss account, other comprehensive income and equity

| | 2019 £m | £m | 2018 £m | £m |
|---|---|---|---|---|
| *UK corporation tax* | | | | |
| Current tax on income for the period | **4.4** | | 0.2 | |
| Adjustments in respect of prior periods | **1.0** | | - | |
| Total current tax | | **5.4** | | 0.2 |
| *Deferred tax* | | | | |
| Origination/reversal of timing differences | **1.7** | | 9.5 | |
| Change in tax rates | **-** | | (1.4) | |
| Adjustment in respect of prior years | **-** | | (3.1) | |
| Total deferred tax | | **1.7** | | 5.0 |
| Total tax on loss | | **7.1** | | 5.2 |

The aggregate deferred tax relating to items that are recognised as items of other comprehensive income is a debit of £2.7m (31 March 2018: debit of £12.2m). No current tax has been recognised as items of other comprehensive income or equity in the year (2018: £nil).

## 8 Taxation *(continued)*

*Tax reconciliation*

| | **2019** **£m** | 2018 £m |
|---|---|---|
| *Total tax reconciliation* | | |
| Profit before tax | **77.6** | 42.8 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (31 March 2018: 19%) | **14.7** | 8.1 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **(9.2)** | 2.1 |
| Change in deferred tax rate | **0.6** | (1.9) |
| Prior year adjustment | **1.0** | (3.1) |
| Total tax charge (see above) | **7.1** | 5.2 |

The movement on deferred tax for the Company in the year is outlined below:

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Timing differences £m** | **Trading loses £m** | **Total £m** | Timing differences £m | Trading loses £m | Total £m |
| At beginning of year | **(22.7)** | **(80.9)** | **58.2** | (7.0) | 82.7 | 75.7 |
| Prior year adjustment | **-** | **-** | **-** | - | - | - |
| Origination and reversal of timing differences | **0.3** | **(4.8)** | **(4.5)** | (15.7) | (1.8) | (17.5) |
| At end of year | **(22.4)** | **76.1** | **53.7** | (22.7) | 80.9 | 58.2 |

The deferred tax asset for the Group has been disclosed as follows:

| | **2019** **£m** | 2018 £m | 1 April 2017 |
|---|---|---|---|
| Debtors falling due after more than one year | **53.7** | 58.2 | 75.7 |
| | **53.7** | 58.2 | 75.7 |

From 1 April 2017, the UK corporate tax rate was reduced from 20% to 19%. A further reduction in the UK tax rate to 17% from 1 April 2020, contained within the Finance Act 2016, was enacted in September 2016. Accordingly, this rate has 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 Group is forecasting sufficient taxable profits against which the asset can be utilised.

The Corporate Interest Restrictions rules ("CIR") were enacted in 16 November 2017, in Finance (No.2) Act 2017 but apply from 1 April 2017, on the same date the new tax losses rules were enacted. These financial statements reflect the tax changes as a result of the CIR and tax losses legislation.

## 9 Dividends

The aggregate amount of dividends comprises:

*Dividends receivable*
During the year the Group received £5m (2018: £nil) from a subsidiary undertaking High Speed One (HS1) Limited. This dividend income has not been eliminated within these consolidated special purpose financial statements as High Speed One (HS1) Limited does not form part of the Helix Acquisition Limited group under the security group financing documentation.

*Dividends payable*
No dividends have been paid in respect of A or B shares (2018: £nil).

## 10 Intangible assets

| | Licence £m |
|---|---|
| **Cost** | |
| As at 1 April 2017 | 1,376.0 |
| Additions | 1.4 |
| **As at 31 March 2018** | 1,377.4 |
| **Amortisation** | |
| As at 1 April 2017 | 229.6 |
| Charge for period | 48.3 |
| **As at 31 March 2018** | 277.9 |
| Cost | |
| As at 1 April 2018 | 1,377.4 |
| Additions | 1.4 |
| **As at 31 March 2019** | 1,378.8 |
| **Amortisation** | |
| As at 1 April 2018 | 277.9 |
| Charge for period | 48.4 |
| **As at 31 March 2019** | 326.3 |
| **Net book value** | |
| **At 31 March 2019** | 1,052.5 |
| **At 31 March 2018** | 1,099.5 |

The licence held is in respect of the service concession held to 31 December 2040 to operate, maintain and renew the 109 kilometre high speed rail line. The remaining amortisation period of the licence is 21 years.

## 11 Debtors: amounts falling due after more than one year

| | 2019 £m | 2018 £m | As at 1 April 2017 £m |
|---|---|---|---|
| Amounts owed by parent undertakings | **729.2** | 605.8 | 400.1 |
| Other debtors | **134.1** | 115.4 | 99.8 |
| Deferred tax assets (note 10) | **53.7** | 58.2 | 75.7 |
| Prepayments and accrued income | **11.9** | 16.4 | 8.1 |
| Other financial assets | **65.0** | 25.7 | 67.7 |
| | **993.9** | 821.5 | 651.4 |

Other debtors represent cash amounts held in escrow to fund certain future renewals and replacements, together with railway related spares where the risk of ownership lies with NRHS. Access to the escrow funds is restricted under the terms of the revised concession agreement.

Other financial assets relate to derivate financial instruments measured at fair value. The fair value has been determined using discounted future cash flows associated with the instrument and this has been checked to counterparty valuations for reasonableness.

## 12 Debtors: amounts falling due within one year

| | 2019 £m | 2018 £m | As at 1 April 2017 £m |
|---|---|---|---|
| Trade receivables and accrued income | **19.3** | 19.9 | 14.3 |
| Amounts owed by parent undertakings | **9.6** | 30.4 | 19.1 |
| Other debtors | **1.3** | 1.6 | 0.5 |
| Prepayments | **11.2** | 6.8 | 9.2 |
| | **41.4** | 58.7 | 43.1 |

Trade receivables are non-interest bearing and are generally on terms of 15 to 30 days. The impact on the accrued income and deferred income is explained as below:

## 13 Creditors: amounts falling due within one year

| | 2019 £m | 2018 £m | As at 1 April 2017 £m |
|---|---|---|---|
| Bank loans and overdrafts | **34.8** | 15.4 | 9.3 |
| Trade creditors | **12.1** | 3.0 | 2.7 |
| Amounts due to parent undertakings | **14.7** | 14.7 | 14.8 |
| Other loans | **10.8** | 0.1 | 0.1 |
| Other creditors including taxation and social security | **10.2** | 12.5 | 10.6 |
| Finance lease creditor | **22.3** | 21.3 | 20.3 |
| Accruals and deferred income | **95.1** | 101.0 | 89.3 |
| | **200.0** | 168.0 | 147.1 |

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

| | **2019** | 2018 | As at 1 April 2017 |
|---|---|---|---|
| | **£m** | £m | £m |
| Bank loans | **54.1** | 76.9 | 95.9 |
| Amounts due to parent undertakings | **555.8** | 555.8 | 555.8 |
| Listed bonds | **904.6** | 897.9 | 888.7 |
| USPP notes | **945.9** | 926.7 | 974.2 |
| Escrow deferred income | **126.1** | 108.1 | 91.5 |
| Finance lease creditor | **157.6** | 155.3 | 152.4 |
| Accruals and deferred income | **2.8** | 3.2 | 3.6 |
| Other financial liabilities | **238.6** | 232.7 | 147.7 |
| | **2,985.5** | 2,956.6 | 2,909.8 |

Escrow deferred income recognises the deferral of income put into escrow. The deferred income is only recognised when expenditure is incurred in the future to offset the operating cost or depreciation on the capital item.

The bank loans maturities are as follows:

| | **2019 Bank loans and overdrafts** | 2019 Bank loans and overdrafts |
|---|---|---|
| | **£m** | £m |
| Amounts due: | | |
| In less than one year | **35.3** | 16.0 |
| Between one and two years | **27.3** | 23.3 |
| Between two and five years | **27.3** | 54.7 |
| More than five years | **-** | - |
| Less: debt issue costs | **(1.0)** | (1.7) |
| Less: finance charges | | |
| At end of year | **88.9** | 92.3 |

### 15 Capital and reserves

*Called up share capital*

| | **2019** | 2018 | As at 1 April 2017 |
|---|---|---|---|
| | **£** | £ | £ |
| ***Allotted, called up and fully paid*** | | | |
| 990 A shares of £1 each | **990** | 990 | 990 |
| 10 B shares of £1 each | **10** | 10 | 10 |
| | **1,000** | 1,000 | 1,000 |

Holders of A shares and B shares are entitled to income distributions. The amount of distribution and the right to payment of the distribution need not be the same per each share class. In the event of liquidation, the surplus of assets, after the Company's liabilities have been met, will be distributed to A shareholders and B shareholders to the sum of £1 in respect of each share held. Any remaining surplus will be distributed to A shareholders only. The holders of A shares carry all voting rights with the exception of the rights to appoint Directors which are held by holders of the B shares.

*Profit and loss account*

The profit and loss account contains the balance of retained earnings to carry forward. Dividends are paid from this reserve.

*Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the face value of cash flow hedging instruments related to hedged transactions not yet occurred.

*Other Reserves (Cost of hedging)*

This reflects the fair value movement in the currency basis spread excluded from the designated hedging instrument and recognised in other comprehensive income.

### 16 Parent undertaking and controlling party

The Company's immediate parent undertaking is Helix Bufferco Limited, a company incorporated in the United Kingdom.

The Company's ultimate parent undertaking is Betjeman Holdings JvCo Limited, a company incorporated in the United Kingdom.

The smallest group in which the results of the Company are consolidated is an intermediary parent undertaking Betjeman Holdings Limited, a company incorporated in the United Kingdom.

The largest group in which the results of the Company are consolidated is the ultimate parent undertaking Betjeman Holdings JvCo Limited, a company incorporated in the United Kingdom.

Copies of the consolidated financial statements of Helix Holdings Limited are available from the registered office at 5th Floor, Kings Place, 90 York Way, London, N1 9AG.

## 17 Pension scheme

***Defined contribution pension scheme***

The Group offers a defined contribution scheme for all employees. The Group contributions to the defined contribution scheme are disclosed in note 6.

***Defined benefit scheme***

The Group operates a defined benefit scheme for qualifying employees with assets held in a separately administered fund. This scheme was closed to new entrants on 17 February 2011.

The disclosure required by IAS 19 *Employee Benefits* in relation to the HS1 section of the Railway Pension Scheme is given in this note.

The HS1 Limited Section ("Section") is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the scheme.

The Section is a shared cost arrangement whereby the Group is only responsible for a share of the cost. The figures reported below therefore represent only the Group's share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

The most recent actuarial valuation of the HS1 Limited Section of the Railways Pension Scheme was completed at 31 December 2016 by James C Wintle, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit liability and the related current service costs and past service cost were measured using the projected unit credit method.

Employer contributions were 19.04% of section pay to 30 June 2018 and 21.54% of section pay from 1 July 2018. This rate is expected to continue until June 2021. In addition, the employer pays annual lump sums of £45,000 each year to 2020 inclusive and pay all management and accounting charges levied by RPMI from time to time.

***Key assumptions:***

| | **2019** | 2018 | As at 1 April 2017 |
|---|---|---|---|
| | **% pa** | % pa | % pa |
| Discount rate | **2.4** | 2.4 | 2.4 |
| Price inflation (RPI measure) | **3.1** | 3.1 | 3.2 |
| Increases to deferred pensions (CPI measure) | **2.1** | 2.1 | 2.1 |
| Pension increases (CPI measure) | **2.1** | 2.1 | 2.2 |
| Pensionable salary increases | **3.7** | 3.6 | 3.6 |

The assumed average expectation of life in years at age 65 is as follows:

| | **2019** | 2018 | As at 1 April 2017 |
|---|---|---|---|
| Retiring today | | | |
| Males | **87.9** | 87.8 | 86.2 |
| Females | **89.7** | 89.1 | 88.0 |
| Retiring in 20 years | | | |
| Males | **89.2** | 89.6 | 90.9 |
| Females | **91.0** | 90.9 | 92.2 |

# Helix Acquisition Limited
# Notes for the year ended 31 March 2019 *(continued)*

## 17 Pension schemes *(continued)*

The assets in the scheme at the balance sheet date were as follows:

| | **2019** | 2018 | **Fair value** As at 1 April 2017 |
|---|---|---|---|
| | **£m** | £m | £m |
| Growth assets | **6.1** | 6.0 | 6.2 |
| Government bonds | **2.1** | 2.2 | 2.3 |
| Non-Government bonds | **0.7** | 0.2 | 0.1 |
| Total fair value of section assets | **8.9** | 8.5 | 8.6 |

***Movements in fair value of Section assets***

| | **2019** £m | 2018 £m |
|---|---|---|
| At beginning of year | **8.5** | 8.5 |
| Interest income on assets | **0.2** | 0.2 |
| Return on plan assets greater than discount rate | **0.2** | - |
| Employer contributions | **0.1** | 0.1 |
| Employee contributions | **0.1** | 0.1 |
| Actual benefits paid | **(0.2)** | (0.4) |
| At end of year | **8.9** | 8.5 |

***Reconciliation of Defined Benefit Obligation ("DBO")***

| | **2019** £m | 2018 £m |
|---|---|---|
| At beginning of year | **10.6** | 11.2 |
| Service cost | **0.2** | 0.2 |
| Interest cost on DBO | **0.3** | 0.3 |
| (Gain)/loss on DBO | **0.4** | (0.7) |
| Actual benefit payments | **(0.2)** | (0.4) |
| At end of year | **11.3** | 10.6 |

**17 Pension schemes** *(continued)*

***Defined benefit liability at end of year***

| | 2019 £m | 2018 £m | As at 1 April 2017 £m |
|---|---|---|---|
| DBO at end of year | **11.3** | 10.6 | 11.2 |
| Fair value of assets at end of year | **(8.9)** | (8.5) | (8.6) |
| Deficit at end of year | **2.4** | 2.1 | 2.6 |
| Adjustment for members' share of deficit | **(1.0)** | (0.9) | (1.0) |
| Net defined benefit liability at end of year | **1.4** | 1.2 | 1.6 |

***Reconciliation of net defined benefit liability***

| | 2019 £m | 2018 £m |
|---|---|---|
| Net defined benefit liability at beginning of year | **1.2** | 1.6 |
| Employers share of expense | **0.2** | 0.1 |
| Employers contributions | **(0.1)** | (0.1) |
| Total (gain)/loss recognised in the Other Comprehensive Income ("OCI") | **0.1** | (0.4) |
| Net defined benefit liability at end of year | **1.4** | 1.2 |

## 17 Pension schemes *(continued)*

***Analysis of amounts charged to the profit and loss account***

| | 2019 £m | 2018 £m |
|---|---|---|
| Employer's share of service cost | **0.2** | 0.2 |
| Employer's share of profit and loss account expense (excluding employers' contributions) | **0.2** | 0.2 |

***Analysis of amounts charged to OCI***

| | 2019 £m | 2018 £m |
|---|---|---|
| Liability loss arising during the year | **0.2** | (0.4) |
| Total loss recognised in OCI | **0.2** | (0.4) |

## 18 Leases

The Group has early- adopted IFRS16 at the same time as adopting IFRS 15 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS17 and IFRIC4.

**Right-of-use assets**

The Group has the following right-of-use assets over property:

| | Right-of-use asset Other £m | Total £m |
|---|---|---|
| **Cost** | | |
| At 1 April 2018 | 2.0 | 2.0 |
| Additions | - | - |
| At 31 March 2019 | 2.0 | 2.0 |
| **Accumulated Depreciation** | | |
| At 1 April 2018 | - | - |
| Depreciation charge for the year | 0.4 | 0.4 |
| At 31 March 2019 | 0.4 | 0.4 |
| **Net book value** | | |
| At 31 March 2019 | 1.6 | 1.6 |
| At 1 April 2018 | 2.0 | 2.0 |

### 18 Leases *(continued)*

The lease relates to the HS1 Limited office at 90 York Way, London N1 9AG. As at the year end there are 3 years remaining on the lease.

**Lease related income and expenses**

| | **2019** **£000** | 2018 £000 |
|---|---|---|
| Interest expense on lease liabilities | **12.7** | - |
| Expense relating to short-term leases | - | - |
| Expense relating to leases of low-value assets | - | - |
| Expense relating to variable lease payments | - | - |
| | **12.7** | - |

The total cash outflow for the Company's lease arrangements in 2019 was £334k (2018: £193k).

**Lease liabilities**

| | **2019** **£m** | 2018 £m |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flows:** | | |
| Less than one year | **0.5** | 0.3 |
| One to five years | **1.3** | 1.8 |
| More than five years | **-** | - |
| **Total undiscounted lease liabilities at 31 March 2019** | **1.8** | 2.1 |

### 19 Financial instruments

**Financial risk management**

The Group's financial risk management operations are ultimately carried out by the Board of Directors.

The Group is exposed to a number of financial risks in the normal course of its business operations:

- Interest rate risk
- Market risk
- Credit risk
- Foreign currency risk
- Liquidity risk

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. These polices have remained unchanged throughout the year.

### 19 Financial instruments *(continued)*

**Financial risk management *(continued)***

The Group's financial instruments (other than derivatives) comprise listed bonds, loan notes, US Private Placement notes ("USPP notes"), bank loans, cash and various items such as trade receivables and creditors that arise directly from operations. The Group finances operations from these financial instruments.

The Group also enters into interest rate derivatives to manage interest rate risk arising from the Group's borrowings and cross currency swaps to manage currency risk on foreign currency borrowings. The Group does not undertake speculative treasury transactions. The Group does not trade in financial instruments. All of the Group's financial instruments are denominated in GBP with the exception of the US$ USPP notes. The Group's borrowings are secured by a fixed and floating charge over all the assets of the Helix Acquisition Limited group and a charge over the shares of that company.

**Contractual maturity of financial liabilities**

The following tables detail the contractual maturities of the Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

**31 March 2019**

| | **Less than one year £m** | **One to two years £m** | **Two to five years £m** | **Greater than five years £m** |
|---|---|---|---|---|
| Borrowings | **306.0** | **154.2** | **468.5** | **3,968.3** |
| Other financial liabilities | **16.7** | **16.6** | **49.7** | **33.3** |
| | **322.7** | **173.8** | **518.2** | **4,001.6** |

31 March 2018

| | Less than one year £m | One to two years £m | Two to five years £m | Greater than five years £m |
|---|---|---|---|---|
| Borrowings | 265.9 | 152.8 | 484.4 | 4,072.7 |
| Other financial liabilities | 16.6 | 16.7 | 49.8 | 49.8 |
| | 282.5 | 169.5 | 534.6 | 4,122.5 |

1 April 2017

| | Less than one year £m | One to two years £m | Two to five years £m | Greater than five years £m |
|---|---|---|---|---|
| Borrowings | 174.7 | 120.8 | 491.5 | 4,277.1 |
| Other financial liabilities | 16.5 | 16.6 | 49.9 | 66.4 |
| | 190.9 | 137.4 | 541.4 | 4,343.5 |

### 19 Financial instruments *(continued)*

***Carrying amount of financial instruments***

The carrying amounts of the financial assets and liabilities include:

| | 2019 £m | 2018 £m | As at 1 April 2017 £m |
|---|---|---|---|
| Assets measured at fair value through profit and loss | **65.0** | 25.7 | 67.6 |
| Assets measured at amortised cost | **936.4** | 780.9 | 535.9 |
| Liabilities measured at fair value through profit and loss | **(238.6)** | (261.1) | (147.7) |
| Liabilities measured at amortised cost | **(2,896.5)** | (2,762.2) | (2,722.8 |

***Financial instruments measured at fair value***

*Derivative financial instruments*

**Hedge accounting**

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur.

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount £m** | **Expected cash flows £m** | **1 year or less £m** | **1 to <2years £m** | **2 to <5years £m** | **5 years and over £m** |
| **Cross currency swaps:** | | | | | | |
| Assets | 65.0 | (422.9) | 13.5 | 13.4 | 210.8 | 185.2 |
| Liabilities | - | - | - | - | - | - |
| | 65.0 | (422.9) | 13.5 | 13.4 | 210.8 | 185.2 |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount £m** | **Expected cash flows £m** | **1 year or less £m** | **1 to <2years £m** | **2 to <5years £m** | **5 years and over £m** |
| **Interest rate swaps:** | | | | | | |
| Assets | - | - | - | - | - | - |
| Liabilities | 0.9 | (1.2) | (0.3) | (0.3) | (0.1) | - |
| | 0.9 | (1.2) | (0.3) | (0.3) | (0.1 | - |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount £m** | **Expected cash flows £m** | **1 year or less £m** | **1 to <2years £m** | **2 to <5years £m** | **5 years and over £m** |
| **Revenue swaps:** | | | | | | |
| Assets | - | - | - | - | - | - |
| Liabilities | 130.2 | (224.4) | (0.3) | (0.3) | (7.6) | (216.2) |
| | 130.2 | (224.4) | (0.3) | (0.3) | (7.6) | (216.2) |

## 19 Financial instruments *(continued)*

***Hedge accounting** (continued)*

*Interest rate risk*

Interest rate risk is the risk that fluctuations in interest rates could result in volatility in interest payable and receivable. The Group is exposed to interest rate risk on working capital facility, liquidity facility and the floating interest USPP notes. The Group uses interest rate derivatives to reduce exposure to interest rate exposure on the bank loan. The Group does not use derivative financial instruments for speculative purposes.

There is no interest rate risk on other financial instruments as they are either non-interest bearing or at fixed interest rates.

The Directors are responsible for managing interest rate risk and approve all decisions to enter into borrowings and interest rate swaps. The Director's aim is to ensure that all exposure to interest rate risk is minimal by entering into appropriate derivative products.

The Group's policy is to maintain a mix of fixed to floating debt such that a minimum of 70% of borrowings and a maximum of 110% of borrowings is at a fixed rate. At 31 March 2019, the Group's fixed to floating interest rate profile on borrowings was 92:8 (31 March 2018: 92:8).

**Sensitivity analysis on interest rate risk**

All of the Group's non-derivative financial instruments are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet in respect of these items.

As at 31 March 2019, the Group had floating interest rate borrowings with a notional value of £58.0m (31 March 2018: £58m). An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) annual interest payments by £0.6m/£(0.6)m (31 March 2018: £0.6m / £(0.6m)).

As at 31 March 2019, the Group held interest rate derivatives with a combined notional value of £1,697.6m (31 March 2018: £1,697.6m). The fair value of the interest rate derivative contracts was £(109.7)m (31 March 2018: £(127.9)m).

**19 Financial instruments** *(continued)*

***Hedge accounting*** *(continued)*

**Foreign exchange currency risk**

Foreign exchange currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange currency risk on the US$ element of the USPP of $550m (31 March 2018: $550m). The Group uses cross currency derivatives to hedge currency risk on its foreign currency denominated borrowings.

As at 31 March 2019, the Group held cross currency swaps with a combined notional value of £340m (31 March 2018: £340m). The fair value of the cross currency swaps was £65.0m (31 March 2018: £25.7m).

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

**Retail Price Index risk**

Retail Price Index ("RPI") risk is the risk that future changes in RPI could have a negative impact on revenue growth. Retail Price Index ("RPI") swaps are held by the Group. This fixes inflation on c. £116m of Investment Recovery Charge ("IRC") which reduces the volatility of the IRC growth to inflation.

As at 31 March 2019, the Group held RPI swaps with a combined notional value of £58m (31 March 2018: £58m). The fair value of the RPI swaps was £(130.2)m (31 March 2018: £(133.2)m).

**19 Financial instruments** *(continued)*

***Fair values***

All the Group's derivatives are classified as Level 2.

The fair value of interest rate and cross currency derivatives is determined by discounting future cash flows based on the terms and maturity of each contract using market data at the measurement date. This is tested to valuations provided by counterparties to ensure reasonableness.

The fair value of revenue swap derivatives is based on non-observable inputs. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using available market information at the measurement date.

The fair values of all financial assets and financial liabilities by category together with their carrying amounts shown in the balance sheet are as follows:

| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| | | | | | As at | As at |
| | 2019 | 2019 | 2018 | 2018 | 1 April 2017 | 1 April 2017 |
| | £m | £m | £m | £m | £m | £m |
| **Financial assets** | | | | | | |
| Concession asset | 1,408.8 | 2,541.7 | 1,396.4 | 2,578.8 | 1,374.7 | 2,587.8 |
| Trade and other debtors | 187.5 | 187.5 | 136.9 | 136.9 | 114.7 | 114.7 |
| Amounts owed from group undertakings | 729.2 | 915.3 | 636.2 | 697.6 | 418.8 | 440.4 |
| Cash and cash equivalents | 10.1 | 10.1 | 7.9 | 7.9 | 2.4 | 2.4 |
| Cross currency swaps | 65.0 | 65.0 | 25.7 | 25.7 | 67.6 | 67.6 |
| | 2,400.6 | 3,719.6 | 2,201.3 | 3,446.9 | 1,987.2 | 3,212.9 |
| **Financial liabilities** | | | | | | |
| Trade and other creditors | 127.5 | 127.5 | 116.4 | 116.4 | 29.1 | 29.1 |
| Amounts owed from group undertakings | 555.8 | 696.5 | 555.8 | 696.5 | 555.8 | 705.8 |
| Bank borrowings | 90.0 | 90.0 | 94.0 | 94.0 | 107.6 | 107.6 |
| Other external borrowings | 1,939.7 | 2,030.9 | 1,819.2 | 1,969.9 | 1,857.4 | 2,069.0 |
| Interest rate swaps | 109.7 | 109.7 | 127.3 | 127.3 | 147.7 | 147.7 |
| RPI swaps | 130.2 | 130.2 | 133.8 | 133.8 | 172.9 | 176.3 |
| | 2,952.9 | 3,184.8 | 2,846.5 | 3,137.9 | 2,870.5 | 3,235.5 |

## 19 Financial instruments *(continued)*

### US Private Placement ("USPP") notes

On 29 October 2012 High Speed Rail Finance plc ("HSRF"), a fully owned subsidiary of the Group, entered into USPP notes with seventeen institutional investors over a range of terms, maturities and base currencies (tranches A-D). On 15 December 2016 HSRF entered into USPP notes with nine institutional investors over a range of terms and maturities (tranches E-F).

The significant terms of the USPP notes are as follows:

| | Tranche A1 | Tranche A2 | Tranche B1 | Tranche B2 |
|---|---|---|---|---|
| Currency | USD | USD | GBP | GBP |
| Listed | No | Jersey | No | Jersey |
| Amount | $530m | $20m | £70m | £47m |
| Type | Fixed | Fixed | Fixed | Fixed |
| Interest rate | 3.79% | 3.79% | 4.21% | 4.21% |
| Term | 15.5 years | 15.5 years | 18.5 years | 18.5 years |
| Maturity | 30 March 2028 | 30 March 2028 | 30 March 2031 | 30 March 2031 |

| | Tranche C | Tranche D | Tranche E | Tranche F |
|---|---|---|---|---|
| Currency | GBP | GBP | GBP | GBP |
| Listed | No | No | No | No |
| Amount | £58m | £50m | £184m | £130m |
| Type | Floating | Fixed | Fixed | Fixed |
| Interest rate | GBP 6mLIBOR1.64% | 4.72% | 2.30% | 2.81% |
| Term | 18.5 years | 23.5 years | 22.5 years | 23 years |
| Maturity | 30 March 2031 | 30 March 2036 | 31 March 2039 | 31 December 2039 |

### Listed bonds

On 14 February 2013, High Speed Rail Finance 1 plc ("HSRF1"), a fully owned subsidiary of the Group, listed £760m bonds on the London Stock Exchange across two tranches. Tranche A of the bonds was issued at a discount of £9m.

On 17 April 2015, HSRF1 successfully completed a new sterling index-linked bond issue. The issue of new bonds was in the form of a tap (the "Tap"). The Tap amount was £96.5m, indexed to £100.4m. The bonds were issued pursuant to the base prospectus dated 8 April 2015 relating to the £5,000,000,000 Multicurrency Programme for the Issuance of Bonds of HSRF1. The proceeds of the Tap were used to refinance the bank debt outstanding on the same date.

The significant terms of the listed bonds are as follows:

| | Tranche A | Tranche B |
|---|---|---|
| Currency | GBP | GBP |
| Amount | £610m | £246.5m |
| Type | Fixed | Index linked |
| Interest rate | 4.375% | UKTI .75% plus 1.566% |
| Term | 25.7 years | 25.7 years |
| Maturity | 1 November 2038 | 1 November 2038 |

The inflationary increase to the nominal value of Tranche B of the listed bonds has been reflected in amounts due in more than one year (note 14).

## 19 Financial instruments *(continued)*

### Bank loans

On 14 February 2013 High Speed 1 Limited ("HS1"), a fully owned subsidiary of the Group, entered into £221.3m of loans, a working capital facility of £65m and an annual rolling liquidity facility of £125m with a consortium of banks.

On 17 April 2015, HS1 refinanced its existing bank loans (Tranche A and B) totalling £198m at that date by entering into the following transactions;

- A £96m tap (inflation adjusted amount of £100m) on the existing 1.566% 2038 maturing index linked bond held by HSRF1 (see above).
- A £98m extension of bank loan tranche A with an amortising maturity profile to 31 March 2022 at an interest rate of LIBOR plus 0.85%.
- Interest rate swaps were entered into for a nominal value of £98m to fully hedge the bank loan extension of £98m and mitigate against future interest rate risk.

In addition to the above the working capital facility was extended to 31 March 2020 at an interest rate of LIBOR plus 0.50% (with a utilisation fee ranging between 0.15% to 0.30%). The liquidity fund increased to £105m and was renewed to 30 March 2020 at an interest rate of LIBOR plus 1.00%.

At the balance sheet date £12m (31 March 2018: £16m) was drawn down in respect of the working capital facility. This amount has been included in "bank loans and overdrafts due within one year" (note 13).

At the balance sheet date £nil (31 March 2018: £nil) was drawn down in respect of the liquidity facility.

The significant terms of the loans are as follows:

| | **Tranche A** | **Working capital facility** | **Liquidity facility** |
|---|---|---|---|
| Currency | GBP | GBP | GBP |
| Amount | £78m | £65m | £80m |
| Type | Floating | Floating | Floating |
| Interest rate | 2.35% | GBP LIBOR plus 0.5% (plus utilisation fee) | GBP LIBOR plus 1.0% |
| Term | 7 years | 5 years | 1 year |
| Maturity | 31 March 2022 | 31 March 2020 | 31 March 2018 |

**19 Financial instruments** *(continued)*

***Changes in liabilities arising from financing activities***

| | **2019** | 2018 |
|---|---|---|
| | £ | £ |
| As at 1 April | (2,035.7) | (2,294.4) |
| Loans advanced to parent | 45.2 | 37.8 |
| Non-cash movement | 33.8 | 220.9 |
| | (1,956.7) | (2,035.7) |

Exchange rate movement and amortisation, capitalised debt issue costs and capitalised parent loan interest were non-cash. Net debt relates to bank debt, USPP notes, listed bonds, capital element of finance lease liabilities and loans advanced to parent undertaking.

**Loans with parent undertakings**

During the year, the Company advanced a loan of £38.9m to its immediate parent undertaking, Helix Bufferco Limited (31 March 2018: £18.9m). This loan carries interest at 9.75% and is repayable by agreement of both the borrower and lender. This loan is included in debtors due in more than one year as no significant repayment is expected in the next 12 months.

During the year the Company with the agreement of the Helix Bufferco Limited capitalised accrued loan interest of £65.7m (2018:£39) in accordance with the terms of the loan agreement.

Included in debtors due in more than one year is a loan of £166.5m (2018: £147.8m) advanced to Betjeman Holdings Limited. This loan is subject to interest at 9.75% per annum and is repayable by agreement of both the borrower and lender. No significant repayment is expected in the next 12 months.

Included within creditors due in more than one year is a loan of £555.8m (31 March 2018: £555.8m) advanced from Helix Bufferco Limited. This loan is subject to interest at 9.75% per annum and is repayable by agreement of both the borrower and lender. No significant repayment is expected in the next 12 months.

All other balances owed to / from group undertakings, unless stated above, are non-interest bearing and repayable by agreement of both the borrower and lender.

### 20 Related parties

*Identity of related parties which the Group has transacted with:*

In the year ended 31 March 2019, there have been no transactions with the Company's Directors or parties related to them (31 March 2018: none).

Helix Bufferco Limited and Betjeman Holdings Limited are related parties by virtue of being an intermediary parent undertakings. Betjeman Holdings JvCo Limited is a related party by virtue of being the ultimate parent undertaking (note 19) .

During the financial year the Group completed the following transactions with related parties within the Betjeman Holdings JvCo Limited group of companies:

| | **2019** | 2018 | As at 1 April 2017 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Interest receivable** | | | |
| Helix Bufferco Limited | **48.6** | 42.0 | 15.6 |
| Betjeman Holdings Limited | **15.0** | 8.2 | - |
| **Interest payable** | | | |
| Helix Bufferco Limited | **54.2** | 54.2 | 54.2 |

At the end of the financial year, the following balances were outstanding with related parties within the Betjeman Holdings JvCo Limited group of companies:

| | **2019** | 2018 | As at 1 April 2017 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Debtors: amounts falling due within one year** | | | |
| Helix Bufferco Limited | **4.7** | 21.9 | 18.8 |
| Helix Holdings Limited | **0.3** | 0.3 | 0.3 |
| Betjeman Holdings Limited | **4.4** | 8.2 | - |
| **Debtors: amounts falling due after more than one year** | | | |
| Helix Bufferco Limited | **562.6** | 458.0 | 400.1 |
| Betjeman Holdings Limited | **166.5** | 147.8 | - |
| **Creditors: amounts falling due within one year** | | | |
| Helix Bufferco Limited | **14.8** | 14.8 | 14.8 |
| **Creditors: amounts falling due after more than one year** | | | |
| Helix Bufferco Limited | **555.8** | 555.8 | 555.8 |

All transactions with related parties within the Group have taken place at arm's length. The terms of the transactions undertaken are detailed within note 19.

## 20 Related parties *(continued)*

*Key management personal compensation*

The total remuneration for key management personnel for the year totalled £2.9m (31 March 2018: £3.7m). This amount is included in the staff costs in note 5.

On the 7th March 2019, High Speed One (HS1) Limited issued non-voting, non-dividend entitled 'equity' B shares totalling £5m. The allotment of these shares were to the following related parties by virtue of common indirect ownership:

| | *Nominal Value of Preference Shares* | *No. of Preference Shares* | *Subscription Amount* |
|---|---|---|---|
| | £ | | £ |
| Infrastructure Investments Betjeman Limited | 50,000 | 35 | 1,750,000 |
| Agincourt (1) LLP | 50,000 | 30 | 1,500,000 |
| Equitix HS1 Holdings Limited | 50,000 | 35 | 1,750,000 |
| Total | | 100 | 5,000,000 |

On the 11th March 2019, High Speed One (HS1 Limited) completed a share capital redemption in the 'equity' B shares and then made distributions of £5m funds to HS1 Limited via a dividend.

There have been no related party transactions with any director in the year or subsequent year.

No director held any material interest in any contract with the Group and company in the year.

## 21 Events after the balance sheet date

There have been no events subsequent to the balance sheet date that require disclosure.

## 22 Transition to IFRS

For all periods up to and including the year ended 31 March 2018, the Group prepared its consolidated financial statements in accordance with FRS 102. These financial statements, for the year ended 31 March 2019, are the first the Group has prepared in accordance with the International Financial Reporting Standard ("IFRS").

Accordingly, the Group has prepared consolidated financial statements which comply with IFRS applicable for periods beginning on or after 1 April 2017 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 April 2017, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required for the first-time adoption of IFRS. As such, this note explains the principal adjustments made by the Group in restating its balance sheet as at 1 April 2017 prepared under previously FRS 102 and its previously published FRS 102 financial statements for the year ended 31 March 2018.

On transition to IFRS, the Group has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

In adopting IFRS, the Group has chosen to early-adopt IFRS16 Leases using the modified retrospective approach.

***Exemptions Applied***

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for March 2019 year ends retrospectively. The Group has taken advantage of the following exemptions:

- The transitional provision in IFRS 1 to recognise investments in subsidiaries at 1 April 2017 at deemed cost, being the carrying value under FRS 102.
- IFRS 3 Business Combinations has not been applied to business combinations which took place prior to the date of transition (1 April 2017).

## 22 Transition to IFRS *(continued)*

### A. Reconciliation of the balance-sheet and equity

***Reconciliation of equity as at 1 April 2017***

| | Note | FRS 102 £m | IFRS reclassifications / remeasurements £m | IFRS £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | A | - | 1,146.3 | 1,146.3 |
| Tangible assets | A | 2,521.2 | (2,521.2) | - |
| Financial assets | A | - | 1,374.7 | 1,374.7 |
| Debtors: amounts falling due after more than one year | B | 722.6 | (71.2) | 651.4 |
| | | 3,243.8 | (71.4) | 3,172.4 |
| **Current assets** | | | | |
| Debtors: amounts falling due within one year | | 43.1 | - | 43.1 |
| Cash at bank and in hand | | 2.5 | - | 2.5 |
| | | 45.5 | | 45.5 |
| Creditors: amounts falling due within one year | C | (208.0) | 60.9 | (147.1) |
| **Net current liabilities** | | (162.5) | 60.9 | (101.6) |
| **Total assets less current liabilities** | | 3,081.3 | (10.5) | 3,070.8 |
| Creditors: amounts falling due after more than one year | C | (3,956.6) | 1,046.8 | (2,909.8) |
| **Net assets excluding pension liability** | | (875.3) | 1,036.3 | 161.0 |
| Net pension liability | | (1.6) | - | (1.6) |
| **Net assets** | | (876.9) | 1,036.3 | 159.4 |
| **Capital and reserves** | | | | |
| Called up share capital | | - | - | - |
| Profit and loss account | | (847.6) | 1,036.3 | 188.7 |
| Hedging reserve | | (29.3) | - | (29.3) |
| **Shareholders' fund** | | (876.9) | 1,036.3 | 159.4 |

### 22 *Transition to IFRS (continued)*

***Reconciliation of equity as at 31 March 2018***

| | *Note* | *FRS 102* | *IFRS reclassifications / remeasurements* | *IFRS* |
|---|---|---|---|---|
| | | £m | £m | £m |
| **Non-current assets** | | | | |
| Intangible assets | *A* | - | 1,099.5 | 1,099.5 |
| Tangible assets | *A* | 2,384.1 | (2,384.1) | - |
| Right-of-use assets | *D* | - | 2.0 | 2.0 |
| Financial assets | *A* | - | 1,396.4 | 1,396.4 |
| Debtors: amounts falling due after more than one year | *B* | 901.9 | (80.4) | 821.5 |
| | | 3,286.0 | 33.4 | 3,319.4 |
| **Current assets** | | | | |
| Debtors: amounts falling due within one year | | 58.7 | - | 58.7 |
| Cash at bank and in hand | | 7.9 | - | 7.9 |
| | | 66.6 | - | 66.6 |
| Creditors: amounts falling due within one year | *C* | (228.5) | 60.6 | (167.9) |
| **Net current liabilities** | | (161.9) | 60.6 | (101.3) |
| **Total assets less current liabilities** | | 3,124.1 | 94.0 | 3,218.1 |
| Creditors: amounts falling due after more than one year | *C* | (3,974.4) | 1,017.8 | (2,956.6) |
| Lease liabilities | *D* | - | (2.1) | (2.1) |
| **Net assets excluding pension liability** | | (850.3) | 1,109.7 | 259.4 |
| Net pension liability | | (1.2) | - | (1.2) |
| **Net assets** | | (851.5) | 1,109.7 | 258.2 |
| **Capital and reserves** | | | | |
| Called up share capital | | - | | - |
| Profit and loss account | | (861.0) | 1,091.0 | 230.0 |
| Hedging reserve | | 9.5 | 13.2 | 22.7 |
| Other reserves | | - | 5.5 | 5.5 |
| **Shareholders' fund** | | (851.5) | 1,109.7 | 258.2 |

### 22 *Transition to IFRS (continued)*

***Reconciliation of equity as at 31 March 2018***

The following reclassification and remeasurement differences arose on transition from FRS102 to IFRS:

A) Under IFRS Service Concession Accounting has been applied, this results in the removal of the tangible fixed asset under FRS102 and replaces it with a bifurcated asset consisting of part financial/part intangible asset.

B) IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the profit and loss account, adjustments are required to recognise a number of items for which no deferred tax was recognised under FRS102 which resulted in a decrease in deferred tax assets of £71.2m at 1 April 2017 and £9.2m at 31 March 2018.

C) Under Service Concession Accounting the deferred Government grant previously recognised in creditors and amortised over the life of the concession has been eliminated.

D) Under IFRS 16, operating lease are recognised on the balance sheet as right to use assets along with the associated lease liabilities.

**B. Reconciliation of the total comprehensive income**

| | Notes | FRS 102 £m | FRS 101 reclassifications/remeasurements £m | IFRS £m |
|---|---|---|---|---|
| **Revenue from contracts with customers** | E | 321.8 | (109.7) | 212.1 |
| Other operating expenditure | F | (211.1) | 32.3 | (178.8) |
| **Operating profit** | | 110.7 | (77.4) | 33.3 |
| Interest receivable and similar income | G | 50.2 | 127.5 | 177.7 |
| Finance charges | G | (177.9) | 9.7 | (168.2) |
| **Loss before taxation** | | (17.0) | | 42.8 |
| Tax on loss | B | - | | (5.2) |
| **Loss/(Profit) for the financial year** | | (17.0) | | 37.6 |
| **Other comprehensive income** | | | | |
| **Items that will not be reclassified to profit and loss** | | | | |
| Re-measurement of net defined benefit pension liability | | 0.4 | - | 0.4 |
| **Items that may subsequently be reclassified to profit and loss** | | | | |
| Amounts recycled to the profit and loss account | | 3.2 | - | 3.2 |
| Effective portion of changes in fair value of cash flow hedges | H | 38.8 | 13.2 | 52.0 |
| Deferred cost of hedging | I | - | 5.5 | 5.5 |
| **Total comprehensive profit for the year** | | 25.4 | 18.7 | 98.7 |

***22 Transition to IFRS** (continued)*

***Reconciliation of equity as at 31 March 2018***

The following reclassification and remeasurement differences arose on transition from FRS102 to IFRS:

E) Under IFRS the value of the underpinned revenues are reclassified from revenue and allocated against the repayment of the financial asset in the year.

F) Under IFRS depreciation of tangible fixed assets and the amortisation of government grants are replaced with the amortisation of the intangible asset.

G) Finance income is recognised on the financial asset and included within finance charged. There is also fair value movement on the financial asset in the year.

H) This adjustment is required to reflect the impact of counterparty credit risk associated with those derivatives in the liability position along with the corresponding deferred tax movement on.

I) This adjustment is required to reflect the impact of cross currency basis for the cross currency swaps of £5.5m.