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**HS1 LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

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**HS1 LIMITED**

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## HS1 LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	J Curley S Jones K Ludeman A Pitt A Leness D Harding P Robson A Deacon (appointed 11 June 2021) M Osborne (appointed 10 March 2022) M Woodhams (resigned 11 June 2021) S Springett (resigned 11 June 2021) O Racine (appointed 11 June 2021)
<b>Chairman</b>	K Ludeman
<b>Company secretary</b>	L Clarke-Bodicoat
<b>Registered number</b>	03539665
<b>Registered office</b>	5th Floor, Kings Place 90 York Way London N1 9AG
<b>Independent auditors</b>	Deloitte LLP Statutory Auditor London United Kingdom

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2022**

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The Directors present their Annual Report on the affairs of HS1 Limited (the 'Company') together with the audited financial statements for the year ended 31 March 2022.

The Directors, when preparing this strategic report, have complied with section 414C of the Companies Act 2006.

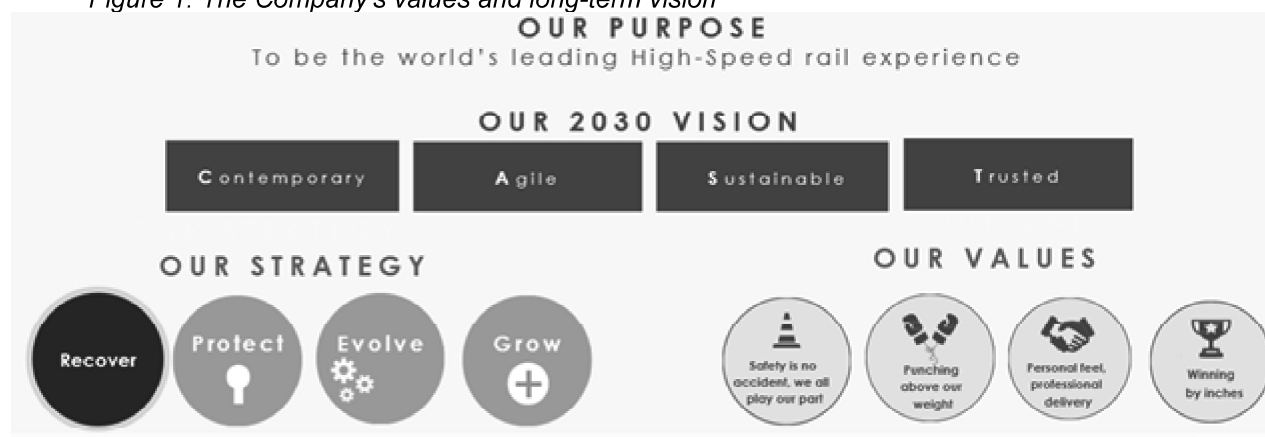
### The Business Model

The Company 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 notably Paris, Brussels and Amsterdam 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 Company has a clear goal to be recognised as a sustainable transport system connecting London, Kent and Europe. Its strategy is to Protect the core business, Evolve to meet the future requirements of the asset and stakeholders, whilst Recovering from Covid-19 and seeking opportunities to Grow the business.

The strategy is underpinned by a set of values and core delivery work streams.

Figure 1: The Company's values and long-term vision



### A fair review of the business

Key developments during the year ended 31 March 2022 include:

- Covid-19 has had a significant impact on the UK and global economy. Domestic and international travel have been affected as well as the Retail Industry. Since the removal of both UK and International travel restrictions, post the Omicron variant, the Company has seen immediate signs of recovery in the International and Retail revenue streams, but not yet to pre-covid levels.
- Turnover for the year ended 31 March 2022 was £149.7m (31 March 2021: £191.8m).
- Eurostar ("EIL") train paths are recovering from the troughs of Covid-19, with demand responding quickly to the lifting of travel restrictions. Although EIL had booked a minimal forward booked timetable ("FWT") for the period May 2021 to December 2021, it operated a level of spot bid train paths significantly above this FWT. Demand for train paths has continued to grow and EIL have booked an FWT for May 2022 – December 2022 that reflects 45% pre-Covid levels, indicating future growth and a return to more stabilised operations.
- The London Southeastern Railways ("LSER") direct award was not extended in October 2021 and the Government's Operator of Last Resort ("OLR"), Southeast Trains Limited ("SET"), has taken over the service.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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The OLR takes over a service when a rail franchise contract has ended, as the Government is required to maintain continuity of passenger rail travel. This change has not impacted HS1 operationally or financially. SET have continued to book a lower timetable than pre-pandemic levels, with services running below the underpin agreement.

- The Company has a UK Government underpinning arrangement for domestic services, the Company's largest revenue stream. The underpin agreement has partially insulated HS1 from the reduction in domestic passenger numbers.
- Retail income has been sensitive to Covid-19 restrictions but towards the end of March 2022 had recovered to around 85% of pre-Covid levels, with 90% of units trading.
- The Company completed the second year of Control Period Three. The operating, maintenance and renewal ("OMR") charge was set by the Office of Rail and Road ("ORR") for a 5 year period commencing in April 2020.
- Due to the changes in the booked timetable from both EIL and SET, the Company executed its second "Volume Reopener" of the Control Period to amend the allocation of Control Period Three charges and ensure the fixed OMR costs were recovered.
- Operationally, the Company performed strongly despite the extra complexity brought about by Covid-19. See key performance indicators (page 5).
- St Pancras International, Stratford International and Ebbsfleet International have all been awarded the Certificate of Assurance from Bureau Veritas as recognition for the cleaning measures in place which reduces the risk of transmission of Covid-19. The National Rail Passenger Survey for overall passenger satisfaction is still on hold due to Covid-19.
- HS1 offers strong sustainability credentials, being the first UK railway to operate entirely on renewable electricity. HS1 hosted a workshop at the World Climate Summit Investment Conference of Parties ("COP") this year, which presented High Speed Railways as an integral part of a decarbonised transport network.
- To support our customers with the ongoing energy price challenges, whilst maintaining the overall sustainability strategy, HS1 is transitioning from electricity backed by general Renewable Energy Guarantees of Origin ("REGOs") to the progressive introduction of renewable energy sourced through Corporate Power Purchase Agreements with dedicated REGOs. The first trade was completed in April 2022. HS1 will continue to explore further sustainability opportunities for High-Speed rail travel to Kent and the continent.

### **Future developments**

Members of the Rail, Maritime and Transport Workers ("RMT") and the Associated Society of Locomotive Engineers and Firemen ("ASLEF") unions have recently balloted its members for strike action or action short of a strike (working to contract). The RMT has now voted for strike action in relation to its members pay, guarantees over redundancies and changes to maintenance practices. More information is provided in note 27 to these financial statements.

EIL has recently merged with Thalys, another European highspeed train operator, to form Greenspeed. The combined entity is owned by four shareholders, the majority shareholding will remain indirectly owned by the French and Belgian governments (74.25%), Société nationale des chemins de fer français ("SNCF" at 55.75%) and Societe Nationale du Chemin de Fer Belge ("SNCB" at 18.5%), with the remaining 25.75% stake being owned by private investors. This is not expected to impact the EIL risk profile.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

**Section 172(1) statement**

The Directors discharge their duties under section 172(1) (a)-(f) of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders and stakeholders.

Through working collaboratively with Management and listening to feedback from the Company's stakeholders, the Directors believe that the Company is well positioned to use the feedback in delivering its vision. The Company assesses the impact of its activities on its stakeholders, in particular customers, employees, regulators, partners and suppliers and the wider community.

Relevant matters are reviewed at Board meetings with management and are assessed against strategic priorities. This collaborative approach helps promote the long-term vision of the Company.

The Company's values

The Company's purpose is to deliver the world's leading high-speed rail experience through its vision, strategy and values. The Company's values and strategy (Figure 1) ensure key resources are allocated appropriately and key relationships are maintained to support the generation and preservation of value in the Company, and to ensure that the Company continues to serve all stakeholders well in the long-term. The Company is in the process of review the strategy and values to ensure they reflect its current requirements.

Throughout the pandemic, HS1 continued to lead system wide conversations involving customers, regulators and the supply chain on the best way to respond to the short-term reduction in passenger travel. The aim is to find a way by working together that drives a stronger recovery than if we operated in isolation. The discussions are currently on-going.

Alongside this system engagement, we also have more structured engagement with a wider range of stakeholders as demonstrated below:

How we engage and foster strong relationships with some of our key stakeholders

<b>Customers</b>	<b>Employees</b>	<b>Regulators</b>	<b>Lenders and shareholders</b>	<b>Partners and suppliers</b>	<b>Community</b>
<ul style="list-style-type: none"> <li>• Customer surveys</li> <li>• Discussions with stakeholder groups</li> <li>• Monitoring industry questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Engagement survey</li> <li>• Town halls</li> <li>• Employee Suggestions Board</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory review</li> <li>• Public consultations</li> <li>• Stakeholder working groups</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly lender presentations</li> <li>• Information disclosure, such as budgets, financial statements and covenants</li> <li>• Regular meetings/calls</li> </ul>	<ul style="list-style-type: none"> <li>• Contract review meetings</li> <li>• Annual supplier conference</li> <li>• Supplier Audits</li> </ul>	<ul style="list-style-type: none"> <li>• Social media and website</li> <li>• Multi stakeholder groups</li> <li>• Newsletters</li> </ul>

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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

Performance during the year to 31 March 2022 was impacted by Covid-19 travel restrictions. The number of train paths billed during the year decreased to 59,184, a 15% decrease on the 69,868 for the year ended 31 March 2021. Train paths run have increased from the prior year, however billings were lower due to calendar year 2020/21 benefitting from the advance bookings carried over from before the pandemic began.

Operationally, the infrastructure continues to perform well; the average delays per train path for HS1 Limited infrastructure (the Company's primary performance KPI) continues to be low during the year to 31 March 2022 at 4.16 seconds (31 March 2021: 2.92 seconds). Initiatives continue to be delivered to reduce delays and maintain safe operations.

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 remained low at 0.064 at 31 March 2022 (31 March 2021: 0.028). The Company continues to monitor and challenge the supply chain through regular review meetings and oversight is provided through both the safety and asset subcommittees.

The Passenger Accident Incident Rate, number of passenger accidents per 100,000 passengers, is low at 0.02 at 31 March 2022 (31 March 21: 0.03). Station safety groups help improve passenger safety and have been instrumental in reducing accidents.

The Company's financial KPIs are earnings before interest, tax, depreciation, and amortisation ("EBITDA") and the debt service cover ratio ("DSCR") – the ratio of cash available to service the annual debt interest and principal payments. The DSCR for the year to 31 March 2022 was 1.24x (31 March 2021: 1.25x), driven by continued effects of Covid-19.

The EBITDA for the year to 31 March 2022 was £20.5m (31 March 2021: £55.1m). A reconciliation from the statutory measure, being operating (loss) / profit, is presented in the table below:

	<b>2022</b>	2021
	<b>£m</b>	£m
Operating (Loss) / Profit	<b>(28.3)</b>	6.3
Depreciation and Amortisation	<b>48.8</b>	48.8
<b>EBITDA</b>	<b>20.5</b>	55.1

**Principal risks and uncertainties**

The Company's regulatory and contractual arrangements generally provide a low risk, stable business environment. However, the global pandemic has caused an unprecedented impact on the economy and the Company.

The Company has identified the following key risk areas and strategies to preserve the health and wellbeing of staff whilst maintaining business continuity:

a) *Workforce*

- Impact of Covid-19 on workforce. The Group applied and adapted measures in line with changing restrictions, to protect employees from Covid-19. This has meant applying Government guidelines, which have been in place for the majority of the year, to mitigate the spread of infection. Post the lifting of all restrictions in the early part of 2022, the Group has monitored risk through periodic office risk assessments.

b) *Supply chain & operations*

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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- Network Rail High Speed (“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, the Company has the right to step in. The contract terms also include a parent guarantee giving the Company greater security. The Company is in regular contact with NRHS and other parts of the supply chain. The Company continually reviews potential causes of disruption, this includes insufficient operational NRHS staff or closures of the HS1 infrastructure that could restrict the operation of HS1 services.

- 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 also mitigates the risk operationally by obtaining supply chain assurance and ensuring compliance of procedures followed by NRHS. In addition, 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 £8.5m as at 2021/22 but in most instances the first £4.1m (February 2021 prices) is passed onto our principal supplier 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 occurring within 1 mile of HS1 premises if Damage occurs and £10m if due to Police action or presence (or suspected) of harmful device. This would limit the short-term financial impact. Long term issues could have a materially negative financial impact.

*c) Economy*

- Covid-19. The implementation of lockdown measures has led to a significant decline in passenger journeys. The Company has revised its forecasts for the implications of the current Covid-19 situation and applied appropriate sensitivities to ensure that we operate within our available financing arrangements. This is discussed in further detail in the going concern section in note 2.3 to the financial statements. The long-term view remains unchanged with the business expecting to return to pre-pandemic levels by 2024/25. The Company is monitoring potential long term structural shifts in the economy that could impact the business, such as business travel, commuting, home working and internet shopping.

- There is a risk of passenger flow disruption from new border control requirements. Changes in immigration rules, increased public health measures, or future changes in EU border arrangements could all lead to a worsening passenger experience which could discourage international travel. Most of the train paths that run on the infrastructure are domestic, which helps to insulate the Company from these risks. Furthermore, juxtaposed border controls, which removes the requirement for passport control at disembarkation, is a key competitive advantage over air for international travel. The Company continues to have conversations with customers, suppliers, the regulators and government to mitigate any risks.

- There is pressure on Energy prices. The Company faces a reputational risk if it does not effectively manage this. Management are working with the train operators to execute an agreed energy purchasing strategy balancing affordability, certainty and ensuring renewable energy sources. The first delivery milestone Corporate Power Purchase Agreement 1 was completed in April 2022.

- Inflation is well above the trend since the start of the concession in 2010. The Company mitigates most of its exposure to RPI changes as the contractual arrangements with the train operators have back to back arrangement and RPI on IRC revenues is partially hedged to provide further certainty. The economic situation is under constant review by the Company.

*d) Reliance on two key Customers (LSER/SET and Eurostar)*

- SET, the only domestic operator, is the Company’s largest customer. The Direct Award with LSER was



**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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not extended in October 2021 and the government's OLR has taken over the service as a result with no material impact to HS1.

The Company is paid on the number of timetabled train paths on HS1 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 below the underpin arrangement for the period from May 2022 to December 2022. The underpin agreement has successfully been enforced in the year with the Department for Transport ("DfT") billed the shortfall of services. There is a risk the timetable remains at this level and the Company relies on the underpin on an on-going basis.

- Eurostar, the only international operator, continued to operate a lower level of train paths than pre-pandemic, but recovery is continuing and they are currently timetabled to return to 45% of pre-covid levels from May 2022 to December 2022. As outlined in Further Developments, the merger of EIL and Thalys is not expected to negatively impact the operations of HS1 and as the majority shareholder is still indirectly owned by the French and Belgium governments, the current risk profile is maintained.

- Eurostar had booked a minimal timetable submission this year and booked "spot bid" paths to give itself flexibility to react to demand. Due to the uncertainty of demand, the Company expect to execute a regulated cost "volume reopener" annually during the Control Period 3 that allows regulated OMR charges to be spread over a lower number of train paths.

*e) Unregulated market*

- Footfall across all 4 stations was significantly impacted by Covid-19 government restrictions and despite signs of recovery, a steady state has not been reached yet. The Company receives unregulated revenues from retail units, advertising space and car-parking. Changes in the wider retail market, with a move towards online shopping and a change in consumer behaviour, causes a further risk.

- The Company continues to monitor the market closely and is actively managing the stations, with regular dialogue with retailers. Several factors could influence the Company's unregulated performance which includes economic recovery and the return of passengers to the station. Customer insights, and in-depth market knowledge, allows the Company to adapt to changes in customer demand.

*f) Political Environment*

- As a key piece of infrastructure, there is a risk of a terror attack, physical or cyber. Management have carried out a risk assessment to ensure controls are optimal. HS1, with the supply chain, invests heavily in cyber and physical security measures.

- The post- pandemic impact combined with the new border control changes is being monitored and the Group is working with stakeholders to ensure they are as frictionless as possible to support the recovery. International travel via rail is supported by juxtapose Border controls which is a significant benefit compared with air travel, in particular on arrival.

- Geo-Political tensions have been rising since the war in Ukraine, while not directly impacting HS1, the indirect consequences such as cost of living/inflation, Energy costs, travel patterns and supply chain availability are all being monitored.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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

- Interest rate risk – the Company is exposed to adverse movements in interest rates on only 4% of the current external debt.
- UK tax changes – the Company is exposed to changes in tax rules. Management stays abreast to changes in order to mitigate risk of losing “low” HMRC risk rating. Most recently, the tax changes include Corporation tax increase from 2023/24 and the National Insurance increase from 1 April 2022.
- Counterparty credit risk – the Company has two customers, SET and EIL. 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.
- 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 and signed on its behalf.



.....  
**D Harding**  
Director

Date: 14 June 2022

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

**STATEMENT OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31 MARCH 2022**

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HS1 Ltd has turnover of £149.7m and total assets of £3.5 billion for the period ended 31 March 2022, therefore it is defined as a large private Company. The Board adopted the Wates Corporate Governance Principles for Large Private Companies as its chosen corporate governance code in the previous year and continues with these for the financial year ended 31 March 2022. The Board considers the Wates Principles the best option given the nature of the business and the Wates Principles relevance to it.

**Principle 1 - Purpose and leadership**

The Directors of HS1 demonstrate the principles of promoting the success of the Company, act with integrity and lead by example, and are committed to building positive relationships with employees and all other stakeholders. The Board has a clear understanding of the views of shareholders from communications at Board meetings, Board sub-committees and regular ongoing dialogue to ensure shareholder views and concerns are understood and addressed.

Values and Culture

The Company's values, purpose, and strategy are integral to the way it operates. The Company's strategy aims to respond to the challenges of the pandemic and support the High Speed rail system. The Company values are core to internal processes, with integration into all functions and operations of the business. Employees are measured against their demonstration of Company's values in annual performance reviews, to ensure that their behaviours and practices are aligned with Company's purpose, and strategy.

The Board, shareholders and management are committed to embedding the desired culture throughout the organisation. Culture is supported by People Strategy and is reviewed through the annual employee engagement and Pulse surveys and is benchmarked to other companies. In addition, the Company has been awarded the "We Invest in People" and "We Invest in Wellbeing" gold accreditation by Investors in People.

The Company has a Staff Handbook and Whistleblowing Policy, which enables concerns to be raised confidentially and anonymously to the Board. There is an annual review of the Whistleblowing Policy. The Whistleblowing Policy is designed to ensure process integrity and robustness and, if an investigation is required, the Company would ensure full independence and no bias in identifying an Investigating Officer.

Strategy

Alongside a Five-Year Asset Management Statement, submitted to and approved by HS1's regulator the Office of Rail and Road ("ORR") prior to the start of each control period (Control Period 3 started on 1 April 2020), HS1 prepares a rolling 5-year business plan that is reviewed annually which demonstrates how HS1 proposes to generate long-term sustainable value for the Company and stakeholders like the DFT and the TOCs.

**Principle 2 - Board composition**

Chair

The Chair is an independent appointment for a 3-year term. The roles of Chair and CEO are exercised by different individuals to ensure a balance of power and effective decision-making.

Balance and Diversity

The Company's Board is comprised of professionals experienced in the rail industry, project and corporate finance, asset management and Health and Safety. The Board is kept apprised of the business's performance and shareholder interests through regular Board and Subcommittee reporting, as well as periodic CEO Reports.

Appointments to the Board are made with the aim of balancing key skillsets to ensure appropriate experience to oversee Management and assess the business performance.

**STATEMENT OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31 MARCH 2022**

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The Board will consider diversity as part of any future Board appointments.

Size and Structure

In addition to shareholder directors, the Company has two appointed independent non-executive Directors. The Board delegates detailed oversight to three core subcommittees (Audit and Finance; HR and Remuneration; Health & Safety) to enable effective decision-making, see "Board Committees" below. In the year the asset; contracts and Covid-19 Recovery Subcommittee (which was formed in 2020 in response to the Coronavirus pandemic) ceased to function at the end of the year as they were no longer required. The subcommittees were replaced with further board meetings, as set out below.

Effectiveness

The Company does not have a formalised professional development programme for the Board, the shareholder representative development is carried out at the shareholder level and the Board composition is decided to balance the needs of the business. The chairman reviews Board effectiveness through regular review sessions as do the shareholders, following the board effectiveness review in March 2022 the number of subcommittees has been streamlined (see Size and Structure above) and additional board meetings have been introduced to become monthly.

**Principle 3 - Director responsibilities**

Accountability

The Company has established, and maintains, corporate governance practices through the Company Secretary to support effective decision-making.

The Company maintains policies and practices that govern the internal affairs of the Company including, without limitation, terms of reference for the Board and various Sub-committees, delegated authorities, and the shareholder agreement.

Conflicts of interest are declared at the commencement of every Board and Sub-committee.

Governance processes are periodically reviewed through meetings between the General Counsel and the Chair, and at the Board Strategy Day held annually.

Committees

The Company's core subcommittees (Audit and Finance, HR and Remuneration and Health & Safety) are chaired by separate Board members or the CEO. All subcommittees are attended by either the Chairman and/or the CEO, and the General Counsel as Company Secretary.

The Sub-committees report to Board to inform Board decision making and act within the terms of reference for each Sub-committee, which sets out the authorities delegated.

Integrity of information

The Company's subcommittees play a part in ensuring the formal and robust internal processes are operating effectively. The Subcommittees each report back to the Board on a periodic basis providing reliable information to enable the Directors to monitor and challenge the business performance and make informed decisions.

In addition, policies and procedures are reviewed and updated regularly to ensure they remain relevant and up to date.

STATEMENT OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31 MARCH 2022

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**Principle 4 - Opportunity and risk**

Opportunity

The Company's strategy is to protect the core business, evolve to meet future challenges and seek opportunities to grow the business while generating returns for our shareholders. Each Directorate measures how the Company generates and preserves value over the long term through the application of these principles. The Company is now focused on working with the High-Speed Rail system to deliver high quality value for money infrastructure to support customers post pandemic strategies.

The business has a vision to be Contemporary, Agile, Sustainable and Trusted. All business opportunities and objectives are viewed through this lens to ensure the support the long-term vision for the business.

The Company has a Head of Business Development whose role includes identifying business opportunities, future opportunities for innovation and entrepreneurship. Key new business opportunities are discussed and approved at Board level.

Risk

The Company's Board has responsibility for overall strategic decision-making. The Audit & Finance Subcommittee has delegated responsibility for overseeing risk management and reports this to the Board on a quarterly basis and risks are also reviewed annually by the Board.

The Company has Risk Management Procedures that are reviewed annually.

**Principle 5 - Remuneration**

Setting remuneration

The HR and Remuneration Subcommittee has the responsibility for developing and recommending to the Board the policy in relation to remuneration for the executive management. Shareholder representative Board members are not formally reviewed by the Company.

The HR and Remuneration Subcommittee reviews remuneration in relation to the Chair and the Senior Management Team against performance (including Safety, Asset and Cash delivery), behaviours, professional objectives and the business' values and strategy.

Policies

Remuneration schemes and policies are clearly set up with focus on metrics for business imperatives, such as safety, asset performance and cashflow, this enables effective accountability to shareholders. The Company is required to separately comply with the same requirements for Senior Management under the Long-Term Incentive Plan ("LTIP") Rules and the Annual Bonus Plan ("ABP") Rules.

The Company has not formally assessed whether a gender pay gap exists but notes the male/female ratio of Senior Management is 50:50.

**Principle 6 - Stakeholder relationships and engagement**

External impacts

The Company recent strategy reflects the need of the Company to focus on its core business and support the High-Speed rail system recover from the pandemic, while generating returns for our shareholders. Each Directorate reviews how the Company generates and preserves value over the long-term through the application of these strategies.

**STATEMENT OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31 MARCH 2022**

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The Company has a formalised an ongoing Risk Management Procedure to ensure risks are identified, assessed and actions are taken to reduce business impacts.

The Company has also developed a Sustainability strategy and built this into its 10-year vision.

Stakeholders

The Company assesses the impact of its activities on its stakeholders, in particular customers, employees, regulators, partners and suppliers and the wider community.

Relevant matters are reviewed at Board meetings with Management and assessed against strategic priorities, this collaborative approach helps promote the long-term vision of the Company.

Each Directorate oversees the Company's relationship with different stakeholder groups to ensure effective business oversight.

The Company presents stakeholders a fair, balanced, and understandable assessment of the Company's position and prospects through its annual report.

Workforce

The Company has channels that enable the workforce to share ideas and concerns with Senior Management, including the informal staff suggestions, as well as a number of employee representatives on the "Employee Forum" who discuss issues with Management. The Employee Forum discuss areas such as the Whistleblowing Policy, the staff engagement survey results and the PEG Board ideas. Staff performance is monitored through regular one-to-one meetings with line management plus interim and annual performance reviews and annual calibration of reviews. The Board has reinstated face-to-face engagement with the wider staff as pandemic restrictions lifted.

The Whistleblowing Policy is reviewed annually to ensure effectiveness.

The Company's policies and practices are aligned with the Company's purpose and values. This is monitored and updated by the HR Business Partner.

The Board demonstrates how the Company has undertaken effective engagement with material stakeholders through discussion and actions identified at the Board and Subcommittee meetings. They are recorded in minutes and actions are recorded on a rolling action log reviewed every quarter.

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



.....  
**D Harding**  
Director

Date: 14 June 2022

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

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2022**

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The directors present their report and the audited financial statements of HS1 Limited for the year ended 31 March 2022.

**Matters covered by the strategic report**

As permitted, under s.414c(2) of the Companies Act 2006, 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 profit for the year was £30.1m (2021: profit of £51.7m).

**Dividends**

The Company paid £nil dividends during the year to holders of the A or B shares (2021: £nil).

**Directors**

The directors who served during the year and to the date of approval of the financial statements were:

J Curley  
S Jones  
K Ludeman  
A Pitt  
A Leness  
D Harding  
P Robson  
A Deacon (appointed 11 June 2021)  
M Osborne (appointed 10 March 2022)  
M Woodhams (resigned 11 June 2021)  
S Springett (resigned 11 June 2021)  
O Racine (appointed 11 June 2021)

**Directors indemnities**

The Company maintains insurance against Directors and Officers liability as permitted by the Companies Act 2006 for the benefit of the Directors and Officers of the Company. None of the Directors who served during the year had any interest in the shares of this or any other Group Company.

**Health and safety**

The Company has a clear objective to achieve zero harm. The Company has a commitment to continuous improvement in performance in all areas of health, safety and the environment. The Company'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 Company 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 Company monitors safety performance, and it is one of the key performance indicators as noted in the Strategic Report.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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**Sustainability Strategy and statutory reporting**

The Company launched its sustainability strategy in September 2020, supporting the Company strategy, providing the most sustainable option for transport across the UK and Europe. The Company presented at the Investment COP, a satellite event of COP 26 in Glasgow in November 2021 to share the ideas and how the system worked together to deliver our ambitions. The Company made use of this same presentation and ran a similar event locally in Kent to engage local businesses in supporting a modal shift to rail.

A key tenet of this is that the business has pledged to be fully carbon neutral within a decade; stringent new environmental targets in our new sustainability strategy focus on enhancing the Company's reputation as the Green Gateway to Europe. To demonstrate commitment, a detailed ESG report was published for the 2020-21 reporting year to describe how The Company is progressing against its targets.

Alongside this the Company endeavours to protect and reduce our impacts on the natural environment and on our local communities, and in turn achieve wider societal benefits.

The Company has developed its 2030 Sustainability vision and KPIs which it is delivering and there will be an external update in the HS1 Annual ESG Report. Taskforce for Climate Change ("TCFD") financial disclosures are being matured and will be published in line with UK Government requirements.

The streamlined energy and carbon report ("SECR") identifies the future efficiency actions the Company will look to implement over the next financial year. A more detailed ESG report is anticipated to be published later in 2022.

**Streamlined Energy and Carbon Reporting FY2021-22**

The Company has adopted the operational control boundary approach for the measurement of energy emissions which includes all non-traction energy loads and also traction infrastructure losses from this year. The main areas of measurement are from the following sites:

- St Pancras International Station
- Stratford International Station
- Ebbsfleet International Station
- Ashford International Station
- Singlewell Infrastructure Maintenance Depot
- Other small depots which fall within the Network Rail (High Speed) area of responsibility
- Sections 1 and 2 of the Lineside Infrastructure (signal rooms, tunnels, access shafts etc.)
- Losses on the traction electricity distribution system (17.1% of total traction power)

Notable exceptions include:

- The actively used energy from the traction electricity distribution system (82.9% of total traction power)

The changes to the scope and boundaries of the measurement of energy emissions that have taken place are as follows:

- Losses on the traction electricity distribution system which provides power to the trains has been predicted at 17.1% of the total traction power. This has been allocated to HS1 (who own, operate and maintain the infrastructure) with the remaining 82.9% being allocated to the train operators.

As part of its commitment to improving carbon reporting, the Company has included the following emissions in its Scope 3 emissions data:

- Mandatory infrastructure losses (for both non-traction and infrastructure losses on the traction power)
- Diesel consumption for maintenance vehicles



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

Gross Emissions	31 March 2022	31 March 2021
	UK and offshore	UK and offshore
Scope 1 Emissions (direct emissions from owned or controlled sources)	1,427 tCO <sub>2</sub> e	1,681 tCO <sub>2</sub> e
Scope 2 Emissions (indirect emissions from the generation of purchased electricity, steam, heating and cooling)	13,553 tCO <sub>2</sub> e	7,653 tCO <sub>2</sub> e
Scope 3 Emissions (all other indirect emissions that occur in a Company's value chain)	1,462 tCO <sub>2</sub> e	875 tCO <sub>2</sub> e
Total gross emissions / tCO <sub>2</sub> <sup>1</sup>	16,442tCO <sub>2</sub> e	10,209 tCO <sub>2</sub> e
Intensity ratio: kg CO <sub>2</sub> e (gross Scope 1, 2 & 3) per user <sup>2</sup>	0.6454 kg CO <sub>2</sub> e per user	1.299 kg CO <sub>2</sub> e per user
Total MWh of electricity consumed	63,828 MWh	32,825 MWh
Total MWh of gas consumed	7,740 MWh	9,142 MWh

Note 1: Increase in gross emissions due to services coming back online and increase in passenger footfall.

Note 2 :Users are counted using gateline footfall as ORR data is one year in arrears.

This thereby shows environmental performance improvements as follows:

- Increase in absolute gross emissions 63%
- Reduction in normalised gross emissions 50%

Normalised gross emissions are calculated by CO<sub>2</sub> emissions per passenger using gateline statistics.

From the previous financial year purchased the majority of our electricity from renewable sources and this reporting year being the first with all electricity covered by Renewable Energy Guarantee of Origin (REGO). Recalculating our emissions on this green energy basis provides the following indicators:

Carbon offset due to REGO	13,553 tCO <sub>2</sub> e
Net emissions	2,889 tCO <sub>2</sub> e
CO <sub>2</sub> per user using net emissions	0.113 kg CO <sub>2</sub> e per user
Decrease in normalised net emissions	69%

The decrease in normalised gross emissions has been due to the increase in passenger numbers during this financial year when the Covid-19 restrictions became relaxed and passenger travel has seen a steady increase.

Further indicators of changes in consumption usage include:

- Increase in electricity consumption 95%
- Decrease in gas consumption 15%

The sudden increase in electricity consumption is due to a change of boundary and we will continue to use this as our baseline going forward. The boundary change consists of HS1 taking responsibility for the losses on the traction electricity infrastructure that supplies power to the trains. This is a 29 MWh/an increase in the footprint this year in addition to the previous scope of 35 MWh for stations, depots and non-traction lineside infrastructure.

The decrease in gas consumption is due to energy optimisation schemes within the stations including more precise control, demand-based operation etc.

**Other GHG emissions**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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All other emissions from refrigerants were below the de minimis limit.

**Methodology**

Emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. UK Government Conversion Factors have been utilised for UK investments and International Energy Agency Conversion Factors to calculate emissions for all UK sites.

Energy use has primarily been collected from meter data and invoices from suppliers. Of the aggregate energy usage measured:

- 99.5% has been extracted from actual meter readings
- 0.5% has been evaluated using estimates

Transport emissions have been excluded as:

- Staff transport is below the de minimis limit.

Emissions have been measured over the period 1 April 2021 to 31 March 2022.

**Energy Efficiency Action Taken**

In the period covered by the report the following initiatives were undertaken:

- Ongoing optimisation of the heating and chilled water generation control.
- Various optimisation tasks on each site's Building Management System including improved pump control, more accurate time schedules and temperature control for air conditioning, ensuring our main heating and cooling plant doesn't operate in the non-heating and cooling seasons, and better use of demand-based supply of air.
- Air handling unit optimisation
- Various areas of energy management improvement through expert consultancy.

The estimated aggregate annual savings from these initiatives are:

- Electricity: 806 MWh
- Gas: 261 MWh
- CO2: 236 tonnes

The total cost of these investments was £164k with an expected annual return on investment of £134k.

**Future Efficiency Actions To Be Taken**

In 2022-23, the following investment has been applied for funding to the Train Operators Committee:

- 5 project types across St Pancras, Stratford and Ebbsfleet
- Requiring £105k investment
- Providing £299k per annum return on investment
- Reducing CO2 emissions by approximately 165 tonnes per annum and reducing utility consumption by:
  - o Electricity 944 MWh
  - o Gas 161 MWh

Additionally, commitment has been made to reduce energy usage of the lineside infrastructure facilities (non-traction) through the following actions:

- BMS and control enhancements of pumps and chillers at various sites
- Approximate investment of £50k
- Providing £78k per annum return on investment
- Reducing CO2 emissions by approximately 135 tonnes per annum and reducing utility consumption by:
  - o Electricity 448 MWh
  - o Gas 135 MWh

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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**Political donations**

Political donations during the year were £nil (2021: £nil).

**Going concern basis**

The Directors have considered the use of the going concern basis in the preparation of these financial statements and concluded that this remains appropriate. The current economic environment, including the ongoing impact of Covid-19 and strike action by RMT members which could impact HS1's main supplier, NRHS, were considered as part of the going concern assessment.

The Company has prepared a range of forecast scenarios to reflect the economic uncertainty, forecasting monthly cashflows to December 2023. The scenarios range from a medium-term delay in the recovery of international train paths and unregulated income to a longer period of reduced demand for international travel and a more gradual recovery of unregulated income in addition to the impact of potential strike action. The Directors have reviewed business forecasts against the cashflow, and covenant requirements of the Company and the Company is able to meet its obligations as they fall due.

More information is provided in note 2.3 of these financial statement.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

**Post balance sheet events**

Details of significant events since the balance sheet date are contained in note 27 to the financial statements.

**Auditors**

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 in the absence of an Annual General Meeting.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2022**

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This report was approved by the board and signed on its behalf.



.....  
**D Harding**  
Director

Date: 14 June 2022

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

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2022**

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

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

In preparing the company audited 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



.....  
**D Harding**  
Director

Date: 14 June 2022

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HS1 LIMITED**

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**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of HS1 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

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

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

**Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HS1 LIMITED**

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statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of directors**

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

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HS1 LIMITED**

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**Use of our report**

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

Anthony Matthews (Senior statutory auditor)

for and on behalf of

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**Deloitte LLP**

Statutory Auditor

London  
United Kingdom

14 June 2022



**HS1 LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £m	2021 £m
Revenue from contracts with customers	4	149.7	191.8
Other operating expenditure	5	(178.0)	(185.5)
<b>Operating (loss)/profit</b>		<b>(28.3)</b>	6.3
Interest receivable and similar income	9	230.2	214.4
Interest payable and similar charges	10	(176.4)	(160.8)
<b>Profit before taxation</b>		<b>25.5</b>	59.9
Tax on profit	11	4.6	(8.2)
<b>Profit for the financial year</b>		<b>30.1</b>	51.7
<b>Other comprehensive loss:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Re-measurement of net defined benefit pension liability	25	(0.2)	(0.8)
Other comprehensive income 2		0.7	-
<b>Total items that will not be reclassified to profit or loss</b>		<b>0.5</b>	(0.8)
<b>Items that may subsequently be reclassified to profit and loss:</b>			
Amounts recycled to the profit or loss account		3.1	3.1
Effective portion of changes in fair value of cash flow hedges		(440.5)	(86.0)
Deferred cost of hedging		(2.0)	(0.8)
<b>Total items that may be subsequently be reclassified to profit and loss</b>		<b>(439.4)</b>	(83.7)
<b>Total comprehensive loss for the year</b>		<b>(408.8)</b>	(32.8)

The notes on pages 27 to 60 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 MARCH 2022**

	Note	2022 £m	2022 £m	2021 £m	2021 £m
<b>Non-current assets</b>					
Intangible assets	13		908.5		956.9
Right-of-use assets	14		0.4		0.8
Financial assets	26		1,424.6		1,423.1
Investment in subsidiary undertaking	15		-		-
Debtors: amounts falling due after more than one year	16		1,206.3		1,124.2
			3,539.8		3,505.0
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	17	66.5		52.5	
Cash at bank and in hand	18	4.3		8.4	
			70.8		60.9
Creditors: amounts falling due within one year	19	(227.9)		(211.3)	
<b>Net current liabilities</b>			(157.1)		(150.4)
<b>Total assets less current liabilities</b>			3,382.7		3,354.6
Creditors: amounts falling due after more than one year	20		(3,243.2)		(2,854.3)
Lease liabilities - right of use asset	14		(0.3)		(0.8)
Deferred taxation	21	(48.2)		-	
			(48.2)		-
<b>Net assets excluding pension liability</b>			91.0		499.5
Pension asset	25		(2.2)		(2.0)
<b>Net assets</b>			88.8		497.5

BALANCE SHEET (CONTINUED)  
AS AT 31 MARCH 2022

	Note	2022 £m	2022 £m	2021 £m	2021 £m
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Other reserves	23		0.2		2.2
Hedging reserve	23		(387.2)		62.0
Profit and loss account	23		475.8		433.3
<b>Shareholders' funds</b>			<b>88.8</b>		<b>497.5</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....  
**D Harding**  
Director

Date: 14 June 2022

The notes on pages 27 to 60 form part of these financial statements.

**HS1 LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2022**

	Other reserves £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
<b>At 1 April 2020</b>	<b>3.0</b>	<b>148.0</b>	<b>379.3</b>	<b>530.3</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	51.7	<b>51.7</b>
Actuarial losses on pension scheme	-	-	(0.8)	<b>(0.8)</b>
Other comprehensive loss	(0.8)	(86.0)	3.1	<b>(83.7)</b>
<b>Total comprehensive loss for the year</b>	<b>(0.8)</b>	<b>(86.0)</b>	<b>54.0</b>	<b>(32.8)</b>
Transfer to/from profit and loss account	-	-	-	-
<b>At 1 April 2021</b>	<b>2.2</b>	<b>62.0</b>	<b>433.4</b>	<b>497.6</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	30.1	<b>30.1</b>
Actuarial losses on pension scheme	-	-	(0.2)	<b>(0.2)</b>
Other comprehensive loss	(2.0)	(440.5)	3.1	<b>(439.4)</b>
Amortisation on novated swaps	-	0.7	-	<b>0.7</b>
<b>Total comprehensive loss for the year</b>	<b>(2.0)</b>	<b>(439.8)</b>	<b>33.0</b>	<b>(408.8)</b>
Transfer to/from profit and loss account	-	(9.4)	9.4	-
<b>At 31 March 2022</b>	<b>0.2</b>	<b>(387.2)</b>	<b>475.8</b>	<b>88.8</b>

The notes on pages 27 to 60 form part of these financial statements.

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

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**1. Authorisation of financial statements and statement of compliance with FRS 101**

HS1 Limited (the "Company") is a Company limited by shares and incorporated and domiciled in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest million pounds except when otherwise indicated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Helix Acquisition Limited.

The Company's intermediate parent undertaking, Betjeman Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Betjeman Holdings Limited are available to the public and may be obtained from 5th Floor, Kings Place, 90 York Way, London, N1 9AG.

The principal accounting policies adopted by the Company are set out in note 2.

**2. Accounting policies**

**2.1 Basis of preparation**

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2022.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 "Financial Instruments": Disclosures; this exemption requires that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;

b) the requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement"; this exemption requires that equivalent disclosures are included in the financial statements of the group in which the entity is consolidated;

c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 "Presentation of Financial Statements";

d) the requirements of IAS 7 "Statement of Cash Flows";

e) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";

f) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";

g) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets. this exemption requires that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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

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**2. Accounting policies (continued)**

**2.2 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 or loss account.

**2.3 Going concern**

The Company has prepared a range of forecast scenarios to reflect the economic uncertainty. The Directors have reviewed business forecasts against the cashflow, and covenant requirements of the Company the Company is able to meet its obligations as they fall due. The Directors have also reviewed the plans to protect the Company's liquidity, including working capital and cost reduction options. These forecasts also benefit from the security of revenue reflecting the UK Government underpinning arrangements The financial statements have accordingly been prepared on a going concern basis.

**2.4 Investment in subsidiaries**

Investments in subsidiaries are measured at cost less accumulated impairment.

The carrying value of these investments is reviewed annually by the Directors to determine whether there has been any impairment to their values.

**2.5 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency 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.

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

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2. Accounting policies (continued)

2.6 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 and financial liabilities*

*Initial recognition and measurement*

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Company has committed to purchase or sell the instrument in question.

*Classification and measurement of financial assets and financial liabilities*

On initial recognition financial assets are classified and measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification depends on both the business model for managing the financial assets and their contractual cash flow characteristics. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

On initial recognition, financial liabilities are classified as measured at either amortised cost or FVTPL. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

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

This category is the most relevant to the Company. The Company 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.

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

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**2. Accounting policies (continued)**

The Company's financial assets at amortised cost includes trade debtors and intercompany receivables/debtors.

*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 balance sheet at fair value with net changes in fair value recognised in the profit and loss account except to the extent they are subject to hedge accounting.

*Derecognition*

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

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).

When assessing whether there has been a significant increase in credit risk management have used qualitative elements such as changes to the economy, late payment of interest, whether interest has been waived and whether there has been evidence from internal reporting to indicate economic performance would be worse than expected.

In calculating the ECL the outstanding net exposure was discounted using a comparable market average default rate which is provided by a third-party expert. A recovery rate of 40% is applied to arrive at the ECL.

No ECL has been posted to the Company's financial statements for the year ended 31 March 2022 against the financial asset or amounts owed by parent.

An ECL of £0.5m has been entered into the Company's financial statements for the ECL in the year on its trade receivables. For trade receivables, the Company applies a simplified approach to calculating ECL: A loss allowance, based on lifetime ECLs at each reporting date, is recognised. To correctly reflect the current economic environment, the Company has established a provision matrix which completes a risk assessment based upon commercial risk and liquidity risk. These assessments reflect the current market pressures and limited trading because of Covid-19.



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

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2. Accounting policies (continued)

*Subsequent measurement - financial liabilities*

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.

*Derecognition*

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

*b. 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.

*c. Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16*

The reporting requirements and amendments under the Interest Rate Benchmark Reform address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest benchmark with alternative. The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the interest rate benchmark reform by updating the effective interest rate of the financial asset or liability. Additionally, the Company is required to disclose additional information about its exposure to risks arising from interest rate benchmark reform and related risk management activities. The Company is required to amend their hedging relationships to reflect designating an alternative benchmark rate as the hedged risk; changing the description of the hedged item, including the designated portion, or of the hedging instrument.

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

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**2. Accounting policies (continued)**

**2.7 Service concession assets**

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 IFRS 16.

**2.8 Renewals income and expenditure**

Income from the renewals 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 the Escrow is incurred.

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

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**2. Accounting policies (continued)**

**2.9 Impairment excluding deferred tax 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 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 or 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. 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 considered. If no such transactions can be identified, an appropriate valuation model is used.

**2.10 Cash at bank and in hand**

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

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2. Accounting policies (continued)

2.11 Employee benefits

*Defined contribution plans*

The Company offers a defined contribution pension scheme for all employees who joined the Company after 17 February 2011. A defined contribution plan is a post-employment benefit plan under which the Company 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.

*Defined benefit plans*

The Company's section of the defined benefit Railways Pension Scheme was closed to new entrants on 17 February 2011. The Company accounts for this scheme using the balance of cost approach. 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 Company'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 balance sheet 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 Company recognises related restructuring costs

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

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

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**2. Accounting policies (continued)**

**2.12 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 into financial guarantee contracts 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.

**2.13 Leases**

The Company 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 Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct use of the asset.

The Company recognises 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 profit and loss account on a straight-line basis over the lease term.

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 Company 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 Company 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.

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

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2. Accounting policies (continued)

2.14 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 Train Operating Companies (TOCs) and Freight Operating Companies (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.
- 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

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

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**2. Accounting policies (continued)**

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 Company 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.

**2.15 Other expenses and income**

*Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss 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 debt instruments 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.

*Interest receivable*

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

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

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2. Accounting policies (continued)

2.16 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit or 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 period, 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 balance sheet.



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

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**2. Accounting policies (continued)**

**2.17 Dividends**

*Dividends payable*

Dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

*Dividends receivable*

Dividends receivable from subsidiary undertakings are recorded in profit or loss in the period in which they are received.

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

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**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the Company's accounting policies, described in note 2, the Directors are required to make judgements and estimates 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 considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis.

**Critical judgements in applying the Company'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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

• **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 25.

• **Taxes**

The carrying amount of the deferred tax assets and liabilities is reviewed at each reporting date. The carrying amount of a deferred taxes are reduced to the extent that it is no longer probable that the Company 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.

• **Impairment of intangible 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.

During the year management determined that there was no indication that the intangible asset had been impaired. Management derived the value in use of the intangible asset by discounting the forecast future cash flows using an appropriate discount rate.

Management had to make significant judgements and estimates when determining what the future cash flows would be. The Company bases its impairment calculation on board reviewed business plans and forecasts. A key sensitivity in the cash flow assumptions are inflation rates and Covid-19 recovery. The Company relied upon third-party inflation forecasts. A range of cash flow scenarios have been prepared by the Directors, reflecting optimistic to pessimistic Covid-19 recovery scenarios.

Judgement is required in selecting a discount rate which reflects the Group's risk profile. A Capital Asset Pricing Model (CAPM) was used to determine a range of discount rates. A third-party study specific to the Company's risk profile was commissioned and used for the inputs into the model. More detail is provided

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

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**3. Judgments in applying accounting policies (continued)**

in note 12.

• **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. More information is provided in note 20 to these financial statements.

• **Provision for expected credit losses of trade receivables and contract assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

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).

In calculating an ECL on intercompany balances management have determined whether the default risk on the loan has increased and consequently if there has been a significant increase in credit risk. This evaluation of the default rate is open to significant judgements, estimates and assumptions.

For trade receivables, the Company applies a simplified approach to calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. To correctly reflect the current economic environment, the Company has established a provision matrix is based upon commercial risk and liquidity risk. Due to the uncertainties surrounding Covid-19, management have had to use significant judgement.

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

**4. Revenue from contracts with customers**

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

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Revenue from operating, maintaining and renewing high speed railconcession	<b>143.7</b>	<i>191.8</i>
Revenue from the surrender of leased land	<b>6.0</b>	<i>-</i>
	<b>149.7</b>	<i>191.8</i>

**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.
- Unregulated income relates to income from car parks and retail tenants
- Land Sale income relates to proceeds paid to HS1 for compensation for the surrendering of the HS1 Lease Land

**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.

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**HS1 LIMITED**

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

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**5. Operating (loss)/profit**

The operating (loss)/profit is stated after charging:

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Depreciation of right-of-use assets	<b>0.4</b>	<i>0.4</i>
Amortisation of intangible assets	<b>48.4</b>	<i>48.4</i>
Expected credit loss on trade receivables	<b>(2.2)</b>	<i>2.8</i>
Staff costs (note 7)	<b>7.9</b>	<i>7.0</i>
	<b>=====</b>	<i>=====</i>

**6. Auditors' remuneration**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Audit of the Company's financial statements	<b>76.5</b>	<i>67.0</i>
Amounts receivable by the Company's auditor and its associates in respect of: Audit-related assurance services	<b>5.0</b>	<i>4.0</i>
	<b>=====</b>	<i>=====</i>

There is £5k included in 2022 (2021: £4k) on agreed audit procedure work performed in respect of audit-related assurance services.

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**HS1 LIMITED**

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

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**7. Staff numbers and costs**

Staff costs were as follows:

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Wages and salaries	<b>6.6</b>	<i>6.0</i>
Social security costs	<b>0.7</b>	<i>0.5</i>
Cost of defined benefit scheme	<b>0.2</b>	<i>0.1</i>
Cost of defined contribution scheme	<b>0.4</b>	<i>0.4</i>
	<b>7.9</b>	<i>7.0</i>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2022</b>	<i>2021</i>
	<b>No.</b>	<i>No.</i>
Senior management team	<b>6</b>	<i>6</i>
Other	<b>52</b>	<i>50</i>
	<b>58</b>	<i>56</i>

**8. Remuneration of Directors**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Directors' emoluments	<b>157.0</b>	<i>135.0</i>
Remuneration paid to the highest paid Director	<b>108.0</b>	<i>90.0</i>

No pension contribution was paid in respect of any Director during the year (2021: £nil).

**9. Interest receivable and similar income**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Financial asset interest	<b>133.8</b>	<i>133.2</i>
Other interest receivable	<b>96.4</b>	<i>81.2</i>
	<b>230.2</b>	<i>214.4</i>

**HS1 LIMITED**

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

**10. Interest payable and similar charges**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Interest payable to parent undertaking	<b>57.9</b>	54.2
Interest payable to group undertaking	<b>83.2</b>	63.9
Interest payable in respect of bank facilities	<b>20.2</b>	20.6
Interest on lease liabilities	<b>26.0</b>	25.6
Movement in assets/liabilities measured at fair value	<b>(10.9)</b>	(3.5)
	<b>176.4</b>	160.8
	<b>176.4</b>	160.8

**11. Taxation**

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

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
<b>UK corporation tax</b>		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	-	-
	-	-
	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(4.6)</b>	8.0
Adjustment in respect of previous years	-	0.2
	<b>(4.6)</b>	8.2
	<b>(4.6)</b>	8.2
	<b>(4.6)</b>	8.2
	<b>(4.6)</b>	8.2

The aggregate deferred tax relating to items that are recognised as items of other comprehensive income is credit of £85.1m (31 March 2021: debit of £20.2m). No current tax recognised as items of other comprehensive income or equity in the year (2021: £nil).

Further analysis of deferred tax can be found in note 21.

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

**11. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2021 - *the same as*) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Profit before tax	<b>25.5</b>	59.9
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<b>4.8</b>	11.4
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>7.9</b>	7.7
Group relief received for nil consideration	<b>(4.0)</b>	(6.4)
Change in tax rates	<b>(8.1)</b>	-
Transfer pricing adjustments	<b>(5.2)</b>	(4.5)
<b>Total tax (credit) / charge for the year</b>	<b>(4.6)</b>	8.2

The Finance Act 2021 includes an increase to the UK's main corporation tax rate from 19% to 25%, which is due to take effect from 1 April 2023. The legislation was substantively enacted at the balance sheet date, so the new rate has been reflected in the measurement of deferred tax balances at the period end.

**12. Dividends**

*Dividends receivable*

During the year HS1 Limited received £nil (2021: £nil) from a subsidiary undertaking.

*Dividends payable*

No dividends were paid respect of A (31 March 2021: £nil) or B shares (31 March 2021: £nil) in the year.



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

13. Intangible assets

	Licence £m
<b>Cost</b>	
At 1 April 2021	1,380.1
At 31 March 2022	<u>1,380.1</u>
<b>Amortisation</b>	
At 1 April 2021	423.2
Charge for the year on owned assets	48.4
At 31 March 2022	<u>471.6</u>
<b>Net book value</b>	
At 31 March 2022	<u><u>908.5</u></u>
<i>At 31 March 2021</i>	<u><u>956.9</u></u>

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

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**13. Intangible assets (continued)**

*Cash generating unit (CGU)*

The carrying value of the concession assets as at 31 March 2022 is £2,333.1m (2021: £2,380m). This figure represents the intangible license asset of £908.5m (2021: £956.9m) and the financial asset of £1,424.6m (2021: £1,423.1m). The carrying value of these assets in totality has then been compared with the value in use (or recoverable amount) of the CGU. It was found that the recoverable amount of the intangible asset was above the carrying value and therefore no impairment charge has been recorded.

The recoverable amount of the CGU is determined based on value-in-use calculations. The concession has 18 years remaining in the 30-year concession to December 2040. The value-in-use is derived from pre-tax cash flows of a long-term financial model and a short-term business plan. The present value of the expected cash flows of the CGU is determined by applying a discount rate reflecting current market assessments of the time value of money and risks specific to the concession assets.

*Discount rates*

Management estimates discount rates using pre-tax rates that reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt, which appropriately capture both the time value of money and the specific risks associated with the concession assets.

*Future cash flows*

The Group has a forecast long-term financial model and a short-term business plan. Pre-tax cash flows available for debt service is used to calculate the value in use. The Group bases its impairment calculation on board reviewed business plans and forecasts. The business plan generally covers a period of five years and the forecasts for the remaining life of the concession to 2040 is in the financial model. The business plan incorporates the Covid-19 impact and has been estimated by the Directors using the best available information.

A key sensitivity in the cash flow assumptions are the inflation rates. The Group relies upon third-party inflation forecasts.

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

**14. Tangible fixed assets**

	<b>Right-of-use asset £m</b>	<b>Total £m</b>
<b>Cost</b>		
At 1 April 2021	2.0	2.0
At 31 March 2022	2.0	2.0
<b>Depreciation</b>		
At 1 April 2021	1.2	1.2
Charge for the year on owned assets	0.4	0.4
At 31 March 2022	1.6	1.6
<b>Net book value</b>		
At 31 March 2022	0.4	0.4
<i>At 31 March 2021</i>	0.8	0.8

The lease relates to the HS1 Limited office at 90 York Way, London N1 9AG. As at the year end there is 1 year remaining on the lease.

	<b>2022 £000</b>	<i>2021 £000</i>
<b>Lease related expenses</b>		
Interest expense on lease liabilities	47.7	38.5
	47.7	38.5
	<b>2022 £m</b>	<i>2021 £m</i>
<b>Lease liabilities</b>		
Less than one year	0.3	0.5
One to five years	-	0.3
More than five years	-	-
<b>Total undiscounted lease liabilities at 31 March 2022</b>	<b>0.3</b>	<i>0.8</i>

**HS1 LIMITED**

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

**15. Investment in subsidiary undertaking**

	<b>2022</b>	<i>2021</i>
	<b>£</b>	<b>£</b>
Ordinary share in High Speed One (HS1) Limited	<b>1.0</b>	<i>1.0</i>
	<b>1.0</b>	<i>1.0</i>
	<b>1.0</b>	<i>1.0</i>

The companies in which the Company's interest at the year-end is more than 20% are as follows:

Company	Principal place of business	Principal activity	Class and percentage of shares
High Speed One (HS1) Limited	5th Floor, Kings Place, 90 York Way, London, N1 9AG	Dormant company	100% ordinary shares 40% of B shares

In the opinion of the Directors the value of the investment is not less than the amount stated in the balance sheet.

**16. Debtors: amounts falling due after one year**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<b>£m</b>
Amounts owed by parent undertakings	<b>957.5</b>	<i>870.6</i>
Other debtors	<b>161.9</b>	<i>147.3</i>
Deferred tax assets (note 21)	<b>-</b>	<i>32.3</i>
Derivative financial assets	<b>70.9</b>	<i>60.0</i>
Prepayments and accrued income	<b>16.0</b>	<i>14.0</i>
	<b>1,206.3</b>	<i>1,124.2</i>
	<b>1,206.3</b>	<i>1,124.2</i>

Amounts owed by parent undertakings relate to a loan of £221.6m (31 March 2021: £201.5m) advanced to Betjeman Holdings Limited and a loan of £735.9m (31 March 2021: £669.1m) advanced to Helix Acquisition Limited. Both loans are subject to interest at 9.75% per annum and are repayable by agreement of both the borrower and lender. No significant repayment is expected in the next 12 months.

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.

Derivative financial assets relate to derivative 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.

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**HS1 LIMITED**

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

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**17. Debtors: amounts falling due within one year**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Trade receivables and accrued income	<b>13.9</b>	21.1
Less allowance for expected credit losses	<b>(0.5)</b>	(3.0)
Amounts owed by parent undertakings	<b>25.8</b>	23.5
Other debtors	<b>1.0</b>	0.8
Prepayments	<b>26.3</b>	10.1
	<u><b>66.5</b></u>	<u>52.5</u>

The amounts owed by parent undertakings due within one year are non-interest bearing and repayable by agreement of both the borrower and lender.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

**18. Cash and cash equivalents**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Cash at bank and in hand	<b>4.3</b>	8.4
	<u><b>4.3</b></u>	<u>8.4</u>

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**HS1 LIMITED**

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

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**19. Creditors: Amounts falling due within one year**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Bank loans	<b>58.3</b>	<i>50.0</i>
Trade creditors	<b>1.5</b>	<i>0.7</i>
Amounts owed to parent undertaking	<b>16.2</b>	<i>40.9</i>
Amounts owed to group undertakings	<b>62.8</b>	<i>24.6</i>
Other creditors	<b>3.1</b>	<i>12.1</i>
Finance lease creditor	<b>23.3</b>	<i>23.0</i>
Accruals and deferred income	<b>62.7</b>	<i>60.0</i>
	<hr/> <b>227.9</b> <hr/>	<hr/> <i>211.3</i> <hr/>

The amounts owed to parent and group undertakings due within one year are non-interest bearing and repayable by agreement of both the borrower and lender.

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

**20. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Bank loans	<b>8.4</b>	12.9
Amounts owed to parent undertakings	<b>608.7</b>	555.8
Amounts owed to group undertakings	<b>1,808.6</b>	1,818.5
Escrow deferred income	<b>153.6</b>	137.8
Lease liabilities	<b>166.2</b>	163.2
Accruals and deferred income	<b>1.5</b>	2.1
Derivative financial liabilities	<b>496.2</b>	164.0
	<b>3,243.2</b>	<i>2,854.3</i>
	<b>3,243.2</b>	<i>2,854.3</i>

The amount due to the parent undertaking after more than one year relate to a 9.75% (2021: 9.75%) fixed rate loan to Helix Acquisition Limited repayable by agreement of both the borrower and lender.

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.

As part of financial risk management, the Group holds certain uncollateralised derivative financial instruments, including interest rate, inflation, and cross-currency swaps. These are valued using relevant inputs which are considered observable, such as forward rates risk-free interest rates, and FX rates from available market data.

For the derivative valuations for the year ended 31 March 2022, the Directors have reflected a funding valuation adjustment ("FVA") to certain derivatives due to evolving market practices and therefore represents a change in accounting estimate.

A FVA is the estimate of the adjustment to the fair value a market participant would make to account for funding costs and are calculated based on the future valuation of the derivative, based on the present value of expected exposures of a derivative, using management's best estimate of the implied cost of funding. The inclusion of an FVA has led to the following:

- a decrease in the fair valuation of the interest rate swap liability of £0.6m
- a decrease in the fair valuation of the cross-currency swap asset of £0.9m
- a decrease in the fair valuation of the RPI swap liability of £20.4m

Following a review of certain additional adjustments to the calculation of fair values of financial instruments it was identified that an adjustment to increase the profit and loss account and reduce the hedging reserve was required. More information is provided in note 23 to these financial statements.

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

20. Creditors: Amounts falling due after more than one year (continued)

Analysis of the maturity of loans is given below:

	2022 £m	2021 £m
<b>Amounts falling due</b>		
In less than one year	58.3	50.0
Between two and 5 years	8.7	13.1
Less: debt issue costs	(0.3)	(0.2)
<b>At end of year</b>	<u>66.7</u>	<u>62.9</u>

21. Deferred taxation

	2022 £m	2021 £m
At beginning of year	32.3	20.3
Charged to profit or loss	4.6	(8.2)
Charged to other comprehensive income	(85.1)	20.2
<b>At end of year</b>	<u>(48.2)</u>	<u>32.3</u>

The deferred taxation balance is made up as follows:

	2022 £m	2021 £m
Property, plant and equipment	(98.8)	(70.2)
Other financial assets	(17.3)	(10.6)
Exchange differences	19.1	11.3
Other financial liabilities (IRS)	(92.7)	(0.7)
Pension surplus	0.6	0.4
Cash flow hedges	3.9	3.6
Corporate interest restriction	18.4	14.0
Tax losses carried forward	118.6	84.5
	<u>(48.2)</u>	<u>32.3</u>



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

**22. Share capital**

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
990 (2021 - 990) A shares of £1.00 each	990	990
10 (2021 - 10) B shares of £1.00 each	10	10
	1,000	1,000
	1,000	1,000
	2022 £	2021 £
<b>Share premium account</b>		
10 B shares of £1 each	1,990.0	1,990.0
	1,990.0	1,990.0
	1,990.0	1,990.0

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 except for the rights to appoint Directors which are held by holders of the B shares. The share premium reserve contains a premium arising on issue of 10 B shares.

**23. Reserves**

**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, including the related movements in deferred taxes.

**Profit and loss account**

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

Following a review of certain additional adjustments to the calculation of fair values of financial instruments in preparing the FY22 financial statements it was identified that an adjustment to increase the profit and loss account and reduce the hedging reserve by £9.4m was required which has been processed through the statement of changes in equity. No other changes were required to be made to the primary statements.

**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.

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

**24. Parent undertaking and controlling party**

The Company's immediate parent undertaking is Helix Acquisition 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 Company in which the results of the Company are consolidated is Helix Acquisition Limited, a Company incorporated in the United Kingdom.

The largest Company in which the full year results of the Company are consolidated is an intermediary parent undertaking Betjeman Holdings JvCo Limited, a Company incorporated in United Kingdom.

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

**25. Pension scheme**

***Defined contribution pension scheme***

The Company offers a defined contribution scheme for all employees. The Company contributions to the defined contribution scheme are disclosed in note 7.

***Defined benefit scheme***

The Company 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 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 Company uses the balance sheet accounting approach and recognises the full net liability of this pension scheme, subject to a deduction for actual member contributions. This is a change from prior year where the net liability was recognised on a shared cost arrangement whereby the Company was only responsible for a share of the cost.

The most recent actuarial valuation of the HS1 Limited Section of the Railways Pension Scheme was completed at 31 December 2019. 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 21.24% of section pay to 31 March 2022. The employer has also committed to pay lump sums of £74,000 each year from 2021 to 2023.

Key assumptions:	<b>2022</b>	<i>2021</i>
	%	%
Discount rate	<b>2.75</b>	2.15
Price inflation (RPI measure)	<b>3.65</b>	3.20
Increases to deferred pensions (CPI measure)	<b>3.25</b>	2.80
Pension increases (CPI measure)	<b>5.00</b>	3.70
Pensionable salary increases	<b>3.25</b>	2.80

**NOTES TO THE FINANCIAL STATEMENTS  
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**25. Pension scheme (continued)**

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

	<b>2022</b>	2021
Retiring today		
- Males	<b>87.6</b>	87.6
- Females	<b>88.6</b>	88.5
Retiring in 20 years		
- Males	<b>89.3</b>	89.2
- Females	<b>90.4</b>	90.4

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

	<b>2022</b>	2021
Fair value	<b>£m</b>	<i>£m</i>
Growth assets	<b>8.8</b>	8.0
Government bonds	<b>2.1</b>	2.1
<b>Total fair value of section assets</b>	<b>10.9</b>	10.1

Movements in fair value of Section assets

	<b>2022</b>	2021
	<b>£m</b>	<i>£m</i>
At the beginning of year	<b>10.1</b>	8.9
Interest income on assets	<b>0.2</b>	0.2
Return on plan assets greater than discount rate	<b>0.6</b>	1.1
Employer contributions	<b>0.2</b>	0.2
Employee contributions	<b>-</b>	-
Actual benefits paid	<b>(0.2)</b>	(0.3)
<b>At end of year</b>	<b>10.9</b>	10.1

**NOTES TO THE FINANCIAL STATEMENTS  
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**25. Pension scheme (continued)**

Reconciliation of Defined Benefit Obligation ("DBO")

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
At beginning of year	<b>13.4</b>	<i>10.8</i>
Service cost	<b>0.2</b>	<i>0.2</i>
Interest cost on DBO	<b>0.3</b>	<i>0.3</i>
(Gain) / loss on DBO	<b>(0.6)</b>	<i>2.4</i>
Actual benefit payments	<b>(0.2)</b>	<i>(0.3)</i>
<b>End of year</b>	<b>13.1</b>	<i>13.4</i>

Defined benefit liability at end of year

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
DBO at end of year	<b>13.1</b>	<i>13.4</i>
Fair value of assets at end of year	<b>(10.9)</b>	<i>(10.1)</i>
Deficit at end of year	<b>2.2</b>	<i>3.3</i>
Adjustment for members' share of deficit	<b>-</b>	<i>(1.3)</i>
<b>Net defined benefit liability at end of year</b>	<b>2.2</b>	<i>2.0</i>

Reconciliation of net defined benefit liability

	<b>2022</b>	<i>2021</i>
	<b>£m</b>	<i>£m</i>
Net defined benefit liability at beginning of year	<b>2.0</b>	<i>1.1</i>
Employers share of expense	<b>0.2</b>	<i>0.2</i>
Employers contributions	<b>(0.2)</b>	<i>(0.1)</i>
Total loss recognised in other comprehensive income ("OCI")	<b>0.2</b>	<i>0.8</i>
<b>Net defined benefit liability at end of year</b>	<b>2.2</b>	<i>2.0</i>

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

**25. Pension scheme (continued)**

Analysis of amounts charged to the profit and loss account

	2022 £m	2021 £m
Employer's share of service cost	0.2	0.2
<b>Total employer's share of profit and loss account expense (excluding employer's contributions)</b>	<b>0.2</b>	<b>0.2</b>

Analysis of amounts charged to the statement of OCI

	2022 £m	2021 £m
Liability loss arising during the year	0.2	0.8
<b>Total loss recognised in OCI</b>	<b>0.2</b>	<b>0.8</b>

**26. Financial asset**

	2022 £m	2021 £m
As at 1 April	1,423.1	1,417.5
Additions	-	-
Capital repayment of financial asset	(122.3)	(118.0)
Financial asset interest	132.0	131.4
Revaluation of asset	(8.2)	(7.8)
<b>As at end of year</b>	<b>1,424.6</b>	<b>1,423.1</b>
Analysed as:		
Less than one year	3.1	(1.5)
More than one year	1,421.5	1,424.6
	<b>1,424.6</b>	<b>1,423.1</b>

The financial asset relates entirely to the service concession held to 31 December 2040 to operate, maintain and renew the 109 kilometre high speed rail line.

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

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**27. Subsequent events**

The Rail, Maritime and Transport Workers (“RMT”) and the Associated Society of Locomotive Engineers and Firemen (“ASLEF”) unions have recently balloted its members for strike action or action short of a strike (working to contract). The RMT has now voted for strike action in relation to its members pay, guarantees over redundancies and changes to maintenance practices.

The Company is monitoring developments and reviewing the impact any industrial action may have on the ability to operate trains on the network.