

HS1 Limited

Annual report and financial statements

For the year ended 31 March 2019

Registered number 03539665

HS1 Limited

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HS1 Limited

Officers and professional advisors

Directors

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

Chairman

K Ludeman

Company secretary

L Clarke-Bodicoat

Registered office

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

Auditor

Deloitte LLP
London
United Kingdom

HS1 Limited Strategic report

The strategic report has been prepared solely to provide additional information to shareholders to assess HS1 Limited's (the "Company") strategies and potential for those strategies to succeed.

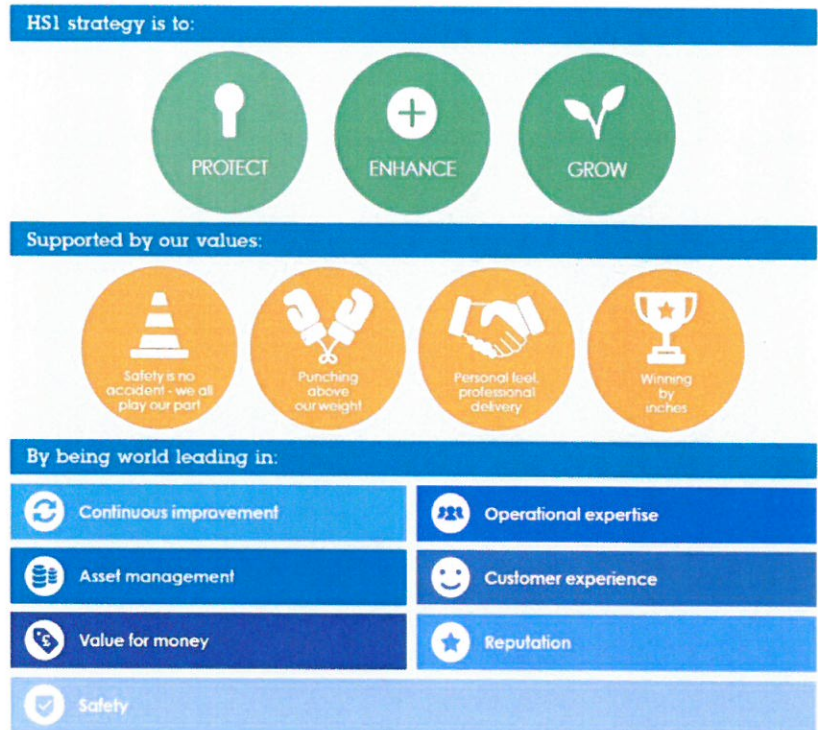
The Directors, when preparing this strategic report, have complied with section 414C of the Companies Act 2006.

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 such as Paris and Brussels via the Channel Tunnel. In addition to St Pancras International, three stations are served along the route - Stratford International, Ebbsfleet International and Ashford International.

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

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



A fair review of the business

Key developments during the year ended 31 March 2019 include:

- HS1 Limited completed the fourth year of its Control Period Two. The Periodic Review with the Office of Rail and Road ("ORR") is the process that determines the efficient track operating, maintenance and long-term renewal costs that the Company can charge customers from 1 April 2015 to 31 March 2020. The business operated in line with expectation.
- Station charges are regulated separately by the Department for Transport ("DfT"). Similar to track costs, these charges are composed of operating, maintenance and long-term renewal costs.
- Control Period 3, will commence on 1 April 2020 for 5 years. The Periodic Review 2019 ("PR19") is currently taking place for the route and stations, and the regulatory authorities will publish a final determination on 31 August 2019 for stations and 7 January 2020 for route.
- The Company had a solid year operationally – see key performance indicators below, with annual train path volumes increasing by 1% in the year.
- In the Autumn 2018 National Rail Passenger Survey, St Pancras International was assessed as the Number 2 Station in the UK for overall passenger satisfaction.

HS1 Limited

Strategic report *(continued)*

A fair review of the business *(continued)*

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

Future developments

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

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

Key performance indicators ("KPIs")

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

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

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

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

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

HS1 Limited

Strategic report *(continued)*

Key performance indicators (“KPIs”) *(continued)*

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

Principal risks and uncertainties

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

- Train path volumes - domestic. The Company is paid on the number of timetabled train paths on HS1 Limited infrastructure during the year, adjusted for spot bids and cancellations. 1,024 train paths per standard week are underpinned by the UK Government through the Domestic Underpinning Agreement. In addition, the Company has certainty up to one year ahead due to the advanced agreement of the timetable on which billing is raised. The domestic train path volumes are currently timetabled above the underpin arrangement based on the Direct Award between LSER and the DfT – beyond then there is a risk that volumes could fall back to the underpin level.
- Train path volumes – international. Passenger train paths are from Eurostar. Eurostar has now rolled out its direct service to Amsterdam via Brussels. New Amsterdam passengers and underlying passenger growth is expected to increase train paths in the medium to long term. Recent strikes in France mean services to the continent have been disrupted. However, HS1 Limited is insulated from the impact of these, as the Company agrees timetabled train paths in advance and has received the timetable for paths up to December 2019. Furthermore, Eurostar have established a company in France which has been granted the necessary EU license and safety certificates and is now the legal operator of services on the continent, which ensures operational resilience, despite the current uncertainty around Brexit.
- Reliance on two key customers (LSER and Eurostar). The LSER risk is mitigated by the domestic underpinning agreement. Eurostar is indirectly owned by the French and Belgian governments with the remaining 40% stake being owned by a consortium comprising Caisse de Dépôt et Placement du Québec and Hermes Infrastructure. Eurostar is still majority owned by Société nationale des chemins de fer français (“SNCF”) which is owned by the French government. Eurostar reported a 7% increase on passenger numbers to 11.0m (2017: 10.3m) for the 2018 calendar year, supported by over 250,000 Amsterdam passengers.
- A major infrastructure failure or incident. The Company has appropriate insurance cover in place, so the exposure is expected to be limited to the insurance excess of £2.5m. The Company regularly tests its business continuity and recovery plans.
- Payment of performance regime penalties to operators. This is triggered on failure of the Company’s infrastructure and this is capped at £8.1m (February 2019 prices) but in most instances the first £4.0m (February 2019 prices) is passed onto our principal supplier Network Rail High Speed (“NRHS”).
- Failure of off-Company infrastructure such as the Channel Tunnel. Contractual arrangements such as continued domestic train services and £20m insurance cover for off route incidents, would limit the short term financial impact. Long term issues could have a materially negative financial impact.

HS1 Limited

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

- Unregulated margin. A number of factors could influence the Company's unregulated performance including underlying economic growth and retail competition around St Pancras International Station.
- NRHS operational failure. The Company has contracts with NRHS to operate and maintain the infrastructure and stations (excluding Ashford International) and the Company has ongoing compliance and reporting mechanisms to ensure that contracts are delivered. If NRHS is unable to meet its obligations under the Operator Agreement, HS1 Limited has the right to step in. The contract terms also include a parent guarantee giving HS1 Limited greater security.
- Brexit. In light of the uncertainty around the terms of the UK's departure from the European Union, HS1 Limited has conducted a risk review process and has put practical mitigation measures in place against identifiable risks. However, most of the train paths that run on the infrastructure are domestic, which insulates the Company from the impact of this uncertainty. Furthermore, juxtaposed border controls, a key competitive advantage over air travel, are bilateral agreements between the British and French and Belgian governments. The Company continues to have conversations with customers, suppliers, the regulator and government in relation to the impact of Brexit on the business given the current uncertainty.


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

- Interest rate risk – the Company is exposed to changes in the interest rate on only 8% of the current external debt;
- Counterparty credit risk – the Company has two customers, LSER and EIL, whom on a regular basis we review their financial positioning. Other than this the Company is not heavily reliant on any one party or financial instrument. The Company only trades with counterparties above minimum credit risk parameters;
- Foreign exchange risk – the Company has \$US denominated debt but the interest and principal repayments are 100% hedged through derivative instruments; and
- Liquidity risk – the Company has medium term and long term debt finance to ensure that the Company has sufficient funds available to meet the current and future needs of the Company. Short term liquidity risk is mitigated through the availability of undrawn credit facilities in place.

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

Approval

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



A Leness
Director

11 June 2019

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

HS1 Limited Directors' report

The directors present their Annual Report and the audited financial statements of HS1 Limited (the "Company") for the year ended 31 March 2019.

Matters covered by the strategic report

As permitted, under s.414c(ii) 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 £70.5m (2018:£37.6m).

Dividends

The Company paid no dividends during the year to holders of the A or B shares (2018: none).

Directors

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

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

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.

HS1 Limited

Directors' report *(continued)*

Health and safety *(continued)*

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.

Environment

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

HS1 is committed to managing and reducing emissions in respect of operational activities and is accredited under the Carbon and Energy Management and Reduction Scheme (CEMARS) for managing reductions in its emissions. The carbon footprint for the Company (excluding traction power) for the year to March 2018 was 19,265 tonnes CO₂ (March 2017: 22,367 tonnes CO₂). The footprint from stations and depots is reported as part of the Government's CRC Energy Efficiency Scheme and for the year to March 2018 is 15,660 tonnes CO₂ (March 2017: 18,054 tonnes CO₂), demonstrating a year on year reduction in carbon emissions. Much of this reported reduction was due to the UK power grid however there was a 1% drop in electricity used.

Political donations

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

Going concern basis

The Directors have considered the use of the going concern basis in the preparation of these financial statements in light of the current economic conditions and have concluded that this remains appropriate. More information is provided in note 2.3 to these financial statements.

Subsequent events

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

Disclosure of information to auditor

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

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

HS1 Limited
Directors' report *(continued)*

Auditor

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

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



A Leness
Director

11 June 2019

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

HS1 Limited

Directors' responsibilities statement

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


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.



A Leness

Director

11 June 2019

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

Independent auditor's report to the members of HS1 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of HS1 Limited ("Company's") affairs as at 31 March 2019 and of its result 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 of the Company which comprise:

- the profit and loss account and other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

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

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Independent auditor's report to the members of HS1 Limited *(continued)*

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of HS1 Limited (*continued*)

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

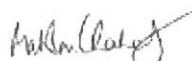
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Makhana Chahal FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

11 June 2019

HS1 Limited
Profit and loss account and other comprehensive income

For the year ended 31 March 2019

	Note	2019 £m	2018 £m
Revenue from contracts with customers	4	225.7	212.1
Other operating expenditure		(185.8)	(178.8)
Operating profit	5	39.9	33.3
Interest receivable and similar income	8	193.1	177.7
Interest payable and similar charges	9	(160.4)	(168.2)
Dividend received	11	5.0	-
Profit before taxation		77.6	42.8
Tax on profit	10	(7.1)	(5.2)
Profit for the financial year		70.5	37.6
Other comprehensive(loss)/ income			
Items that will not be reclassified to profit and loss			
Re-measurement of net defined benefit pension liability	20	(0.1)	0.4
Items that may subsequently reclassified to profit and loss			
Amounts recycled to the profit or loss account		3.3	3.2
Effective portion of changes in fair value of cash flow hedges		(12.8)	52.0
Deferred cost of hedging		0.6	5.5
Other comprehensive (loss)/ income for the year		(9.0)	61.1
Total comprehensive income for the year		61.5	98.7

The notes on pages 16 to 49 form an integral part of these financial statements.

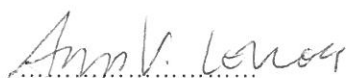
All activities of the Company in the current and preceding year relate to continuing operations.

HS1 Limited
Balance sheet
As at 31 March 2019

	Note	2019 £m	2018 £m
Non-current assets			
Intangible assets	12	1,052.5	1,099.5
Right-of-use assets	21	1.6	2.0
Financial assets	22	1,408.8	1,396.4
Investment in subsidiary undertaking	13	-	-
Debtors: amounts falling due after more than one year	14	993.9	821.5
		<u>3,456.8</u>	<u>3,319.4</u>
Current assets			
Debtors: amounts falling due within one year	15	41.4	58.7
Cash at bank and in hand		10.0	7.7
		<u>51.4</u>	<u>66.4</u>
Creditors: amounts falling due within one year	16	(200.0)	(167.9)
Net current liabilities		<u>(148.6)</u>	<u>(101.5)</u>
Total assets less current liabilities		<u>3,308.2</u>	<u>3,217.9</u>
Creditors: amounts falling due after more than one year	17	(2,985.4)	(2,956.5)
Lease liabilities- right of use asset	21	(1.8)	(2.1)
Net assets excluding pension liability		<u>321.0</u>	<u>259.3</u>
Net pension liability	20	(1.4)	(1.2)
Net assets		<u>319.6</u>	<u>258.1</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	18	303.6	229.9
Hedging reserve	18	9.9	22.7
Other reserves	18	6.1	5.5
Shareholders' funds		<u>319.6</u>	<u>258.1</u>

The notes on pages 16 to 49 form an integral part of these financial statements.

These financial statements of HS1 Limited were approved by the Board of Directors and authorised for issue on 11 June 2019. They were signed on its behalf by:



A Leness

Director

Company registered number: 03539665

HS1 Limited

Statement of changes in equity

For the year ended 31 March 2019

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

The notes on pages 16 to 49 form an integral part of these financial statements.

HS1 Limited

Notes for the year ended 31 March 2019

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 Company transitioned from previously extant FRS 102 – The Financial Reporting Standard Applicable in the United Kingdom and Ireland (FRS 102) to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 24.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019.

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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

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 Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

- The Company has satisfactory financial resources at the balance sheet date and future cash flow projections indicate sufficient liquidity for the foreseeable future.
- The Company is the trading company within the Betjeman Holdings Limited group of companies; it has external debt of £1,973.6m at 31 March 2019, with varying long term maturity dates. This debt is a mixture of bank debt, private placements and bonds. There is no immediate refinancing risk.
- At 31 March 2019 the financing of the Helix Acquisition Limited group of companies (the "Group") was rated A-/Stable by Standard & Poor's and A-/Stable by Fitch Ratings.
- The Company operates in a low risk, stable regulatory and commercial environment as noted in the principal risks and uncertainties section of the Strategic report.
- The Company's core cash revenues are derived from train and station income which historically has exhibited low volatility. Cash revenues are highly dependent on two key customers, both of whom have reported a stable underlying performance from their businesses and a UK government underpinning arrangement for domestic services reduces the risk to the Company from this reliance.
- The key core operational cash outflows have low variability, representing payments to NRHS for operations and maintenance services and UK Power Networks for lease costs on electrical assets – both of which are subject to fixed price long term contracts.
- The regulatory framework in which the Company operates remains stable. Revenue rates are locked by regulators following acceptance of the 5 Year Asset Management Statement and Station long term charges for the period 1 April 2015 to 31 March 2020.

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

2.4 Investment in subsidiaries

Investment in subsidiaries are carried at cost less impairment.

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

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

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.

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.

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. 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.

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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

2.6 Financial instruments *(continued)*

i) Financial assets (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 based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

For trade receivables, the Company applies a simplified approach in 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 where this is applicable. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

No adjustment required to the Company's financial statements for ECL in the year.

HS1 Limited

Notes for the year ended 31 March 2019 (continued)

2 Accounting policies (continued)

2.6 Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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.

iii) 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 profit and loss account immediately.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

2.7 Service concession assets

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

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

The asset is accounted for as a service concession asset.

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

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

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

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

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

2.9 Impairment excluding deferred tax assets

Non-financial assets

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

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

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

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

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

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

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

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

HS1 Limited

Notes for the year ended 31 March 2019 (continued)

2 Accounting policies (continued)

2.9 Impairment excluding deferred tax assets (continued)

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

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.

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. In accordance with IFRS, the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service if the service has vested, is charged to the profit and loss account. A charge equal to the increase in present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected return on assets (based on the market value of the scheme assets at the start of the year), are included in the profit and loss account under net finance charges. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the 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 Group recognises related restructuring costs

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

2.12 Employee benefits *(continued)*

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.

2.13 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.

2.14 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.

HS1 Limited

Notes for the year ended 31 March 2019 (continued)

2 Accounting policies (continued)

2.15 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 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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

2.15 Revenue from contracts with customers

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

2.16 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.

2.17 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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

2 Accounting policies *(continued)*

2.17 Taxation *(continued)*

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.

2.18 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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

3 Significant accounting judgements, estimates and assumptions

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 21.
- **Deferred tax assets** - The carrying amount of the deferred tax assets is reviewed at each reporting date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that the 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.
- **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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

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.

4.1 Disaggregated revenue information

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

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

Total revenue from contracts with customers

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

4.2 Performance obligations

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

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

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

HS1 Limited
Notes for the year ended 31 March 2019 (continued)

5 Operating profit

	2019 £m	2018 £m
<i>Operating profit is stated after charging:</i>		
Depreciation of right-of-use assets	0.4	-
Amortisation of intangible asset	48.4	48.3
Staff costs (note 6)	6.3	7.1
	<u> </u>	<u> </u>
<i>Auditor's remuneration:</i>		
	2019 £m	2018 £m
Audit of Company's financial statements	58	54
Amounts receivable by the Company's auditor and its associates in respect of: Audit-related assurance services	55	36
	<u> </u>	<u> </u>

6 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Senior management team	5	5
Other	49	40
	<u> </u>	<u> </u>
	54	45
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2019 £m	2018 £m
Wages and salaries	5.3	6.1
Social security costs	0.5	0.6
Defined contribution pension scheme costs	0.4	0.3
Defined benefit pension scheme costs	0.1	0.1
	<u> </u>	<u> </u>
	6.3	7.1
	<u> </u>	<u> </u>

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

7 Remuneration of directors

	2019	2018
	£000	£000
Directors' emoluments	187	70
Remuneration paid to the highest paid director	82	40

No pension contribution was paid in respect of any Director during the year (2018: £nil).

8 Interest receivable and similar income

	2019	2018
	£m	£m
Financial asset interest	129.5	127.5
Other interest receivable	63.6	50.2
	193.1	177.7

9 Interest payable and similar charges

	2019	2018
	£m	£m
Interest payable to parent undertaking	54.2	54.2
Interest payable to group undertakings	68.0	70.1
Interest payable in respect of bank facilities	22.3	22.7
Interest on lease liabilities	24.7	24.1
Movement in assets/liabilities measured at fair value	(8.8)	(2.9)
	160.4	168.2

HS1 Limited

Notes for the year ended 31 March 2019 (continued)

10 Taxation

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

	2019 £m	£m	2018 £m	£m
<i>UK corporation tax</i>				
Current tax on income for the year	4.4		0.2	
Adjustments in respect of prior years	1.0		-	
	<hr/>		<hr/>	
Total current tax	5.4		0.2	
<i>Deferred tax</i>				
Origination/reversal of timing differences	1.7		9.5	
Change in tax rates	-		(1.4)	
Adjustment in respect of previous years	-		(3.1)	
	<hr/>		<hr/>	
Total deferred tax		1.7		
		<hr/>		<hr/>
Total tax on profit		7.1		5.2
		<hr/> <hr/>		<hr/> <hr/>

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

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

10 Taxation *(continued)*

Tax reconciliation

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

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

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

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

	2019	2018
	£m	£m
Debtors falling due after more than one year	53.7	58.2
	<hr/>	<hr/>
	53.7	58.2
	<hr/> <hr/>	<hr/> <hr/>

HS1 Limited
Notes for the year ended 31 March 2019 (continued)

10 Taxation (continued)

From 1 April 2017, the UK corporate tax rate reduced from 20% to 19%. A further reduction in the UK tax rate to 17% from 1 April 2020, contained within the Finance Act 2016, was enacted in September 2016. Accordingly, this rate has been reflected in the calculation of the deferred tax asset. A deferred tax asset has been recognised in full on trading losses and other timing differences on the basis that the Company is forecasting sufficient taxable profits against which the asset can be utilised.

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

11 Dividends

Dividends receivable

During the year HS1 Limited received £5m (2018: £nil) from a subsidiary undertaking High Speed One (HS1) Limited.

Dividends payable

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

12 Intangible assets

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

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

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

13 Investment in subsidiary undertaking

	2019 £m	2018 £m
Ordinary share in High Speed One (HS1) Limited	1	1

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

Subsidiary Undertaking	Principal place of business and place of incorporation	Principal activity	Class and percentage of shares held
High Speed One (HS1) Limited	5 th Floor, Kings Place, 90 York Way, London, N1 9AG, UK.	Financing Company	100% ordinary shares

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

14 Debtors: amounts falling due after more than one year

	2019 £m	2018 £m
Amounts owed by group undertakings	729.2	605.8
Other debtors	134.1	115.4
Deferred tax asset (note 10)	53.7	58.2
Prepayments and accrued income	11.9	16.4
Other financial assets	65.0	25.7
	<u>993.9</u>	<u>821.5</u>

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

Other financial assets relate to 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.

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

15 Debtors: amounts falling due within one year

	2019	2018
	£m	£m
Trade receivables and accrued income	19.3	19.9
Amounts owed by group undertakings	9.6	30.4
Other debtors	1.3	1.6
Prepayments	11.2	6.8
	<hr/> 41.4 <hr/>	<hr/> 58.7 <hr/>

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

16 Creditors: amounts falling due within one year

	2019	2018
	£m	£m
Bank loans and overdrafts	34.8	15.4
Trade creditors	12.1	3.0
Amounts due to parent undertaking	14.7	14.7
Amounts due to group undertakings	34.7	23.8
Other creditors including taxation and social security	10.2	12.5
Finance lease creditor	22.3	21.3
Accruals and deferred income	71.2	77.1
	<hr/> 200.0 <hr/>	<hr/> 167.9 <hr/>

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

17 Creditors: amounts falling due after more than one year

	2019	2018
	£m	£m
Bank loans	54.1	76.9
Amounts due to parent undertakings	555.8	555.8
Amounts due to group undertakings	1,850.5	1,824.6
Escrow deferred income	126.1	108.1
Finance lease creditor	157.6	155.3
Accruals and deferred income	2.7	3.1
Other financial liabilities	238.6	232.7
	<hr/>	<hr/>
	2,985.4	2,956.5
	<hr/> <hr/>	<hr/> <hr/>

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

The bank loans maturities are as follows:

	2019	2018
	Bank loans and overdrafts	Bank loans and overdrafts
	£m	£m
Amounts due		
In less than one year	35.3	16.0
Between one and two years	27.3	23.3
Between two and five years	27.3	54.7
More than five years	-	-
Less: debt issue costs	(1.0)	(1.7)
Less: finance charges	-	-
	<hr/>	<hr/>
At end of year	88.9	92.3
	<hr/> <hr/>	<hr/> <hr/>

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

18 Capital and reserves

Share Capital	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
990 A shares of £1 each	990	990
10 B shares of £1 each	10	10
	<u>1,000</u>	<u>1,000</u>
	2019	2018
	£	£
<i>Share premium account</i>		
10 B shares of £1 each	1,990	1,990
	<u>1,990</u>	<u>1,990</u>

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.

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.

Profit and loss account

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

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.

HS1 Limited

Notes for the year ended 31 March 2019 *(continued)*

19 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 Betjeman Holdings 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.

20 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 6.

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

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

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

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

20 Pension scheme *(continued)*

Key assumptions:

	2019	2018
	% pa	% pa
Discount rate	2.4	2.4
Price inflation (RPI measure)	3.1	3.1
Increases to deferred pensions (CPI measure)	2.1	2.1
Pension increases (CPI measure)	2.1	2.1
Pensionable salary increases	3.7	3.6

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

	2019	2018
Retiring today	87.9	87.8
Males	89.7	89.1
Females		
Retiring in 20 years		
Males	89.2	89.6
Females	91.0	90.9

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

	Fair value	
	2019	2018
	£m	£m
Growth assets	6.1	6.0
Government bonds	2.1	2.2
Non-Government bonds	0.7	0.2
Total fair value of section assets	8.9	8.5

Movements in fair value of Section assets

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

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

20 Pension schemes *(continued)*

Reconciliation of Defined Benefit Obligation (“DBO”)

	2019 £m	2018 £m
At beginning of year	10.6	11.2
Service cost	0.2	0.2
Interest cost on DBO	0.3	0.3
Loss/(gain) on DBO	0.4	(0.7)
Actual benefit payments	(0.2)	(0.4)
	<hr/>	<hr/>
At end of year	11.3	10.6
	<hr/> <hr/>	<hr/> <hr/>

Defined benefit liability at end of year

	2019 £m	2018 £m
DBO at end of year	11.3	10.6
Fair value of assets at end of year	(8.9)	(8.5)
	<hr/>	<hr/>
Deficit at end of year	2.4	2.1
Adjustment for members’ share of deficit	(1.0)	(0.9)
	<hr/>	<hr/>
Net defined benefit liability at end of year	1.4	1.2
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net defined benefit liability

	2019 £m	2018 £m
Net defined benefit liability at beginning of year	1.2	1.6
Employers share of expense	0.2	0.1
Employers contributions	(0.1)	(0.1)
Total loss/(gain) recognised in other comprehensive income (“OCI”)	0.1	(0.4)
	<hr/>	<hr/>
Net defined benefit liability at end of year	1.4	1.2
	<hr/> <hr/>	<hr/> <hr/>

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

20 Pension schemes *(continued)*

Analysis of amounts charged to the profit and loss account

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

Analysis of amounts charged to the statement of OCI

	2019 £m	2018 £m
Liability loss/(gain) arising during the year	0.2	(0.4)
Total loss/(gain) recognised in OCI	0.2	(0.4)

21 Leases

The Company has early-adopted IFRS16 at the same time as adopting IFRS using the modified retrospective approach and therefore comparative information has not restated and continues to be reported under IAS 17 and IFRIC 4.

Right-of-use assets

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

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

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

21 Leases *(continued)*

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

Lease related income and expenses

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

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

Lease liabilities

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

HS1 Limited
Notes for the year ended 31 March 2019 *(continued)*

22 Financial Asset

	2019 £m	2018 £m
As at 1 April	1,396.4	1,374.7
Additions	0.6	-
Capital repayment of financial asset	(113.5)	(109.7)
Financial asset interest	129.5	127.5
Revaluation of asset	(4.2)	3.9
	<hr/>	<hr/>
As at end of period	1,408.8	1,396.4
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Less than one year	8.7	12.5
More than one year	1,400.1	1,383.9
	<hr/>	<hr/>
	1,408.8	1,396.4
	<hr/> <hr/>	<hr/> <hr/>

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.

23 Subsequent events

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

HS1 Limited

Notes for the year ended 31 March 2019 (continued)

24 Transition to FRS 101

For all periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with FRS 102. These financial statements, for the year ended 31 March 2019, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2018 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2018, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 April 2018 prepared under previously FRS 102 and its previously published FRS 102 financial statements for the year ended 31 March 2019.

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

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

HS1 Limited
Notes for the year ended 31 March 2019 (continued)

24 Transition to FRS 101 (continued)

Reconciliation of equity as at 1 April 2017

	Note	FRS 102	FRS 101	FRS 101
			reclassifications /	
		£m	remeasurements	£m
Non-current assets				
Intangible assets	A	-	1,146.3	1,146.3
Tangible fixed assets	A	3,824.6	(3,824.6)	-
Financial assets	A	-	1,374.7	1,374.7
Investment in subsidiary undertaking		-	-	-
Debtors: amounts falling due after more than one year	B	697.9	(46.5)	651.4
		4,522.5	(1,350.1)	3,172.4
Current assets				
Debtors: amounts falling due within one year		43.1	-	43.1
Cash at bank and in hand		2.3	-	2.3
		45.4		45.4
Creditors: amounts falling due within one year	C	(239.7)	92.6	(147.1)
Net current liabilities		(194.3)	92.6	(101.7)
Total assets less current liabilities		4,328.2	(1,257.5)	3,070.7
Creditors: amounts falling due after more than one year	C	(4,499.2)	1,589.5	(2,909.7)
Net Liabilities excluding pension liability				
Net pension liability		(1.6)	-	(1.6)
Net (Liabilities)/Assets		(172.6)	332.0	159.4
Capital and reserves				
Called up share capital		-	-	-
Profit and loss account		(143.3)	332.0	188.7
Hedging reserve		(29.3)	-	(29.3)
Shareholders' (deficit)/surplus		(172.6)	332.0	159.4

HS1 Limited
Notes for the year ended 31 March 2019 (continued)

24 Transition to FRS 101 (continued)

Reconciliation of equity as at 31 March 2018

	Note	FRS 102	FRS 101	FRS 101
			reclassifications /	
		£m	remeasurements	£m
Non-current assets				
Intangible assets	A	-	1,099.5	1,099.5
Right-of-use assets	D	-	2.0	2.0
Tangible fixed assets	A	3,614.9	(3,614.9)	-
Financial assets	A	-	1,396.4	1,396.4
Investment in subsidiary undertaking		-	-	-
Debtors: amounts falling due after more than one year	B	879.4	(57.9)	821.5
		4,494.3	(1,174.9)	3,319.4
Current assets				
Debtors: amounts falling due within one year		58.7	-	58.7
Cash at bank and in hand		7.7	-	7.7
		66.4	-	66.4
Creditors: amounts falling due within one year	C	(260.1)	92.2	(167.9)
Net current liabilities		(193.7)	92.2	(101.5)
Total assets less current liabilities		4,300.6	(1,082.7)	3,217.9
Creditors: amounts falling due after more than one year	C	(4,485.4)	1,528.9	(2,956.5)
Lease liabilities	D	-	(2.1)	(2.1)
Net assets excluding pension liability		(184.8)	444.1	259.3
Net pension liability		(1.2)	-	(1.2)
Net (Liabilities)/Assets		(186.0)	444.1	258.1
Capital and reserves				
Called up share capital		-	-	-
Profit and loss account		(195.5)	425.4	229.9
Hedging reserve	H	9.5	13.2	22.7
Other reserves	H	-	5.5	5.5
Shareholders' surplus		(186.0)	444.1	258.1

HS1 Limited

Notes for the year ended 31 March 2019 (continued)

24 Transition to FRS 101 (continued)

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

- A) Under IFRS Service Concession Accounting has been applied, this results in the removal of the tangible fixed asset under FRS102 and replaces it with a bifurcated asset consisting of part financial/part intangible asset.
- B) IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the profit and loss account, adjustments are required to recognise a number of items for which no deferred tax was recognised under FRS102 which resulted in a decrease in deferred tax assets of £46.5m at 1 April 2017 and £11.4m at 31 March 2018.
- C) Under Service Concession Accounting the deferred Government grant previously recognised in creditors and amortised over the life of the concession has been eliminated.
- D) Under IFRS 16, operating lease are recognised on the balance sheet as right to use assets along with the associated lease liabilities.

Reconciliation of total comprehensive income as at 31 March 2018

	Notes	FRS 102 £m	FRS 101 reclassifications/ remeasurements £m	FRS 101 £m
Revenue from contracts with customers	E	321.8	(109.7)	212.1
Other operating expenditure	F	(252.2)	73.4	(178.8)
Operating profit		69.6	(36.3)	33.3
Interest receivable and similar income	G	50.2	127.5	177.7
Finance charges	G	(177.9)	9.7	(168.2)
Loss before taxation		(58.1)	100.9	42.8
Tax on loss	B	2.3	(7.5)	(5.2)
Loss for the financial year		(55.8)	93.4	37.6
Other comprehensive income				
Items that will not be reclassified to profit & loss				
Re-measurement of net defined benefit pension liability		0.4	-	0.4
Items that may subsequently be reclassified to profit and loss				3.2
Amounts recycled to the profit and loss account		3.2	-	
Effective portion of changes in fair value of cash flow hedges	H	38.8	13.2	52.0
Deferred cost of hedging	I	-	5.5	5.5
Total comprehensive (loss)/profit for the year		(13.4)	112.1	98.7

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

- E) Under IFRS the value of the underpinned revenues are reclassified from revenue and allocated against the repayment of the financial asset in the year.
- F) Under IFRS depreciation of tangible fixed assets and the amortisation of government grants are replaced with the amortisation of the intangible asset.

HS1 Limited
Notes for the year ended 31 March 2019 (continued)

24 **Transition to FRS 101** *(continued)*

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

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

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