Registered number: 03539665

HS1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

CONTENTS

COMPANY INFORMATION

Directors	J Curley S Jones K Ludeman A Pitt A Leness P Robson M Osborne A Farrer (appointed 25 January 2023) D Crowther (appointed 25 January 2023) O Racine
Chairman	K Ludeman
Company secretary	L Clarke-Bodicoat (resigned 11 May 2023)
Registered number	03539665
Registered office	5th Floor, Kings Place 90 York Way London N1 9AG
Independent auditors	Deloitte LLP Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

The Directors present their Annual Report on the affairs of HS1 Limited (the 'Company') together with the audited financial statements for the year ended 31 March 2023.

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 the 109-kilometre-high speed rail line connecting London's St Pancras International station to Kent, and international destinations in Europe notably Paris, Brussels, and Amsterdam via the Channel Tunnel. In addition to St Pancras International, three stations are served along the route - Stratford International, Ebbsfleet International and Ashford International.

The Company operates under a proven supportive and transparent regulatory framework. The Company completed the third year of Control Period Three with the operating, maintenance, and renewal ("OMR") charge set by the Office of Rail and Road ("ORR") for a 5-year period commencing in April 2020.

Revenue is derived from a combination of charges set in the concession agreement, regulated charges that are subject to volume reopener provisions and determined through the five yearly price control overseen by the ORR and a number of passthrough charge elements. There are also commercial revenues generated from station retail and car parking. In addition to domestic and international high-speed traffic, the rail line also serves a small volume of freight traffic.

A dedicated subsidiary of state-owned Network Rail, Network Rail (High Speed) Limited is contracted to operate and maintain the rail assets which include both the track and supporting systems and the stations.

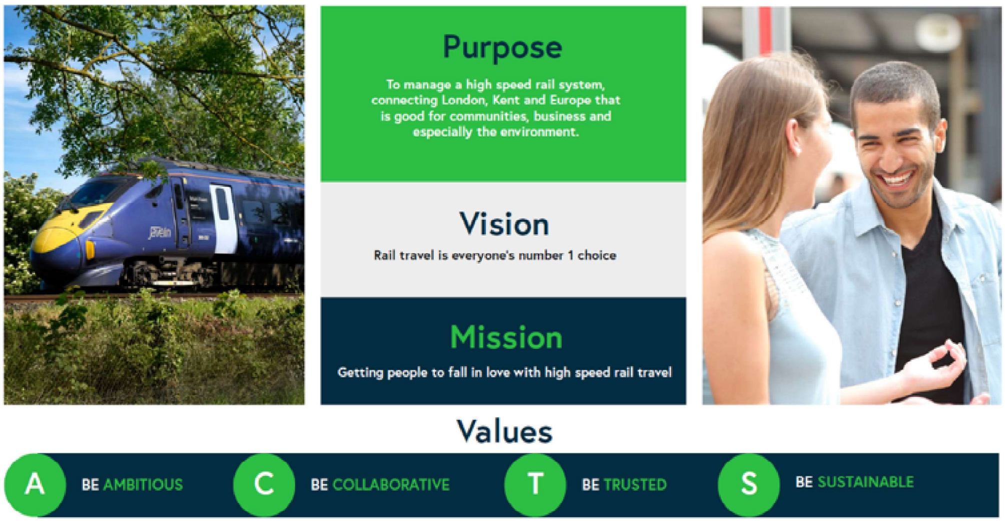

Figure 1: The Group's purpose, vision, mission, and values

The Company's values

The Company has a clear goal to be recognised as a sustainable transport system connecting London, Kent, and Europe. The Group's values and strategy ensure key resources are allocated appropriately and key relationships are maintained to support the generation and preservation of value in the Group, and to ensure that the Group continues to serve all stakeholders well in the long-term.

In the year, the Company have conducted a rebranding exercise and refreshed the strategy to focus on recovery and sustainable growth by optimising opportunities from increased rail passengers. The strategy is underpinned by a set of values set out below and supported by core delivery work streams.

Business review

This was a year where the Company stabilised and established a new baseline from which to grow. Notwithstanding the challenges of the wider economy and rail industry, the Company has seen significant signs of recovery in the International and Retail revenue streams.

Revenue generated from track access charges, which represented c.90% of the project's pre-Covid revenue, is regulated and subject to annual or semi-annual increases in line with the retail price index ("RPI"), depending on the charge. Track access revenue is now 82% of the current year revenues. The majority of the underlying operational cash flow being generated is track access income from Eurostar ("EIL") and Southeast Trains Limited ("SET"), based on contracted prices and timetabled volumes received in advance.

Turnover for the year ended 31 March 2023 has increased to £230.5m (2022: £149.7m) primarily driven by higher RPI and additional paths booked by EIL over the forward booked First Working Timetable ("FWT").

International train services have continued to recover. EIL have booked a FWT for May 2023 – December 2023 that reflects 80% of pre-Covid levels, indicating a return to a stable level of operations. EIL have booked a number of spot or ad-hoc paths over the FWT submitted, accounting for a further increase in revenue from the previous year.

Domestic train services, run by SET, have continued to operate below the contractual underpin level set out in the UK Government domestic underpinning agreement ("DUA"). The DUA has continued to partially insulate the Company from the reduction in domestic passenger numbers.

Retail income has performed well in the year, with sales recovering to 96% of pre-Covid levels.

Revenue recovery has been impacted by 22 strike days, limiting spot bid opportunities on those days as well as retail sales. The strike days did not materially impact the recovery of income from the DUA. However, they were nevertheless highly disruptive operationally. The Company is monitoring the recovery from the impacts of these events closely and demand has returned despite the disruption. The RMT have now reached an agreement with Network Rail in relation to staff pay, ending the strikes impacting HS1 infrastructure. Potential future train driver strikes by RMT and ASLEF are not expected to impact infrastructure availability.

In line with contractual agreements with EIL and SET, the Company executed its third "Volume Reopener" of the Control Period to amend the allocation of Control Period Three charges and ensure the fixed Operational, Maintenance and Renewal ("OMR") costs were recovered.

HS1 offers strong sustainability credentials and continues to deliver against the published sustainability strategy, which was updated in 2023 to ensure that it remains effective and ambitious.

Initiatives started in FY22 continued to progress including waste separation projects to work with retailers to incentivise participation; energy efficiency in LED lighting and air handling unit upgrades; vegetation monitoring to support wildlife in the green areas along the line; and staff volunteering initiatives.

In FY23, HS1 has conducted a full climate change risk assessment and continued to deliver against the 10-year biodiversity action plan. There has also been progress with HS1's carbon management project in partnership with Forest Carbon. In the year HS1 conducted an expanded scope carbon footprint analysis ("CFA") building on the 2021 CFA, incorporating all emissions attributed to operations in accordance with the Green House Gas protocol. A CFA will now be conducted on an annual basis, allowing the business to track progress and identify areas to focus improvement plans as we work towards being fully carbon net-zero. The business also completed its Climate Change Risk Assessment which will be used to shape future adaptation plans, reducing the physical and transition risks presented by climate change.

Following the successful conclusion of an 18-month multi-agency project, regenerative braking has been rolled out across the whole Class 395 SET fleet. The introduction of regenerative braking on HS1's assets has lowered power consumption per path, reducing the environmental impact of these journey and supporting the HS1 sustainability strategy. This initiative has been hugely successful and is currently producing energy savings which surpass those predicted by the pre-implementation modelling. The benefits of regenerative braking include a 10% annual energy reduction for the SET fleet (5.5GWh per annum), equating to a circa £2.6m saving in energy costs.

HS1 has a well-developed Energy Procurement Strategy which it has utilised to act on behalf of TOCs to take out a Corporate Power Purchase Agreements ("CPPA") linked to UK renewable assets, helping to fix prices in line with their preferences. The first CPPA was contracted in April 2022 and the first trade secured 20% of renewable energy from October 2022 to September 2032. The second trade has now been completed and adds a further 20% of renewable power to the portfolio for 10 years with effect from 1 April 2023. It is intended that by April 2025 80% of the baseload power will be provided through renewable CPPAs.

The Company is working harder than ever to deliver upon our Environmental, Social and Governance (ESG) commitments and meet our 2030 vision. The Company has published our ESG report for 2022 and updated and reported on our Sustainability Strategy on page 15 and will continue to challenge the status quo, pushing for significant gains in the market, and look to inspire our industry and those beyond it to take action.

The Company continues to prioritise its people and has maintained two gold Investors in People accreditations (We Invest in People and We Invest in People – Wellbeing). Our annual employee engagement survey returned an engagement score of 92% and a high level of satisfaction. We will continue to enhance our People Strategy with a focus on retention, health, and well-being.

Future developments

Border controls post-Brexit continue to impact the services of our international customer, EIL. Post-Brexit border control requirements have increased processing time by 30%, limiting the number of daily travellers with EIL capping services to ensure service quality and customer experience is maintained. The Group is working with EIL on several initiatives to reduce processing time for end customers. The European Union has recently revised the introduction of the new Entry and Exit System ("EES"), which will also delay the electronic visa waiver system ("ETIAS"). It is now expected that EES will be launched in 2024 much later than planned and still subject to pressure to delay and evolve the solution further. This was expected to further increase the processing time in the short term. However, the extension may give to optimise the process and improve the efficiency of border control processes.

Section 172(1) statement

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

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

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

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

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

Customers	Employees	Regulators	Lenders and shareholders	Partners and suppliers	Community
• Customer surveys • Discussions with stakeholder groups • Monitoring industry questionnaires	• Employee Engagement survey • Town halls • Employee Suggestions Board	• Regulatory review • Public consultations • Stakeholder working groups	• Quarterly lender presentations • Information disclosure, such as budgets, financial statements and covenants • Regular meetings/calls	• Contract review meetings • Annual supplier conference • Supplier Audits	• Social media and website • Multi stakeholder groups • Newsletters

Key performance indicators ("KPIs")

Performance during the year to 31 March 2023 has improved from the prior year, demonstrating a recovery towards pre-Covid levels. There were 67,877 train paths billed in the year (2022: 59,184), a 15% increase and the Company continues to provide support to International and Domestic Train Operating Companies ("TOCs") to promote further growth.

Operational performance of the infrastructure is the Company's primary performance KPI. The moving annual average ("MAA") delays per train path from the HS1 infrastructure has increased to 7.3 seconds at March 2023 (2022: 4.16 seconds) mainly driven by an increase in trespass events as has been seen nationally, and several infrastructure faults and external events linked to the extreme hot weather. Improvement plans were introduced and reduced trespass incidents by 20% in the second half of the year. We continue to work with NRHS to limit the impact of these events in future, noting that the level remains well within the concession agreement limits.

Safety performance remains a key business priority with the target of a zero-harm business. The MAA Fatalities and Weighted Injuries (being a railway industry weighted measure of accidents per 1,000,000 hours worked) has increased to 0.15 at 31 March 2023 (2022: 0.064). The overall trend including, one specified injury, is driven by a rise in staff assaults. All staff are now issued with body worn cameras to reduce conflict as part of safety improvement plans, which also seek to reduce other workplace accidents. We are working closely with NRHS and the British Transport Police to combat workplace violence which is a rising trend across the UK rail industry.

The Passenger Accident Incident Rate, number of passenger accidents per 100,000 passengers, is low at 0.01 at 31 March 2023 (2022: 0.02). Station safety groups help improve passenger safety and have been instrumental in reducing accidents.

The Company's financial KPIs are earnings before interest, tax, depreciation, and amortisation ("EBITDA") and the debt service cover ratio ("DSCR") – the ratio of cash available to service the annual debt interest and principal payments. The DSCR for the year to 31 March 2023 was 1.24x (2022: 0.93x).

The EBITDA for the year to 31 March 2023 was £65.8m (2022: £20.5m). A reconciliation from the statutory measure, being operating loss, is presented in the table below:

	2023	*2022*
	£m	*£m*
Operating Profit / (Loss)	**17.0**	*(28.3)*
Depreciation and Amortisation	**48.8**	*48.8*
EBITDA	**65.8**	*20.5*

Principal risks and uncertainties

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

a) Supply chain and operations

- Network Rail High Speed ("NRHS") operational failure or industrial action. Ongoing strike action impacts upon path availability and resilience, giving rise to increased adverse financial impact. 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. The Company is in regular contact with NRHS and continually reviews potential causes of disruption including staff shortages or infrastructure closures that could impact HS1 service operation. If NRHS is unable to meet its obligations under the Operator Agreement, the Company has the right to intervene. The contract terms also include a parent company guarantee from the state-owned Network Rail Infrastructure Limited giving the Company greater security.

- A major infrastructure failure or incident. The Company mitigates the risk operationally by obtaining supply chain assurance and ensuring compliance of procedures followed by NRHS, in particular. In addition, the Company regularly tests its business continuity and recovery plans and has appropriate insurance cover in place to limit the exposure to such incidents. Contractual arrangements such as continued domestic train services and £20m insurance cover for off route incidents occurring within 1 mile of HS1 premises if damage occurs and £10m if due to Police action or presence (or suspected) of harmful device. This would limit the short-term financial impact. Long term issues could have a materially negative financial impact.

- Payment of performance regime penalties to operators. HS1's track access agreements attribute payments to parties aligned to their role in delays. HS1's exposure is triggered in the event of failure of the Company's infrastructure and such penalties for delays are capped at £9.5m as at 31 March 2023, of which £4.6m is passed onto our principal supplier, NRHS.

- IT security including cyber security. The Company has introduced a more robust IT Disaster Recovery plan to enhance cyber security protection and controls to mitigate the risk of HS1 Data and information being lost, stolen or corrupted.

b) Economy

- Failure to adapt to structural change. The Company monitors potential long-term shifts in the economy that could impact the business, such as travel, commuting, home working and internet shopping.

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

- There is continuing pressure on energy prices, exposing the Company to reputational risk if not effectively managed. Management is working with the TOCs and have executed an agreed energy purchasing strategy balancing affordability, certainty and ensuring renewable energy sources. The first delivery milestone Corporate Power Purchase Agreement 1 was completed in April 2022. The next milestone is conclusion of a further Power Purchase Agreement (CPPA 2) for an additional 40% volume to be implemented by April 2025.

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

- The indirect consequences of inflation and the cost-of-living crisis is having an impact on the business. These are being monitored closely, in addition to energy costs, travel patterns and supply chain availability

c) Reliance on two key Customers (SET and EIL).

- SET, the only domestic operator, and the Company's largest customer, continued to operate a lower level of train paths than pre-pandemic. HS1 is insulated from domestic services being lower than 1,024 train paths per standard week, the equivalent of c. 53,000 per year, as these are underpinned by the UK Government through the DUA. The underpin agreement has successfully been applied in the year with the Department for Transport ("DfT ") being billed to make up the shortfall between actual and the underpin level of services and will continue to do so if the services are below this level. The DUA was applied, where possible on NRHS strike days.

- Prolonged depressed EIL services. Paths have been running at 80% of pre-Covid on average for all of the FY23, and EIL has now increased its forward booking commitment to this level. The Company has certainty up to one year ahead due to the advanced agreement of the timetable on which billing is raised. During the year EIL merged with the Belgian operating company, Thalys to form the Eurostar Group based in Brussels. They also appointed a new CEO, Gwendoline Casenave. on 1 October 2022, replacing Jacques Damas. These changes are not expected to change the risks to HS1.

- Revenue is based on the number of timetabled train paths on HS1 infrastructure during the year, adjusted for spot bids and cancellations. The Company continues to execute a regulated cost "volume reopener" annually during the Control Period 3 that allows regulated fixed OMR charges to be recovered and spread over a lower number of train paths.

d) Unregulated market (retail sales)

- Adverse changes in the wider retail market, with a move towards online shopping and a change in consumer behaviour. The Company continues to monitor the market closely and is actively managing the stations, with regular dialogue with retailers. Customer insights, and in-depth market knowledge, allow the Company to adapt to changes in customer demand.

e) Political Environment

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

f) Financial risks and uncertainties

- Interest rate risk – 97% of debt held at Company is on fixed interest rates, minimising the exposure from adverse movements.

- UK tax changes – the Company is exposed to changes in tax rules. Management stays abreast to changes to mitigate risk of change.

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

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

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

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

Approval

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

Patrick Robson
Patrick Robson (Jun 15, 2023 13:56 GMT+1)
....
P Robson
Director

Date: 15 June 2023

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

STATEMENT OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 MARCH 2023

HS1 Ltd has turnover of £230.5m and total assets of £3.7 billion for the period ended 31 March 2023, therefore it is defined as a large private Company. The Board adopted the Wates Corporate Governance Principles for Large Private Companies as its chosen corporate governance code in the previous year and continues with these for the financial year ended 31 March 2023. The Board considers the Wates Principles the best option given the nature of the business and the Wates Principles relevance to it.

Principle 1 - Purpose and leadership

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

Values and Culture

The Company's values, purpose, and strategy are integral to the way it operates. The Company refreshed its strategy in the year to focus on long-term growth and reflect the current needs of the concession, customers, and passengers. The Company's strategy aims to continue to encourage whole system thinking to accelerate our recovery from Covid, delivering core operations while supporting wider network growth and customer needs. Employees are measured against their demonstration of Company's values in annual performance reviews, to ensure that their behaviours and practices are aligned with Company's purpose, and strategy. The employees were consulted in the update of the values to ensure it reflected them.

The Board, shareholders and Management are committed to embedding the desired culture throughout the organisation. Culture is supported by the People Strategy and is reviewed through the annual employee engagement and is benchmarked with other companies. In addition, the Company has been awarded the "We Invest in People" and "We Invest in Wellbeing" gold accreditation by Investors in People and to further enhance our inclusive culture, we have signed the EDI Charter with the Rail Industry Association.

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

Strategy

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

Principle 2 - Board composition

The Chair is an independent appointed for an initial 3-year term. The Chair's appointment was extended for a further 3 years in April 2021. The roles of Chair and CEO are exercised by different individuals to ensure a balance of power and effective decision-making.

The Company's Board is comprised of professionals experienced in the rail industry, project and corporate finance, asset management and Health and Safety. The Board is kept appraised of the business's performance and shareholder interests through regular Board and Subcommittee reporting, as well as periodic CEO Reports and topical working groups that meet between Boards to drive progress and decisions on identified issues.

Appointments to the Board are made with the aim of balancing key skillsets to ensure appropriate experience to oversee Management and assess the business performance. The Board considers diversity as part of Board appointments. During the year, the CEO and CFO were appointed to the Board of HS1 Limited.

Size and Structure

In addition to shareholder directors, the Company has two appointed independent non-executive Directors. The Board delegates detailed oversight to four core subcommittees (Audit and Finance; HR and Remuneration; Health & Safety; Nominations) to enable effective decision-making, see “Board Committees” below.

Effectiveness

The shareholder representative development is carried out at the shareholder level and the Board composition is decided to balance the needs of the business. The Chair reviews Board effectiveness through regular review sessions as do the shareholders. A board effectiveness review was conducted by the Chair in December 2022. With this in place, and given the size of the company, there is no additional formal HS1 specific Board skills development programme.

Principle 3 – Director responsibilities

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

The Company maintains policies and practices that govern the internal affairs of the Company including, without limitation, terms of reference for the Board and various Subcommittees, delegated authorities, and the shareholder agreement. Conflicts of interest are declared at the commencement of every Board and Sub-committee.

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

Committees

The Company’s core subcommittees are the Audit and Finance committee, the HR and Remuneration committee, the Nomination committee, and the Health & Safety committee. Each committee is chaired by separate Board members or the CEO. All subcommittees are attended by either the Chair and/or the CEO, and the General Counsel as Company Secretary. Sustainability is reviewed by the full Board rather than in a subcommittee.

The subcommittees report to the Board to inform Board decision making and act within the terms of reference for each subcommittee, which sets out the delegated authorities.

Integrity of information

The Company’s subcommittees play a part in ensuring the formal and robust internal processes are operating effectively. The subcommittees each report back to the Board on a periodic basis providing reliable information to enable the Directors to monitor and challenge the business performance and make informed decisions. In addition, policies and procedures are reviewed and updated regularly to ensure they remain relevant and up to date.

Principle 4 - Opportunity and risk

Opportunity

The Company strategy reflects the need of the Company to focus on its core business, while supporting our customers and generating returns for our shareholders. Each Directorate measures how the Company generates and preserves value over the long term through the application of these principles. The Company’s current area of focus is working with the High-Speed Rail system to deliver high quality value for money infrastructure to support customers post pandemic strategies.

The business has a vision to make rail travel everyone's number one choice. All business opportunities and objectives are viewed through this lens to ensure the support the long-term vision for the business. The Company has a Head of Business Development whose role includes identifying business opportunities, future opportunities for innovation and entrepreneurship. Key new business opportunities are discussed and approved at Board level. The Company also appointed its first-ever Strategy & Regulation Director as we look to bolster regulatory affairs expertise at a crucial time in the rail sector.

Risk

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

The Company has Risk Management Procedures that are reviewed annually.

Principle 5 - Remuneration

Setting remuneration

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

The HR and Remuneration subcommittee reviews remuneration in relation to the Chair and the Senior Management Team against performance (including safety, asset, and cash delivery), behaviours, professional objectives and the business' values and strategy.

Policies

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

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

Principle 6 - Stakeholder relationships and engagement

External impacts

Each Directorate reviews how the Company generates and preserves value over the long-term through the application of these strategies. The Company has a formalised an ongoing Risk Management Procedure to ensure risks are identified, assessed and actions are taken to reduce business impacts.

The Company has also developed a Sustainability strategy and built this into its 2030 Vision.

Stakeholders

The Company assesses the impact of its activities on its stakeholders, in particular customers, employees, regulators, partners and suppliers and the wider community. Relevant matters are reviewed at Board meetings with Management and assessed against strategic priorities. This collaborative approach helps promote the long-term vision of the Company.

STATEMENT OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 MARCH 2023

Each Directorate oversees the Company's relationship with different stakeholder groups to ensure effective business oversight. The Company presents stakeholders a fair, balanced, and understandable assessment of the Company's position and prospects through its annual report.

Workforce

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

The Whistleblowing Policy is reviewed annually to ensure effectiveness.

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

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

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

Patrick Robson
Patrick Robson (Jun 15, 2023 13:56 GMT+1)

....

P Robson
Director

Date: 15 June 2023

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report and the audited financial statements of HS1 Limited for the year ended 31 March 2023.

Matters covered by the strategic report

As permitted, under s.414c(2) of the Companies Act 2006, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included within the strategic report. These matters relate to future developments.

Result for the year

The profit for the year was £36.8m (2022: profit of £30.1m).

Dividends

The Company paid £nil dividends during the year to holders of the A or B shares (2022: £nil).

Directors

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

D Harding (resigned 1 July 2022)
A Deacon (resigned 25 January 2023)
J Curley
S Jones
K Ludeman
A Pitt
A Leness
P Robson
M Osborne
A Farrer (appointed 25 January 2023)
D Crowther (appointed 25 January 2023)
O Racine

Directors indemnities

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

Health and safety

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

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

The Health, Safety and Assurance strategy is built around three core elements which are:
1) Understanding risk,
2) Improvement in managing risk; and
3) Assuring that the arrangements put in place remain effective.

The Company has made use of several recognised tools and guidance in developing its approach to ensure credibility and the robustness of this strategy throughout CP3.

Sustainability Strategy and Statutory Reporting

The Company reviewed its sustainability strategy in 2022/23 which continues to support the Company strategy. The strategy priorities remain consistent with the original 2020 strategy with clear plans and glides paths for delivery established up to 2030/31.

A key tenet of this is that the business has pledged to be carbon net-zero by the end of the decade; stringent new environmental targets in our new sustainability strategy focus on enhancing the Company's reputation as the Green Gateway to Europe. To demonstrate commitment, a detailed annual ESG report was published for the 2022/23 reporting year to describe how The Company is progressing against its targets. Alongside this the Group endeavours to protect and reduce our impacts on the natural environment and on our local communities, and in turn achieve wider societal benefits.

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

The streamlined energy and carbon report ("SECR") identifies the future efficiency actions the Company will look to implement over the next financial year.

Streamlined Energy and Carbon Reporting FY2022-23

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

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

Notable exceptions include the actively used energy from the traction electricity distribution system (82.9% of total traction power). No changes to the Scope and Boundary of the reporting have occurred during this Financial Year.

As part of its commitment to improving carbon reporting, the Company has included the following emissions in its Scope 3 emissions data:
- Mandatory infrastructure losses (for both non-traction and infrastructure losses on the traction power)
- Diesel consumption for maintenance vehicles

Gross Emissions	31-Mar-23	31-Mar-22
	UK and offshore	UK and offshore
Scope 1 Emissions (direct emissions from owned or controlled sources) tCO2e	1,143	1,427
Scope 2 Emissions (indirect emissions from the generation of purchased electricity, steam, heating and cooling) tCO2e	11,747	13,553
Scope 3 Emissions (all other indirect emissions that occur in a Company's value chain) tCO2e	1,273	1,462
Total gross emissions / tCO2e[1]	14,163	16,442
Intensity ratio: kg CO2e (gross Scope 1, 2 & 3) per user	0.3414	0.6454
Total MWh of electricity consumed	60,747	63,828
Total MWh of gas consumed	6,263	7,740

This thereby shows environmental performance improvements as follows:
- Reduction in absolute gross emissions 14%
- Reduction in normalised gross emissions 47%

Normalised gross emissions are calculated by CO2 emissions per passenger using gateline statistics.

12% of the electricity purchased in this financial year was from renewable sources covered by Renewable Energy Guarantee of Origin ("REGO"). Recalculating our emissions on this green energy basis provides the following indicators:

Carbon offset due to CPPA	1,351 tCO2e
Net emissions	12,812 tCO2e
CO2 per user using net emissions	0.309 kg CO2e per user
Increase in normalised net emissions	172%[1]

1 This change is almost entirely due to a reduction in the amount of renewable electricity purchased last year compared to this year – down from 100% to 12% – which is because of the sudden increase in unit rates. To rectify this reduction, HS1 has since invested in Corporate Power Purchase Agreements, increasing renewable electricity supply to 40% across the entire system at the start of the 2023/24 financial year.

The decrease in electricity consumption is due to a mix of factors including:
- Full implementation of regenerative braking on all SET Rail rolling stock
- Optimisation of building services at Ebbsfleet and Ashford stations where occupancy has reduced due to the cessation of stopping services by EIL

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

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

Methodology

Emissions have been calculated over the period 1 April 2022 to 31 March 2023 in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. UK Government Conversion Factors have been utilised for UK investments and International Energy Agency Conversion Factors to calculate emissions for all UK sites.

Energy use has primarily been collected from meter data and invoices from suppliers. Of the aggregate energy usage measured:
- 99.5% has been extracted from actual meter readings
- 0.5% has been evaluated using estimates

Transport emissions have been excluded as staff transport is below the de minimis limit.

Energy Efficiency Action Taken

In the period covered by the report the following initiatives were undertaken:
- Ongoing optimisation of the heating and chilled water generation control.
- Various optimisation tasks on each site's Building Management System including improved pump control, more accurate time schedules and temperature control for air conditioning, ensuring our main heating and cooling plant doesn't operate in the non-heating and cooling seasons, and better use of demand-based supply of air.

The estimated aggregate annual savings from these initiatives are:
- Electricity: 383 MWh
- Gas: 95 MWh
- CO_2: 103 tonnes

The total cost of these investments was £18k with an expected annual return on investment of £126k.

Future Efficiency Actions

The selection of energy conservation projects is being revised as much of the low-cost, high-return opportunities have been implemented. ESOS Phase 3, to be completed by July 2023 will identify more opportunities both in the stations and in the lineside infrastructure. BMS optimisation is likely to continue as this has high potential to reduce energy consumption as well as identifying other opportunities. Furthermore, the full roll-out of LED lighting upgrades will continue.

Political donations

Political donations during the year were £nil (2022: £nil).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Going concern basis

For the year-ended 31 March 2023, the Directors have concluded that there is no material uncertainty that may cast significant doubt that the Company will be able to operate as a going concern. The financial statements have accordingly been prepared on a going concern basis. More information is provided in note 2.3 to the financial statements.

Disclosure of information to auditors

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

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

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

Post balance sheet events

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

Auditors

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

Approval

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

Patrick Robson
Patrick Robson (Jun 15, 2023 13:56 GMT+1)

....
P Robson
Director

Date: 15 June 2023

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

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Patrick Robson
Patrick Robson (Jun 15, 2023 13:56 GMT+1)

....

P Robson
Director

Date: 15 June 2023

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HS1 LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of HS1 Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

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

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

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls around the going concern assessment, including management review controls;
- assessing the key assumptions made by the directors to capture potential downside risks in their forecasts, including the associated macro-economic assumptions, with a particular focus on the headroom available and the wider Betjeman Holdings Limited group's cash resources, under severe but plausible stress scenarios;
- assessing the group's lending facilities, their availability and compliance with covenants; and
- evaluating the appropriateness of the financial statement disclosures in respect of going concern.

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors and Audit and Finance Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

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

As a result of performing the above, we identified the greatest potential for fraud in the impairment of intangible assets. To address this risk we obtained an understanding of relevant controls relating to the impairment assessment, assessed the mechanical accuracy of the impairment model and agreed the key assumptions within the impairment model to relevant evidence.

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

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

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.

In the light of the knowledge and understanding of the group and of the parent company and their 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.

Daryl Winstone FCA (Senior statutory auditor) D.Winstone
Daryl Winstone (Jun 15, 2023 17:50 GMT+1)

for and on behalf of

Deloitte LLP

2 New Street Square
London
United Kingdom
EC4A 3BZ

15 June 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £m	2022 £m
Revenue from contracts with customers		**230.5**	*149.7*
Other operating expenditure	5	**(213.5)**	*(178.0)*
Operating profit/(loss)	5	**17.0**	*(28.3)*
Interest receivable and similar income	9	**223.2**	*230.2*
Interest payable and similar charges	10	**(195.1)**	*(176.4)*
Profit before taxation		**45.1**	*25.5*
Tax (charge)/credit	11	**(8.3)**	*4.6*
Profit for the financial year		**36.8**	*30.1*
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Re-measurement of net defined benefit pension asset/(liability)	25	**2.5**	*(0.2)*
Other comprehensive income		**1.1**	*0.7*
Total items that will not be reclassified to profit or loss		**3.6**	*0.5*
Items that may subsequently be reclassified to profit and loss:			
Amounts recycled to the profit or loss account		**2.8**	*3.1*
Effective portion of changes in fair value of cash flow hedges		**26.2**	*(440.5)*
Deferred cost of hedging		**(1.1)**	*(2.0)*
Total items that may be subsequently be reclassified to profit and loss		**27.9**	*(439.4)*
Total comprehensive income/(loss) for the year		**68.3**	*(408.8)*

The notes on pages 28 to 65 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £m	2023 £m	*2022 £m*	*2022 £m*
Non-current assets					
Intangible assets	13		**860.2**		*908.5*
Right of use assets	14		**2.1**		*0.4*
Financial assets	26		**1,413.2**		*1,421.5*
Investment in subsidiary undertaking	15		**-**		*-*
Debtors: amounts falling due after more than one year	16		**1,257.9**		*1,206.3*
			3,533.4		*3,536.7*
Current assets					
Debtors: amounts falling due within 1 year	17	**175.5**		*66.5*	
Financial assets	26	**8.3**		*3.1*	
Cash and cash equivalents	18	**2.8**		*4.3*	
		186.6		*73.9*	
Creditors: amounts falling due within one year	19	**(246.6)**		*(227.9)*	
Net current liabilities			**(60.0)**		*(154.0)*
Total assets less current liabilities			**3,473.4**		*3,382.7*
Creditors: amounts falling due after more than one year	21		**(3,260.6)**		*(3,243.2)*
Lease liabilities - right of use asset	14		**(2.1)**		*(0.3)*
Deferred taxation	20	**(54.3)**		*(48.2)*	
			(54.3)		*(48.2)*
Net assets excluding pension asset/(liability)			**156.4**		*91.0*
Pension asset/liability	25		**0.7**		*(2.2)*
Net assets			**157.1**		*88.8*

BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2023

	Note	2023 £m	2023 £m	*2022* *£m*	*2022* *£m*
Capital and reserves					
Called up share capital	22		**-**		*-*
Other reserves	23		**(0.9)**		*0.2*
Hedging reserve	23		**(358.2)**		*(387.2)*
Profit and loss account	23		**516.2**		*475.8*
Shareholders' funds			**157.1**		*88.8*

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

Patrick Robson
Patrick Robson (Jun 15, 2023 13:56 GMT+1)

....
P Robson
Director

Date: 15 June 2023

The notes on pages 28 to 65 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Other reserves	Hedging reserve	Profit and loss account	Total equity
	£m	£m	£m	£m
At 1 April 2021	**2.2**	**62.0**	**433.4**	**497.6**
Comprehensive income for the year				
Profit for the year	-	-	30.1	30.1
Actuarial losses on pension scheme	-	-	(0.2)	(0.2)
Other comprehensive income/(loss)	(2.0)	(440.5)	3.1	(439.4)
Amortisation on novated swaps	-	0.7	-	0.7
Total comprehensive loss for the year	(2.0)	(439.8)	33.0	(408.8)
Transfer to/from profit and loss account	-	(9.4)	9.4	-
At 1 April 2022	**0.2**	**(387.2)**	**475.8**	**88.8**
Comprehensive income for the year				
Profit for the year	-	-	36.8	36.8
Actuarial gains on pension scheme	-	-	2.5	2.5
Other comprehensive income/(loss)	(1.1)	26.2	2.8	27.9
Amortisation on novated swaps	-	1.1	-	1.1
Amounts recycled out of hedging reserve	-	2.8	(2.8)	-
Total comprehensive income/(loss) for the year	(1.1)	30.1	39.3	68.3
Transfer to/from profit and loss account	-	(1.1)	1.1	-
At 31 March 2023	**(0.9)**	**(358.2)**	**516.2**	**157.1**

The notes on pages 28 to 65 form part of these financial statements.

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

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

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2023.

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.

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

HS1 Limited has conducted sensitivity analysis on a base case and downside case to stress test the impact of the economic uncertainty. The base case assumes continued growth in international train paths (while remaining below pre-Covid levels), with domestic train paths remaining below underpin levels. The downside case assumes minimal growth in international train paths, with domestic train paths remaining below underpin levels. Under all the cases the Company can meet its covenants, has sufficient liquidity, including undrawn facilities of £173.8m, and is able to pay its scheduled borrowing repayments as they fall due. The Directors have also reviewed the plans to protect the Company's liquidity, including working capital and cost reduction options. These forecasts also benefit from the security of revenue reflecting the UK Government underpinning arrangements.

Having due regard to the performance of HS1 Limited, the availability of working capital and the facilities under the loan agreement with the parent undertaking, the Directors believe that the Company has sufficient resources to meet its liabilities. The financial statements have accordingly been prepared on a going concern basis.

2.4 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

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

2.5 Foreign currency

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

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

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

2. Accounting policies (continued)

2.6 Financial instruments

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

a. Financial assets and financial liabilities

Initial recognition and measurement

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

Classification and measurement of financial assets and financial liabilities

On initial recognition financial assets are classified and measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The classification depends on both the business model for managing the financial assets and their contractual cash flow characteristics. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

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

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

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

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

2. Accounting policies (continued)

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

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

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

Derecognition

A financial asset is primarily derecognised when:

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

Impairment of financial assets

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

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

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

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

No ECL has been posted to the Company's financial statements for the year ended 31 March 2023 against the financial asset or amounts owed by parent.

An ECL of £0.3m has been recognised against trade receivables for the ECL in the year on its trade receivables. For trade receivables, the Company applies a simplified approach to calculating ECL: A loss allowance, based on lifetime ECLs at each reporting date, is recognised. To correctly reflect the current economic environment, the Company has established a provision matrix which completes a risk assessment based upon commercial risk and liquidity risk.

2. Accounting policies (continued)

Subsequent measurement - financial liabilities

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

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

Derecognition

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

b. Derivative financial instruments and hedge accounting Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income ("OCI"). Any ineffective portion of the hedge is recognised immediately in the profit or loss account. For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in the profit or loss account the hedging gain or loss is reclassified to the profit or loss account. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

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

The impact of Interest Rate Benchmark Reform was recognised in the prior year accounts. This impacted the Company's floating rate debt that was previously linked to LIBOR but is now linked to SONIA. The Company holds hedging instruments linked to this debt, and these hedging instruments were similarly revalued. The Company was not exposed to significant risk from Interest Rate Benchmark reform as the terms of both the floating debt and hedging instruments were amended.

2. Accounting policies (continued)

2.7 Service concession assets

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

• Controls or regulates the services to be provided;

• Controls or regulates the price at which these services can be provided; and

• Holds a residual interest in the assets at the end of the term of the arrangement in December 2040.

The asset is accounted for as a service concession asset.

To the extent that the future consideration relates to revenue that is underpinned through the 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.

2. Accounting policies (continued)

2.9 Impairment excluding deferred tax assets

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

2.10 Cash at bank and in hand

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

2. Accounting policies (continued)

2.11 Employee benefits

Defined contribution plans

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

Defined benefit plans

The Company's section of the defined benefit Railways Pension Scheme was closed to new entrants on 17 February 2011. The Company accounts for this scheme using the balance of cost approach. In accordance with IFRS, the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service if the service has vested, is charged to the profit and loss account. A charge equal to the increase in present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company's long-term expected return on assets (based on the market value of the scheme assets at the start of the year), are included in the profit and loss account under net finance charges. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

- The date of the plan amendment or curtailment, and

- The date that the Company recognises related restructuring costs

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

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

- Net interest expense or income.

2. Accounting policies (continued)

2.12 Provisions

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

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

2.13 Leases

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

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

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

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

2. Accounting policies (continued)

2.14 Revenue from contracts with customers

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

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

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

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

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

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

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

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

Practical expedients
The Company has elected to make use of the following practical expedients:
• Contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred.

• Application of paragraph 121 of IFRS 15, which allows not to disclose information about remaining

2. Accounting policies (continued)

performance obligation that have original expected duration of one year or less.

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

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

2.15 Other expenses and income

Interest payable

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

Interest bearing bank loans, overdrafts and other debt instruments are recorded at proceeds received net of direct issue costs.

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

Interest receivable

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

2. Accounting policies (continued)

2.16 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit or loss account except to the extent that it relates to items recognised directly in equity or other

comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax

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

• where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction effects neither accounting nor taxable profit or loss;

• in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

• deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

Sales tax

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

• When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the assetor 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. Accounting policies (continued)

2.17 Dividends

Dividends payable

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

Dividends receivable

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

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

In the application of the Company's accounting policies, described in note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgements in applying the Company's accounting policies

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

Estimates

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.

• Impairment of intangible assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

Judgement is required in selecting a discount rate which reflects the Group's risk profile. A Capital Asset Pricing Model (CAPM) was used to determine a range of discount rates. More detail is provided in note 13.

• Valuation of derivatives

The derivative financial instruments are carried at fair value in the financial statements. The fair value is calculated on the basis of market parameters, calculated by external experts, therefore giving rise to an areas of estimation uncertainty. More information is provided in note 20 to these financial statements.

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

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant

3. Judgments in applying accounting policies (continued)

increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For trade receivables, the Company applies a simplified approach to calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. To correctly reflect the current economic environment. the Company has established a provision matrix is based upon commercial risk and liquidity risk. The ECL for trade receivables has been calculated as £0.3m (2022: £0.5m).

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.

	2023 **£m**	*2022* *£m*
Revenue from operating, maintaining and renewing high speed rail concession	**230.5**	*143.7*
Revenue from the surrender of leased land	**-**	*6.0*
	230.5	*149.7*

Total revenue from contracts with customers

• The Investment Recovery Charge ('IRC') comprises an amount per train mile that varies with indexation and recovers the costs of constructing the high-speed rail infrastructure.
• The Operations, Maintenance and Renewals Charge (OMRC), relates to costs of operating and maintaining the infrastructure.
• Station access charges comprises qualifying operation and maintenance costs including management fee.
• Unregulated income relates to income from car parks and retail tenants.
• Land Sale income relates to proceeds paid to HS1 for compensation for the surrendering of the HS1 Lease Land.

Performance obligations

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

• The contracts in the arrangement are combined into a single arrangement with a common commercial objective of making the infrastructure available to its customers;
• The majority of the Company's revenue streams fall 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.

5. Operating (profit) / loss

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

	2023 £m	2022 £m
Depreciation of right-of-use assets	0.4	0.4
Amortisation of intangible assets	48.4	48.4
Expected credit loss on trade receivables	0.1	(2.2)
Staff costs (note 7)	8.4	7.9

6. Auditors' remuneration

	2023 £000	2022 £000
Audit of the Company's financial statements	93.0	76.5
Amounts receivable by the Company’s auditor and its associates in respect of: Audit-related assurance services	6.0	5.0

There is £6k included in 2023 (2022: £5k) on agreed audit procedure work performed in respect of audit-related assurance services.

7. Staff numbers and costs

Staff costs were as follows:

	2023 £m	2022 £m
Wages and salaries	7.1	6.6
Social security costs	0.7	0.7
Cost of defined benefit scheme	0.2	0.2
Cost of defined contribution scheme	0.4	0.4
	8.4	7.9

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

	2023 No.	2022 No.
Senior management team	6	6
Other	56	52
	62	58

8. Remuneration of Directors

	2023 £000	2022 £000
Directors' emoluments	384.0	157.0
Remuneration paid to the highest paid Director	152.0	108.0

No pension contribution was paid in respect of any Director during the year (2022: £nil).

9. Interest receivable and similar income

	2023 £m	2022 £m
Financial asset interest	124.7	133.8
Other interest receivable	98.5	96.4
	223.2	230.2

10. Interest payable and similar charges

	2023 £m	*2022 £m*
Interest payable to parent undertaking	**61.2**	*57.9*
Interest payable to group undertaking	**104.9**	*83.2*
Interest payable in respect of bank facilities	**19.9**	*20.2*
Interest on lease liabilities	**26.5**	*26.0*
Fair value movement on interest rate swaps	**(17.5)**	*(10.9)*
Other interest payable	**0.1**	-
	195.1	*176.4*

11. Taxation

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

	2023 £m	*2022 £m*
UK corporation tax		
Current tax on profits for the year	**-**	-
Adjustments in respect of previous periods	**-**	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**8.3**	*(4.6)*
Total deferred tax	**8.3**	*(4.6)*
Taxation on profit/(loss)	**8.3**	*(4.6)*

The aggregate deferred tax relating to items that are recognised as items of other comprehensive income is a debit of £2.3m (31 March 2022: credit of £85.1m). No current tax has been recognised as items of other comprehensive income or equity in the year (2022: £nil).

Further analysis of deferred tax can be found in note 20.

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as *(2022 - the same as)* the standard rate of corporation tax in the UK of 19% *(2022 - 19%)* as set out below:

	2023 £m	2022 £m
Profit before tax	**45.1**	*25.5*
Profit multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	**8.6**	*4.8*
Effects of:		
Expenses not deductible for tax purposes	**5.7**	*7.9*
Deferred tax prior year adjustment	**(1.2)**	-
Group relief received for nil consideration	**-**	*(4.0)*
Change in tax rates	**3.0**	*(8.1)*
Transfer pricing adjustments	**(7.8)**	*(5.2)*
Total tax charge/(credit) for the year	**8.3**	*(4.6)*

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

12. Dividends

Divdends receivable

During the year HS1 Limited received £nil (2022: £nil) from a subsidiary undertaking.

Dividends payable

No dividends were paid in respect of A (2022: £nil) or B shares (2022: £nil) in the year.

13. Intangible assets

	Licence £m
Cost	
At 1 April 2022	**1,380.1**
Additions - external	**0.1**
At 31 March 2023	**1,380.2**
Amortisation	
At 1 April 2022	**471.6**
Charge for the year on owned assets	**48.4**
At 31 March 2023	**520.0**
Net book value	
At 31 March 2023	**860.2**
At 31 March 2022	*908.5*

13. Intangible assets (continued)

Cash generating unit (CGU)

The carrying value of the concession assets as at 31 March 2023 is £2,281.7m (2022: £2,333.1m). This figure represents the intangible license asset of £860.2m (2022: £908.5m) and the financial asset of £1,421.5m (2022: £1,424.6m). The carrying value of the intangible asset has then been compared with the value in use (or recoverable amount) of the CGU. It was found that the recoverable amount of the intangible asset was above the carrying value and therefore no impairment charge has been recorded.

The recoverable amount of the CGU is determined based on value-in-use calculations. The concession has 17 years remaining in the 30-year concession to December 2040. The value-in-use is derived from pre-tax cash flows of a long-term financial model and a short-term business plan. The present value of the expected cash flows of the CGU is determined by applying a discount rate reflecting current market assessments of the time value of money and risks specific to the concession assets.

Discount rates

Management estimates discount rates using pre-tax rates that reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt, which appropriately capture both the time value of money and the specific risks associated with the concession assets. Management have calculated a discount rate of 7.45% using a CAPM model.

Future cash flows

The Group has a forecast long-term financial model and a short-term business plan. Pre-tax cash flows available for debt service is used to calculate the value in use. The Group bases its impairment calculation on board reviewed business plans and forecasts. The business plan generally covers a period of five years and the forecasts for the remaining life of the concession to 2040 is in the financial model. The Group is currently operating below pre-pandemic levels, with SET operating below the domestic underpin and EIL being timetabled to return to 80% of pre-covid levels from May 2023 to December 2023.

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

14. Right of use assets

	Right-of-use asset £m
Cost	
At 1 April 2022	**2.0**
Additions	**2.1**
Disposals	**(2.0)**
At 31 March 2023	**2.1**
At 1 April 2022	**1.6**
Charge for the year on owned assets	**0.4**
Disposals	**(2.0)**
At 31 March 2023	**-**
Net book value	
At 31 March 2023	**2.1**
At 31 March 2022	*0.4*

The lease relates to the HS1 Limited office at 90 York Way, London N1 9AG. During the year the Company extended the lease for a further 10 years, with a break clause after 5 years. As the Company is not reasonably certain that they will choose to extend the lease, the term has been recognised as 5 years.

	2023 £000	*2022 £000*
Lease related expenses		
Interest expense on lease liabilities	**23.7**	*47.7*
	23.7	*47.7*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 £m	2022 £m
Lease liabilities		
Less than one year	**0.4**	*0.3*
One to five years	**1.7**	-
More than five years	**-**	-
Total discounted lease liabilities at 31 March 2023	**2.1**	*0.3*

15. Investment in subsidiary undertaking

	2023 £	2022 £
Ordinary share in High Speed One (HS1) Limited	**1.0**	*1.0*
	1.0	*1.0*

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

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

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

16. Debtors: amounts falling due after one year

	2023 **£m**	*2022* *£m*
Amounts owed by parent undertakings	**1,053.1**	*957.5*
Other debtors	**102.0**	*161.9*
Derivative financial assets	**84.7**	*70.9*
Prepayments and accrued income	**18.1**	*16.0*
	1,257.9	*1,206.3*

Amounts owed by parent undertakings relate to a loan of £243.8m (2022: £221.6m) advanced to Betjeman Holdings Limited and a loan of £809.4m (2022: £735.9m) advanced to Helix Acquisition Limited. Both loans are subject to interest at 9.75% per annum and are repayable by agreement of both the borrower and lender. No significant repayment is expected in the next 12 months.

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

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

17. Debtors: amounts falling due within one year

	2023 **£m**	*2022* *£m*
Trade receivables and accrued income	**12.4**	*13.9*
Less allowance for expected credit losses	**(0.3)**	*(0.5)*
Amounts owed by parent undertakings	**28.3**	*25.8*
Other debtors	**97.4**	*1.0*
Prepayments	**37.7**	*26.3*
	175.5	*66.5*

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

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

18. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	**2.8**	*4.3*
	2.8	*4.3*

19. Creditors: Amounts falling due within one year

	2023 **£m**	*2022* *£m*
Bank loans	**23.7**	*58.3*
Trade creditors	**7.1**	*1.5*
Amounts owed to parent undertaking	**17.3**	*16.2*
Amounts owed to group undertakings	**71.6**	*62.8*
Other creditors	**8.4**	*3.1*
Lease liabilities	**27.7**	*23.3*
Accruals and deferred income	**90.8**	*62.7*
	246.6	*227.9*

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

20. Deferred taxation

	2023 £m	2022 £m
At the beginning of the year	**(48.2)**	*32.3*
Charged to profit or loss	**(8.3)**	*4.6*
Charged to other comprehensive income	**2.2**	*(85.1)*
At end of year	**(54.3)**	*(48.2)*

The deferred taxation balance is made up as follows:

.

	2023 £m	2022 £m
Property, plant and equipment	**(97.1)**	*(98.8)*
Other financial assets	**(21.2)**	*(17.3)*
Exchange differences	**21.7**	*19.1*
Other financial liabilities (IRS)	**(92.2)**	*(92.7)*
Pension surplus	**(0.2)**	*0.6*
Cash flow hedges	**3.0**	*3.9*
Corporate interest restriction	**18.4**	*18.4*
Tax losses carried forward	**113.3**	*118.6*
	(54.3)	*(48.2)*

21. Creditors: Amounts falling due after more than one year

	2023 **£m**	*2022* *£m*
Bank loans	**-**	*8.4*
Amounts owed to parent undertakings	**645.2**	*608.7*
Amounts owed to group undertakings	**1,804.1**	*1,808.6*
Escrow deferred income	**185.7**	*153.6*
Lease liabilities	**163.9**	*166.2*
Accruals and deferred income	**1.7**	*1.5*
Derivative financial liabilities	**460.0**	*496.2*
	3,260.6	*3,243.2*

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

The amount due to the parent undertaking after more than one year relate to a 9.75% (2022: 9.75%) fixed rate loan to Helix Acquisition Limited repayable by agreement of both the borrower and lender.

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

Lease liabilities relate to the UKPNS finance lease. UKPNS own, operate and maintain the electricity infrastructure, which HS1 has a lease to access. This was originally recognised under IAS 17. This lease was grandfathered in upon the application of IFRS 17, so IAS 17 is still followed by the entity in this case. The discounted cash flow maturity of these lease liabilities is as follows:

	2023	2022
	£m	£m
Less than one year	27.7	23.3
One to five years	122.2	100.1
More than five years	497.9	442.1
	647.8	565.5

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

The Directors have reflected valuation adjustments ("XVA") to certain derivatives due to evolving market practices and therefore represents a change in accounting estimate.

Valuation adjustments are an umbrella term for adjustments made to the fair value of a derivatives contract to take into account the funding, credit risk, and regulatory capital costs. The inclusion of XVAs has led to the following:

• a decrease in the fair valuation of the interest rate swap liability of £0.8m
• a decrease in the fair valuation of the cross-currency swap asset of £2.8m
• a decrease in the fair valuation of the RPI swap liability of £70.4m

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

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

Analysis of the maturity of loans is given below:

	2023 £m	*2022 £m*
Amounts falling due		
In less than one year	**23.7**	*58.3*
Between two and 5 years	**-**	*8.7*
Less: debt issue costs	**(0.1)**	*(0.3)*
At end of year	**23.6**	*66.7*

22. Share capital

	2023 £	*2022 £*
Allotted, called up and fully paid		
990 *(2022 - 990)* A shares of £1.00 each	**990**	*990*
10 *(2022 - 10)* B shares of £1.00 each	**10**	*10*
	1,000	*1,000*

	2023 £	*2022 £*
Share premium account		
10 B shares of £1 each	**1,990.0**	*1,990.0*
	1,990.0	*1,990.0*

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

23. Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions not yet occurred, including the related movements in deferred taxes.

Profit and loss account

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

Following a review of historic postings to the reserves relating to financial instruments it was identified that an adjustment to increase the profit and loss account and reduce the hedging reserve by £1.1m was required which has been processed through the statement of changes in equity. No other changes were required to be made to the primary statements.

Other reserves (Cost of hedging)

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

24. Parent undertaking and controlling party

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

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

The smallest Company in which the results of the Company are consolidated is Helix Acquisition Limited, a Company incorporated in the United Kingdom.

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

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

25. Pension scheme

Defined contribution pension scheme

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

Defined benefit scheme

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

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

The Company uses the balance sheet accounting approach and recognises the full net asset or liability of this pension scheme, subject to a deduction for actual member contributions.

The most recent actuarial valuation of the HS1 Limited Section of the Railways Pension Scheme was completed at 31 December 2019. The present value of the defined benefit liability and the related current service costs and past service cost were measured using the projected unit credit method.

Employer contributions were 21.24% of section pay to 31 March 2023. The employer has also committed to pay lump sums of £74,000 each year from 2021 to 2023.

Key assumptions:	**2023** **%**	*2022* *%*
Discount rate	**4.95**	*2.75*
Price inflation (RPI measure)	**3.30**	*3.65*
Increases to deferred pensions (CPI measure)	**2.90**	*3.25*
Pension increases (CPI measure)	**4.50**	*5.00*
Pensionable salary increases	**2.90**	*3.25*

.

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

	2023	*2022*
Retiring today		
- Males	**87.4**	*87.6*
- Females	**88.4**	*88.6*
Retiring in 20 years		
- Males	**89.0**	*89.3*
- Females	**90.3**	*90.4*

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

Fair value	2023 £m	2022 £m
Equities	4.2	8.8
Government bonds	4.5	2.1
Other assets	1.8	-
Total fair value of section assets	10.5	10.9

Movements in fair value of Section assets

	2023 £m	2022 £m
At the beginning of year	10.9	10.1
Interest income on assets	0.3	0.2
Return on plan assets greater than discount rate	(0.6)	0.6
Employer contributions	0.2	0.2
Actual benefits paid	(0.3)	(0.2)
At end of the year	10.5	10.9

.

Reconciliation of Defined Benefit Obligation ("DBO")

	2023 £m	2022 £m
At beginning of year	13.1	13.4
Service cost	0.3	0.2
Interest cost on DBO	0.4	0.3
Gain on DBO	(3.7)	(0.6)
Actual benefit payments	(0.3)	(0.2)
End of the year	9.8	13.1

Defined benefit liability at end of year

	2023 £m	2022 £m
DBO at end of year	**9.8**	*13.1*
Fair value of assets at end of year	**(10.5)**	*(10.9)*
(Surplus)/Deficit at end of year	**(0.7)**	*2.2*
Net defined benefit (asset)/liability at end of year	**(0.7)**	*2.2*

Reconciliation of net defined benefit liability

	2023 £m	2022 £m
Net defined benefit liability at beginning of year	**2.2**	*2.0*
Employers share of expense	**0.4**	*0.2*
Employers contributions	**(0.2)**	*(0.2)*
Total (loss)/profit recognised in other comprehensive income (“OCI”)	**(3.1)**	*0.2*
Net defined benefit (asset)/liability at end of year	**(0.7)**	*2.2*

25. Pension scheme (continued)

Analysis of amounts charged to the profit and loss account

	2023 £m	2022 £m
Employer's share of service cost	**0.4**	*0.2*
Total employer's share of profit and loss account expense (excluding employer's contributions)	**0.4**	*0.2*

Analysis of amounts charged to the statement of OCI

	2023 £m	2022 £m
Liability (loss)/income arising during the year	**(3.1)**	*0.2*
Deferred tax recognised on movement in pension valuation	**0.6**	*-*
Total (loss)/income recognised in OCI	**(2.5)**	*0.2*

26. Financial asset

	2023 £m	2022 £m
As at 1 April	**1,424.6**	*1,423.1*
Additions	**-**	*-*
Capital repayment of financial asset	**(135.5)**	*(122.3)*
Financial asset interest	**132.1**	*132.0*
Revaluation of asset	**0.3**	*(8.2)*
As at end of year	**1,421.5**	*1,424.6*
Analysed as:		
Less than one year	**8.3**	*3.1*
More than one year	**1,413.2**	*1,421.5*
	1,421.5	*1,424.6*

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.

27. Subsequent events

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