

**Betjeman Holdings Midco
Limited**

**Annual report and financial
statements**

For the year ended 31 March 2021

Registered number 10851742

Betjeman Holdings Midco Limited

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Betjeman Holdings Midco Limited

Officers and professional advisors

Directors

D Harding
A Leness
S Jones
K Ludeman
A Pitt
P Robson
S Springett
M Woodhams

Company secretary

L Clarke-Bodicoat

Registered office

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

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Betjeman Holdings Midco Limited

Strategic report

The strategic report has been prepared solely to provide additional information to shareholders to assess Betjeman Holdings Midco Limited (the “Company”) strategies and potential for those strategies to succeed.

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

The business model

The Company is a wholly owned subsidiary of Betjeman Holdings JvCo Limited, a company incorporated in the United Kingdom.

The Company’s main purpose is to act as an intermediate holding company within the Betjeman Holdings JvCo Limited group (the “Group”) of companies that invests in HS1 Limited, which holds a contract to operate, maintain and renew the high speed rail system, HS1.

The Directors do not anticipate any changes to the activities of the Company in the foreseeable future.

A fair review of the business

The Company made a loss of £66.5m during the year (period ended 31 March 2020: £nil). There has been a reduction in net assets of the Company of £66.5m (2020: nil).

The Company paid no dividends during the year (2020: £nil).

The Directors believe that an understanding of the performance and position of the business is more useful when viewed on a group wide basis. Reference should be made to the key performance indicators included in the Annual Report of Betjeman Holdings JvCo Limited. Details of where these can be obtained are included in note 17 to these financial statements.

Betjeman Holdings Midco Limited

Strategic report *(continued)*

Principal risks and uncertainties

The Company has a risk management process that enables the organisation to systematically identify, assess, manage and monitor business and financial risks.

The principal risks and uncertainties faced are interest rate risk, market rate risk, liquidity risk, credit risk, Brexit and Covid-19. The Board of Directors regularly reviews these risks. More information on the management of risks and uncertainties is provided in the financial statements of the ultimate parent noted above.

Approval

This report was approved by the Board of Directors on 14 June 2021 and signed on its behalf by:



.....
D Harding
Director

14 June 2021

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

Betjeman Holdings Midco Limited Directors' report

The Directors present their Annual Report and the audited financial statements of Betjeman Holdings Midco Limited (the "Company") for the year ended 31 March 2021.

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.

Directors

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

D Harding
S Jones
A Leness
K Ludeman
A Pitt
P Robson
S Springett
M Woodhams

Directors indemnities

The Group 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 period had any interest in the shares of the Company or any other Betjeman Holdings JvCo Limited group company.

Political donations

Political donations during the year were £nil (31 March 2020: £nil).

Going concern basis

The Directors have considered the use of the going concern basis in the preparation of these financial statements in light of the current economic conditions including the Covid-19 pandemic. The Company exists to hold investments in its subsidiary undertaking which in turn invests in HS1 Limited, a company that holds the concession to operate, maintain and renew the high speed rail line connecting London's St Pancras International Station to Europe via the Channel Tunnel. At 31 March 2021, the Company had net current assets but is dependent on HS1 Limited to repay its liabilities as they fall due.

The Directors note that as disclosed in the HS1 Limited financial statements whilst not in the base case forecast but within the forecast range of potential sensitivities and downsides there are scenarios which, without intervention, result in the Company breaching banking covenants or exhausting its liquidity. In the event of breaching banking covenants, the Company would be dependent on the support of its lenders. In the event of exhausting its liquidity the Company would be dependent on the support of its shareholders and discussions have started to plan for this possibility.

The Directors have concluded that there is a material uncertainty, that may cast significant doubt that the Company will be able to operate as a going concern which may mean it be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this material uncertainty driven by the Covid-19 pandemic, the Directors confirm, having made appropriate enquiries, in their opinion that there is a low likelihood of factors which would lead to solvency issues for the Company. The financial statements have accordingly been prepared on a going concern basis.

More information is provided in note 2.2 to these financial statements.

Betjeman Holdings Midco Limited

Directors' report *(continued)*

Subsequent events

Details of significant events since the balance sheet date are contained in note 18 to these financial statements.

Disclosure of information to auditor

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

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

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

Auditor

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

This report was approved by the Board of Directors on 14 June 2021 and signed on its behalf by:



.....
D Harding
Director

14 June 2021

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

Betjeman Holdings Midco Limited

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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



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D Harding
Director

14 June 2021

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

Betjeman Holdings Midco Limited

Independent auditor's report to the members of Betjeman Holdings Midco Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Betjeman Holdings Midco Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account and other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18

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).

2. 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 as applied to listed entities, 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.

3. Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the Directors believe there are scenarios which, without intervention, result in the Company breaching banking covenants or exhausting its liquidity.

As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 the key controls related to the assessment of going concern.
- holding discussions with management to understand their assumption and cash flow projections.
- challenging the key assumptions based on our knowledge of the business and general market conditions affecting the Betjeman Holdings JvCo Limited group (the 'group'), our understanding of the future performance of the business, industry forecasts and assessed the potential risk of management bias. Particular focus was applied around the impact of Covid-19 on the short-to-medium term financial performance of the group.





Betjeman Holdings Midco Limited

Independent auditor's report to the members of Betjeman Holdings Midco Limited *(continued)*

- reviewing the historical accuracy of management's forecasts by comparing the actual results to forecasts.
- testing the integrity of the cash flow projections using our computer assisted analytics tools, and tested the accuracy and completeness of the underlying data.
- evaluating the adequacy of disclosure made in note 2.2 to the financial statements in respect of the company's ability to continue as a going concern.

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

4. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were going concern (see material uncertainty related to going concern section) and the recoverability of debtors.</p> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	<p>The materiality that we used in the current year was £2.7 million which was determined on the basis of 2% of total assets.</p>
Scoping	<p>Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>
Significant changes in our approach	<p>There have been no changes to our audit approach since the issuance our prior year audit report.</p>

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

5.1. Recoverability of debtors

Key audit matter description	<p>Debtors from group undertakings are stated in the balance sheet at £630.7 million (2020: £590.1 million) and these represent 70% (2020: 64%) of the gross assets of the Company.</p> <p>As a result of the ongoing impact of Covid-19 on the trading capacity of entities within the group, we consider there to be an enhanced level of judgement involved in determining the recoverability of debtors from group undertakings. This judgement requires an assessment of the financial position and future prospects of the group undertakings, taking into consideration a range of factors such as future</p>
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Betjeman Holdings Midco Limited

Independent auditor's report to the members of Betjeman Holdings Midco Limited *(continued)*

	trading performance and expected revenue growth. Further details are included within the accounting policies and notes 12 and 13 to the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the key controls related to the recoverability of debtors from group undertakings. We challenged the Directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest audited financial information and an assessment of the future trading performance of the group undertakings by assessing the ability of the group undertakings to repay these amounts, particularly in light of trading pressure caused by Covid-19.
Key observations	Based on the work performed we concluded that debtors from group undertakings are appropriately stated.

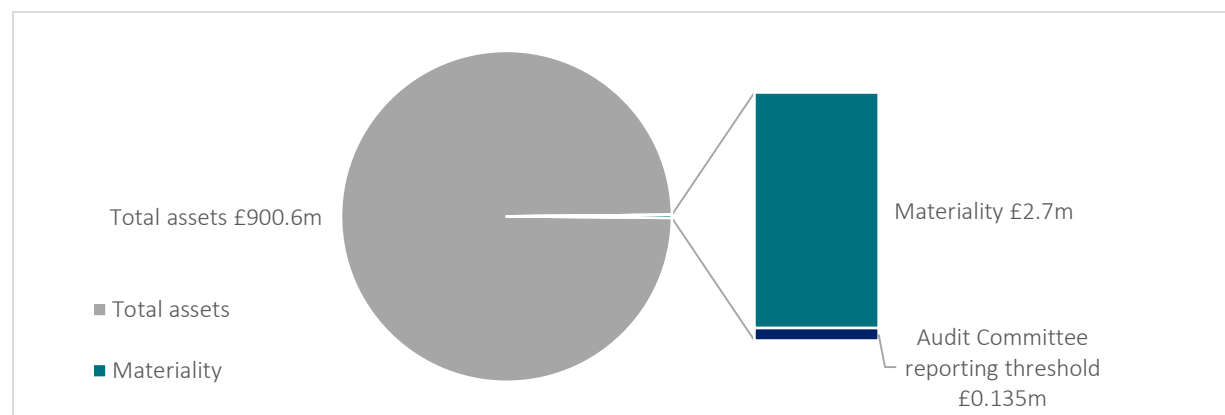
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.7 million (2020: £3.1 million)
Basis for determining materiality	2% of total assets, capped at group materiality (2020: same basis)
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

Betjeman Holdings Midco Limited

Independent auditor's report to the members of Betjeman Holdings Midco Limited *(continued)*

- a. our risk assessment, including our assessment of the company's overall control environment,
- b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements in prior periods

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £135,000 (2020: £155,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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 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.

9. 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.

10. 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.

Betjeman Holdings Midco Limited

Independent auditor's report to the members of Betjeman Holdings Midco Limited *(continued)*

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in management's assessment of the going concern assumption.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks 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 and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence and regulations set out by the Office of Rail and Road ("ORR").

11.2. Audit response to risks identified

As a result of performing the above, we identified going concern as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements

Betjeman Holdings Midco Limited

Independent auditor's report to the members of Betjeman Holdings Midco Limited *(continued)*

made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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



.....
Anthony Matthews FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

14 June 2021

Betjeman Holdings Midco Limited

Profit and loss account and other comprehensive income

For the year ended 31 March 2021

	<i>Note</i>	2021 £m	2020 £m
Turnover		-	-
Other operating expenditure		(66.5)	-
		<hr/>	<hr/>
Operating (loss) / result		(66.5)	-
Interest receivable and similar income	7	40.6	40.7
Interest payable and similar charges	8	(40.6)	(40.7)
		<hr/>	<hr/>
(Loss) / result before taxation		(66.5)	-
Tax on result	9	-	-
		<hr/>	<hr/>
Total comprehensive (loss) / result for the year		(66.5)	-
		<hr/>	<hr/>

The notes on pages 16 to 27 form an integral part of these financial statements.

All activities of the Company relate to continuing operations.

Betjeman Holdings Midco Limited

Balance sheet

As at 31 March 2021

	Note	2021 £m	£m	2020 £m	£m
Non-current assets					
Investment in subsidiary undertaking	11		336.4		336.4
Debtors: amounts falling due after more than one year	12		513.5		580.0
			<u>849.9</u>		<u>916.4</u>
Current assets					
Debtors: amounts falling due within one year	13	50.7		10.1	
Creditors: amounts falling due within one year	14	(50.7)		(10.1)	
		<u></u>		<u></u>	
Net current assets			-		-
			<u>849.9</u>		<u>916.4</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	15		(580.0)		(580.0)
			<u>269.9</u>		<u>336.4</u>
Net assets					
Capital and reserves					
Called up share capital	16		333.0		333.0
Profit and loss account	16		(63.1)		3.4
			<u>269.9</u>		<u>336.4</u>
Shareholders' funds					

The notes on pages 16 to 27 form an integral part of these financial statements.

The financial statements of Betjeman Holdings Midco Limited were approved by the Board of Directors and authorised for issue on 14 June 2021. They were signed on its behalf by:



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D Harding
Director

Company registered number: 10851742

Betjeman Holdings Midco Limited

Statement of changes in equity

For the year ended 31 March 2021

	Called up share capital £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2019	336.4	-	336.4
Total comprehensive loss for the period			
Result for the period	-	-	-
Total comprehensive result for the period	-	-	-
<i>Transactions with owners, recorded directly in equity:</i>			
Issue of share capital	(3.4)	3.4	-
Total contributions by and distributions to owners	(3.4)	3.4	-
Balance at 31 March 2020	330.0	3.4	336.4
Balance at 1 April 2020	330.0	3.4	336.4
Total comprehensive result for the year			
Loss for the period	-	(66.5)	(66.5)
Total comprehensive loss for the period	-	(66.5)	(66.5)
<i>Transactions with owners, recorded directly in equity:</i>			
Issue of share capital	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2021	330.0	(63.1)	269.9

The notes on pages 16 to 27 form an integral part of these financial statements.

Betjeman Holdings Midco Limited
Notes for the year ended 31 March 2021
(forming part of the financial statements)

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

Betjeman Holdings Midco Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the United Kingdom.

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

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

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Betjeman Holdings JvCo Limited.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented on these financial statements.

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 2021.

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”;
 - i. the requirements of paragraphs 30 and 31 of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”;
- e) the requirements of paragraph 17 of IAS 24 “Related Party Disclosures”; and
- f) 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
- g) 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.

Betjeman Holdings Midco Limited

Notes for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.2 Going concern

The Company exists to hold investments in its subsidiary undertaking which in turn invests in HS1 Limited, a company that holds the concession to operate, maintain and renew the high speed rail line connecting London's St Pancras International Station to Europe via the Channel Tunnel. At 31 March 2021, the Company had net current assets but is dependent on HS1 Limited to repay its liabilities as they fall due.

The Directors note that as disclosed in the HS1 Limited financial statements whilst not in the base case forecast but within the forecast range of potential sensitivities and downsides there are scenarios which, without intervention, result in the Company breaching banking covenants or exhausting its liquidity. In the event of breaching banking covenants, the Company would be dependent on the support of its lenders. In the event of exhausting its liquidity the Company would be dependent on the support of its shareholders and discussions have started to plan for this possibility.

The Directors have concluded that there is a material uncertainty, that may cast significant doubt that the Company will be able to operate as a going concern which may mean it be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this material uncertainty driven by the Covid-19 pandemic, the Directors confirm, having made appropriate enquiries, in their opinion that there is a low likelihood of factors which would lead to solvency issues for the Company. The financial statements have accordingly been prepared on a going concern basis.

2.3 Basis of consolidation

The Company has taken the option not to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006. These financial statements present information about the Company as an individual company and the results of the subsidiaries are reflected in these financial statements only to the extent that dividends have been declared.

2.4 Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

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

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

Betjeman Holdings Midco Limited

Notes for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.4 Financial instruments *(continued)*

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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.

The company's financial assets at amortised cost includes intercompany receivables/debtors and listed bonds.

The company does not have financial assets at fair value through OCI.

The company does not have financial assets at fair value through profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

Betjeman Holdings Midco Limited

Notes for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.4 Financial instruments *(continued)*

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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.

An ECL of £66.5m has been posted to the Company's financial statements for the year ended 31 March 21. This reflects the increased credit risk on some intercompany loans. The ECL will be reversed in future years once the associated credit risk reduces again.

Betjeman Holdings Midco Limited

Notes for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.4 Financial instruments *(continued)*

ii) Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables, loans, and interest bearing borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

The company does not have financial liabilities at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Company. 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.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Betjeman Holdings Midco Limited

Notes for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.5 Other interest receivable and interest payable

Other interest receivable comprises interest receivable from loans to fellow Group undertakings. Interest receivable is recognised in the profit and loss account as it accrues using the effective interest rate method.

Interest payable is recognised in the profit and loss account as it accrues using the effective interest rate method.

Finance charges, including premiums 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.

2.6 Investment in subsidiaries

Investments in subsidiaries are carried at cost less impairment. The carrying value of these investments is reviewed annually by the Directors to determine whether there has been any impairment to their values.

2.7 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for:

- differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and
- differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Betjeman Holdings Midco Limited

Notes for the year ended 31 March 2021 *(continued)*

2 Accounting policies *(continued)*

2.7 Taxation *(continued)*

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

A key estimate used in the preparation of the financial statements is in the determination of the fair value of financial instruments. The fair value of quoted investments is determined by reference to observable market data in the form of bid prices at the close of business on the balance sheet date. Where there is not an active market for a financial instrument the fair value is calculated by discounting the expected future cash flows based on available market data of similar instruments at the balance sheet date.

Provision for expected credit losses of trade receivables and contract assets

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

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

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

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.

Betjeman Holdings Midco Limited
Notes for the year ended 31 March 2021 *(continued)*

4 Auditor's remuneration

The fees payable to the Company's auditor for the audit of the Company's financial statements of £4,196 (31 March 2020: £3,931) have been borne by another group company.

5 Staff costs

The Company had no employees in the year (31 March 2020: £nil).

6 Remuneration of directors

None of the Directors received any remuneration for their services to the Company (31 March 2020: none).

7 Interest receivable and similar income

	2021	2020
	£m	£m
Interest receivable from subsidiary undertaking	40.6	40.7
	<hr/> 40.6	<hr/> 40.7
	<hr/> <hr/>	<hr/> <hr/>

8 Interest payable and similar charges

	2021	2020
	£m	£m
Interest payable on loan notes	40.6	40.7
	<hr/> 40.6	<hr/> 40.7
	<hr/> <hr/>	<hr/> <hr/>

Betjeman Holdings Midco Limited
Notes for the year ended 31 March 2021 *(continued)*

9 Taxation

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income or directly in equity is £nil (2020: £nil).

Tax reconciliation

	2021	2020
	£m	£m
<i>Total tax reconciliation</i>		
Result before tax	-	-
	<hr/>	<hr/>
Result multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	-	-
	<hr/>	<hr/>
Total tax (see above)	-	-
	<hr/> <hr/>	<hr/> <hr/>

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

10 Dividends

No dividends have been paid in the current or prior period or since the balance sheet date.

Betjeman Holdings Midco Limited
Notes for the year ended 31 March 2021 *(continued)*

11 Investment in subsidiary undertaking

	2021 £m	2020 £m
At start of the financial year	336.4	336.4
Additions	-	-
	<hr/>	<hr/>
At end of the financial year	336.4	336.4
	<hr/>	<hr/>

The companies in which the Company's interest at the balance sheet date is more than 20% are as follows:

Company	Principal place of business and place of incorporation	Principal activity	Class and percentage of shares held
Betjeman Holdings Limited	5 th Floor, Kings Place, 90 York Way, London. N1 9AG, United Kingdom	Holding company	100% of Ordinary shares

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

12 Debtors: amounts falling due after more than one year

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	580.0	580.0
Expected credit losses	(66.5)	-
	<hr/>	<hr/>
	513.5	580.0
	<hr/>	<hr/>

On 5 September 2017, the Company advanced £580.0m to Betjeman Holdings Limited, a subsidiary undertaking. This loan is a fixed rate unsecured loan and carries interest at 7.0%, with interest payments set to occur semi-annually. The loan can be redeemed by serving at least 7 days written notice, however no redemption is expected in the next twelve months.

Betjeman Holdings Midco Limited
Notes for the year ended 31 March 2021 *(continued)*

13 Debtors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed by subsidiary undertaking	50.7	10.1
	<u>50.7</u>	<u>10.1</u>
	<u><u>50.7</u></u>	<u><u>10.1</u></u>

Amounts due from the subsidiary undertaking, relates to the interest due on the loan included in note 12 to the financial statements.

14 Creditors: amounts falling due within one year

	2021 £m	2020 £m
Accruals	50.7	10.1
	<u>50.7</u>	<u>10.1</u>
	<u><u>50.7</u></u>	<u><u>10.1</u></u>

15 Creditors: amounts falling due after more than one year

	2021 £m	2020 £m
Loan notes	580.0	580.0
	<u>580.0</u>	<u>580.0</u>
	<u><u>580.0</u></u>	<u><u>580.0</u></u>

On 5 September 2017, the Company subscribed to £580.0m Loan notes. These loan notes were subsequently admitted to the Official List of The International Stock Exchange, headquartered in Guernsey, on 21 December 2017.

The Loan notes carry fixed rate interest of 7.0%, with interest payments set to occur semi-annually. The loan notes can be redeemed by serving at least 7 days written notice, however no redemption is expected in the next twelve months.

Betjeman Holdings Midco Limited
Notes for the year ended 31 March 2021 *(continued)*

16 Reserves

Called up share capital

	2021	2020
	£m	£m
<i>Authorised, allotted, called up and fully paid during period</i>		
33,639,567,140 ordinary shares of £0.0099 each (2020: £0.0099 each)	333.0	333.0
	<hr/>	<hr/>
	333.0	333.0
	<hr/> <hr/>	<hr/> <hr/>

Profit and loss account

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

17 Parent undertaking and controlling party

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

The smallest and largest group in which the results of the Company are consolidated is Betjeman Holdings JvCo Limited.

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

18 Subsequent events

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