

**High Speed Two (HS2) Limited**

**Report of the Directors and  
Financial statements for the year ended  
31 March 2012**



**Report of the Directors and  
Financial Statements for the Year Ended 31 March 2012  
for High Speed Two (HS2) Limited**

Presented to Parliament Pursuant to the  
Government Resources and Accounts Act 2000 (audit of non-profit-making  
companies) Order 2009 as amended by the Government Resources and  
Accounts Act 2000 (audit of public bodies) Order 2012

Ordered by the House of Commons to be printed  
on 5 July 2012

© **High Speed Two (HS2) Limited (2012)**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context

The material must be acknowledged as High Speed Two (HS2) Limited copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at High Speed 2 (HS2) Limited, 2<sup>nd</sup> Floor, Eland House, Bressenden Place, London, SW1E 5DU.

This publication is also for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk) and from our website at: [www.hs2.org.uk](http://www.hs2.org.uk)

ISBN: 9780102979114

Printed in the UK by The Stationery Office Limited

ID no: 2497008

07/12

Printed on paper containing 75% recycled fibre content minimum

**High Speed Two (HS2) Limited**  
**Contents of the Financial Statements**  
**for the Year Ended 31 March 2012**

	<b>Page</b>
<b>Company Information</b>	2
<b>Report of the Directors</b>	3
<b>Remuneration Report</b>	7
<b>Statement of Directors' Responsibilities</b>	9
<b>Governance Statement</b>	10
<b>Report of the Independent Auditor</b>	19
<b>Statement of Comprehensive Income</b>	21
<b>Statement of Financial Position</b>	22
<b>Statement of Cash Flows</b>	23
<b>Statement of Changes in Equity</b>	24
<b>Notes to the Financial Statements</b>	25

**High Speed Two (HS2) Limited**

**Company Information**

**DIRECTORS:** D Oakervee (Chairman)  
Ms A M Munro (Chief Executive)  
Sir Brian Briscoe  
A Friend  
M W Welton  
M Capstick  
S Bowles  
D Goldstone

**SECRETARY:** VMW Roskill

**REGISTERED OFFICE:** 2nd Floor, Eland House  
Bressenden Place  
London  
SW1E 5DU

**REGISTERED NUMBER:** 06791686 (England and Wales)

**AUDITOR:** Comptroller and Auditor General  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

## **High Speed Two (HS2) Limited**

### **Report of Directors for the Year Ended 31 March 2012**

The directors present their report with the financial statements of the company for the year ended 31 March 2012.

#### **STATUTORY BACKGROUND**

High Speed Two (HS2) Limited ('HS2 Ltd') was incorporated as a company Limited by Guarantee and began trading on 14 January 2009. On 1 April 2010, HS2 Ltd was classified as an Executive Non Departmental Public Body ('NDPB') in accordance with the Government Resources and Accounts Act 2000. Our organisation complies with the Financial Framework which is the agreement between HS2 Ltd and the Department for Transport ('DfT'). This requires us to follow the Government Financial Reporting Manual ('FRM'), Government Internal Audit Standard ('GIAS'), HM Treasury's publication Managing Public Money and International Financial Reporting Standards ('IFRSs').

#### **PRINCIPAL ACTIVITY**

HS2 Ltd was set up as a separate arms-length body to advise the Government on high speed rail in the UK. Initially HS2 Ltd was asked to conduct a feasibility study into the development of a high speed rail link from London to West Midlands and potentially beyond. During the year to 31 March 2012 HS2 Ltd continued to assist Government in its strategy for high speed rail and specifically undertook the public consultation, which was launched in 28<sup>th</sup> February 2011, on the proposed route.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

In 2011/12, HS2 Ltd carried out one of the largest national consultations ever undertaken by the DfT, and oversaw the analysis of responses by an independent response analysis company. HS2 Limited reviewed and refined aspects of the London to West Midlands route in response to consultation, in order to provide a suite of advice to the Secretary of State to inform Government's decision on whether to proceed with a high speed rail line from London to West Midlands. HS2 Ltd worked closely with the DfT to produce an economic case which considered the overall cost of the scheme and addressed value for money, affordability and deliverability of phase one.

In January 2012, following the Government's announcement to proceed with the development of a new high speed rail network in the UK, an updated remit was given to HS2 Ltd. Under our new remit we have started to undertake further work to provide advice to enable the DfT to deposit a hybrid bill with Parliament, for the first phase high speed rail route from London to West Midlands. HS2 Ltd also submitted a report to Government on phase two of high speed rail on 29 March 2012.

HS2 Ltd's budget for 2011/12 was £42.2m for the financial year ending 31 March 2012 (2011: £24.8m). The actual expenditure for the year was £33.9m (2011: £14.6m). All figures include VAT, which was not recoverable by HS2 Ltd in the year.

A budget of £172.3 million was agreed with the DfT as at the end of March 2012, in respect of the year to 31 March 2013. This will be entirely funded by the DfT. The increase in expenditure will allow the HS2 project to progress, most notably in design work and environmental impact assessments. The budget includes VAT on the basis that it may not be recoverable by HS2 Ltd.

HS2 Ltd also administers the Exceptional Hardship Scheme on behalf of the Secretary of State for Transport. Full details appear on our website ([www.hs2.org.uk](http://www.hs2.org.uk)). Any land and property purchased under this scheme is owned by the DfT.

HS2 Ltd is confident that it can robustly support the DfT through any judicial review of the Secretary of State's decision to proceed with the HS2 project.

## **High Speed Two (HS2) Limited**

### **Report of Directors (continued)** **for the Year Ended 31 March 2012**

#### **PERFORMANCE INDICATORS**

The key performance indicators against which HS2 Ltd monitored its performance in 2011/12 were the completion of the public consultation, reporting to the DfT in line with HS2's remit and maintaining expenditure within budget, all of which were achieved.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2012.

#### **DIRECTORS**

The directors who have held office during the period from 1 April 2011 to 31 March 2012 are as follows:

Sir B Briscoe	(Chairman)
Ms A M Munro	(Chief Executive)
A Friend	
M W Welton	
M Capstick	
S Bowles	(appointed 27 February 2012)
D Goldstone	(appointed 27 February 2012)

#### **RISKS FACING HS2 LTD**

The HS2 Limited Executive and Board regularly review the risks facing the Company. At the financial year end the major risks identified were those associated with the initial stages of development for a major project, including settling-in the project development partner and key professional service contracts, stakeholder relations, land access, governance arrangements and recruitment. Full details are set out in the Governance Statement on page 10.

#### **FINANCIAL RISKS**

HS2 Ltd has no borrowings and is entirely funded by grants from the DfT. The Company maintains minimal holdings of cash & cash equivalents, and has no significant third party receivables. For these reasons HS2 Ltd is considered to have no material credit, liquidity, interest rate or market risk.

#### **COMPANY'S POLICY ON PAYMENT OF CREDITORS**

HS2 Ltd observes the principles of the Confederation of British Industry 'Prompt Payment' code and aims to pay all approved invoices within stated payment terms or otherwise within 30 days of receipt of a valid invoice. Monitoring of payments made during 2011/12 shows that just over 99% of invoices received were paid within 30 days. No claims were received during the year from suppliers for late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year the company made no charitable or political donations.

## **High Speed Two (HS2) Limited**

### **Report of Directors (continued)** **for the Year Ended 31 March 2012**

#### **GOVERNANCE REPORT AND REMUNERATION REPORT**

The attached Remuneration Report (page 7) and Governance Statement (page 10) are required under the FReM and form part of these financial statements. The Governance Statement addresses the company's risk and control framework.

#### **EMPLOYEES**

HS2 Ltd is an inclusive employer welcoming applications from a broad range of candidates. We believe that a diverse and inclusive workforce creates an environment where our objectives can be communicated and delivered in an effective way. Employees are regularly updated on the progress of the HS2 project.

#### **SICKNESS ABSENCE**

Staff absence due to sickness equated to an average of 3.3 days per employee during the year (2010/11: 4.3 days), for direct employees of HS2 Ltd.

#### **GOING CONCERN**

HS2 Ltd is funded by grants-in-aid as provided by Section 6 of the Railways Act 2005. The company undertakes work as remitted by the Secretary of State for Transport. In view of the continuing support from the DfT and the provision for further funding through the Comprehensive Spending Review, the Directors are confident that there are sufficient resources available to meet the company's budgeted expenditure. Consequently, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### **SUSTAINABILITY AND ENVIRONMENTAL MATTERS**

HS2 Ltd is committed to minimise the environmental impact of proposed high speed rail infrastructure in the UK. A key focus of the work undertaken for the public consultation in 2011/12 was an appraisal of sustainability related to the proposed route, and HS2 Ltd has recently commissioned a number of Environmental Impact Assessment studies which will run during 2012/13, to consider the impact of the proposed High Speed rail route from London to the West Midlands. In terms of its own practices, HS2 Ltd aims to minimise its impact on the environment including energy use, recycling and procurement procedures.

#### **PERSONAL DATA RELATED INCIDENTS**

No protected personal data related incidents have been formally reported to the Information Commissioner's Office.

**High Speed Two (HS2) Limited**

**Report of Directors (continued)**  
**for the Year Ended 31 March 2012**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

As far as the Directors, and the Chief Executive as Accounting Officer, are aware there is no relevant audit information of which the auditors are unaware. The Directors have taken all necessary steps required to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**AUDITOR**

The Comptroller and Auditor General was appointed as auditor for the 2011/12 year in accordance with Section 485 of the Companies Act 2006, replacing Thornton Springer LLP. Details of National Audit Office remuneration are contained within these financial statements.

**WEBSITE**

The Annual Report and Accounts will be made available on the HS2 website: [www.hs2.org.uk](http://www.hs2.org.uk)

**On behalf of the Board**



Ms A M Munro – Chief Executive and Accounting Officer

Signed on 28 June 2012

## **High Speed Two (HS2) Limited**

### **Remuneration Report for the Year Ended 31 March 2012**

The remuneration report for HS2 Ltd includes the Chairman and other Board Members. The Chief Executive is an employee of the DfT and is remunerated by that Department. Her services to HS2 Ltd are recharged from the DfT including VAT. Charges are based on the Civil Service salary structure as paid by the DfT.

The Chair is contracted to an average contribution of two days per week and the other Board Members' are contracted to an average contribution of two days per calendar month.

Travel expenses of HS2 Ltd's Board Members are reimbursed at the rates allowed to staff of HS2 Ltd or reasonable actual costs incurred.

#### **Board Members (Audited)**

All Board Members are entitled to a month's notice period with no compensation terms for early termination of their contracts. Fees and expenses paid by HS2 Ltd for the services of directors during the year are as follows:

	Board fees paid in the year ended 31 March 2012	Board fees paid in the year ended 31 March 2011	Date Appointed	Date Resigned
	£	£		
Sir Brian Briscoe (Chair 2011/12)	102,392	100,233	13/02/2009	-
Alison Munro (Chief Executive)	186,063	186,142	28/01/2009	-
Mike Welton (Non-Executive)	22,800	22,831	15/04/2009	-
Andy Friend (Non-Executive)	23,035	23,800	17/03/2009	-
Martin Capstick (Non-Executive)	-	-	01/01/2011	-
Simon Bowles (Non-Executive)	-	-	27/02/2012	-
David Goldstone (Non-Executive)	-	-	27/02/2012	-
	<hr/> 334,290	<hr/> 333,006		

Notes:

Sir Brian Briscoe resigned as Chairman on 31 March 2012 but remains on the Board as non-executive director. His fees for 2011/12 and 2010/11 are shown above. Douglas Oakervee was appointed as Chairman on 1 April 2012 and received no remuneration in the year.

Ms Alison Munro was appointed CEO and a Board Member of HS2 Ltd on 28 January 2009. The total cost of her services as charged by the DfT for the financial year is £186,063 (2010/11 £186,142). The total cost comprises Salary of £115,843 plus Employers National Insurance, Pension Scheme and VAT.

Martin Capstick represents the Secretary of State for Transport and is employed by the DfT, at no cost to HS2 Ltd. Simon Bowles and David Goldstone are employed by Government bodies, at no cost to HS2 Ltd.

**High Speed Two (HS2) Limited**

**Remuneration Report (continued)**  
**for the Year Ended 31 March 2012**

**Median staff cost**

Reporting bodies are required to disclose the relationship between the salary of the most highly-paid Director in their organisation and the median earnings of the organisation's workforce.

The salary of the highest paid director in the year was £115,843 (2010/11: £115,843). This was 3.2 times the median basic salary of the directly employed workforce which was £35,671 (2010/11: 3.2 times the median of £35,671). The median salary is determined as the mid-point of all salaries of direct employees.

One direct employee received remuneration in excess of the highest paid director in the year, amounting to £149,000 (2010/11: one employee earning £138,000).

Total remuneration includes where appropriate, salary, performance related pay, benefits-in-kind, as well as severance payments. It does not include employer pension contributions, and the cash equivalent transfer value of pensions.



**On behalf of the Board**

Ms A M Munro – Chief Executive and Accounting Officer

Signed on 28 June 2012

**High Speed Two (HS2) Limited**  
**for the Year Ended 31 March 2012**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Under the Railways and Transport Safety Act (2003) the Secretary of State for Transport has directed HS2 Ltd to prepare for each financial period a set of financial statements in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of HS2 Ltd and of its income and expenditure, total recognised gains and losses and cash flows for the financial period.

In preparing accounts, the Directors are required to comply with the requirements of the Government Finance Reporting Manual ('FReM') and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for Transport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government FReM have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records that 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.

The DfT's Principal Accounting Officer, acting on behalf of the Treasury, has designated the Chief Executive as Accounting Officer of HS2 Ltd. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding HS2 Ltd's assets, are as set out in the HM Treasury's publication 'Managing Public Money'.

## **High Speed Two (HS2) Limited**

### **Governance Statement for the Year Ended 31 March 2012**

The Governance Statement records the stewardship of the organisation to supplement the accounts, providing a sense of how vulnerable the organisation's performance is or might be; and of how successfully it has coped with the challenge it faces.

#### **The Accounting Officer's introduction to HS2 Ltd's corporate governance**

As Accounting Officer for High Speed Two Ltd (HS2 Ltd), I have responsibility for maintaining a sound system of internal control that supports the achievement of the HS2 Ltd policies, aims and objectives, whilst safeguarding the funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me by the Secretary of State for Transport.

The Board meets on a monthly basis to review the performance of the business against its policy, strategy and risks, making key decisions to ensure its ability to go forward and meet its objectives as agreed with the DfT, the Sponsor Department.

#### **New corporate governance code**

HS2 Ltd complies with the principles of 'Corporate Governance in Central Government Departments: Code of Good Practice 2011' where relevant and practical.

A Triennial Review of HS2 Ltd was carried out at the end of 2011 to review the status of HS2 Ltd as an NDPB, and to ensure the control and governance arrangements are in place to ensure that the company complies with recognised principles of good corporate governance.

A standard approach to assessing Corporate Governance in central government was adopted following publication by HM Treasury in July 2011 of the revised Corporate Governance Code for Central Government Departments.

The review found that arrangements which had been put in place for HS2 Ltd during its original remit, considering the case for HS2 Ltd and in supporting the consultation process for the first phase of the project, were adequate. Going forward, we aim to collaborate with DfT to improve processes which govern the activities of HS2 Ltd, in order to reflect the higher levels of assurance required following an increase and change in responsibilities of the NDPB since the Secretary of State for Transport's announcement made on 10 January 2012, building upon the remit letters from the Secretary of State.

In line with the Triennial Review recommendations, Board Terms of Reference are being developed. Other recommendations on increased transparency have also been implemented.

#### **Key risks to the organisation**

In 2011/12 our main objectives were to deliver the public consultation and provide advice to ministers to support their decision in January 2012 on high speed rail policy and the London to West Midlands route, and separately to provide advice in March 2012 on potential routes to Leeds, Manchester and Heathrow. The key risk was around achieving the challenging delivery timetable. This risk was managed through an established process of internal gateway reviews at key milestones, reviews by the Board of key outputs and, in more technical areas, peer review by our external challenge panels.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued)** **for the Year Ended 31 March 2012**

In order to enable work to start promptly if a decision was made to go ahead with High Speed 2, organisational planning was undertaken for the development phase – with its much higher spend and staff requirement. A number of key procurement processes were also started so that, if a decision was made to support High Speed 2, we could move to contract signature rapidly post-decision. HS2 Ltd is required to comply with wider Government policies and controls aimed at promoting accountability and value for money, and final decisions on contract award depended on achieving relevant approvals. In practice, minor delays occurred to the key appointment of London to West Midlands development partner, CH2M Hill, and to the Professional Services Framework through which our main design and environmental contractors are appointed.

Furthermore, HS2 Ltd engaged closely with the DfT and Cabinet Office to ensure a strategically compliant and operationally appropriate ICT platform. This process took longer than anticipated with the main contract signed in March 2012. Further approvals will be needed before the system can become fully functional, and to help ensure that these approvals are secured in a timely way, a number of measures are in place, including: a joint working group with DfT to help oversee IT and information management implementation and ensure the requirements of the Government's ICT Strategy are met; early engagement with the Cabinet Office; establishment of a clear forward timetable for approvals; and detailed analysis of any new requirements.

Other risks since the Secretary of State for Transport's announcement on 10 January 2012, which will continue into 2012/13, include:

- establishing an effective long-term relationship with external stakeholders and, in particular, those directly affected by the route;
- timely completion of land survey work, where we are considering alternative ways of obtaining necessary information;
- establishing effective working between HS2 Ltd, CH2M Hill and the professional service contractors;
- completion of recruitment to HS2 Ltd posts in the new organisation; and
- establishing project governance arrangements.

## **Organisation and Structure**

### **Role of the Secretary of State for Transport**

The Secretary of State for Transport is accountable to Parliament for the activities and performance of HS2 Ltd and, where appropriate, through officials in the DfT agrees the strategic objectives and policy framework within which HS2 Ltd operates.

The Secretary of State for Transport lays HS2 Ltd's accounts and Annual Report before Parliament and approves grant-in-aid to be paid, securing Parliamentary or Treasury approval as necessary.

The Secretary of State for Transport also approves activities of HS2 Ltd to make arrangements for the remuneration, pensions, allowances and expenses of members of staff and reviews the performance of the Chair.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued)** **for the Year Ended 31 March 2012**

#### **Role of the Chair**

The Chair is appointed by the Secretary of State for Transport and is responsible to her for ensuring that HS2 Ltd fulfils its aims and objectives agreed with the DfT. The Board's views are ordinarily conveyed to the Secretary of State for Transport, as well as to the public, through the Chair.

The Chair ensures that the policies and actions of HS2 Ltd support the wider strategic policies of the Secretary of State for Transport and that HS2 Ltd's affairs are conducted with probity and that the work of the Board and its members are reviewed and working effectively.

#### **Role of the Accounting Officer**

The Chief Executive is designated as the Accounting Officer (AO) for HS2 Ltd by the Department's Principal Accounting Officer, acting on behalf of the Treasury.

The Chief Executive as AO safeguards public funds for which she has charge, and ensures propriety and regularity in their handling and the day-to-day operations and management of HS2 Ltd. The AO ensures that HS2 Ltd's governance, decision-making and financial management follow guidelines set out in 'Managing Public Money'.

The AO signs the accounts and, supported by the Audit Committee, ensures that proper records are kept and that the accounts are properly prepared and presented in accordance with directions issued by the Secretary of State for Transport. She also signs the Report of the Directors and the Remuneration Report. The AO also ensures effective complaints procedures for HS2 Ltd and that these are available on the HS2 website.

#### **The HS2 Ltd Board**

##### **The role of the Board is to:**

- ensure effective governance of the company, making sure that the company makes decisions at the right time, and properly manages risks
- shape, challenge and direct the agenda for the company, delivering stated priorities
- monitor performance and risk, making choices (or recommendations to ministers) on priorities / risk appetite
- oversee the health of relations with stakeholders and commercial partners

##### **Board Members:**

Douglas Oakervee	(Chair – from 1 April 2012)
Sir Brian Briscoe	(Outgoing Chair)
Alison Munro	(Board Member and HS2 Ltd Chief Executive)
Andy Friend	(Non-Executive Director)
Mike Welton	(Non-Executive Director)
Martin Capstick	(Non-Executive Director)
Simon Bowles	(Non-Executive Director – from 27 February 2012)
David Goldstone	(Non-Executive Director – from 27 February 2012)

Board members are appointed by the DfT. Biographies of current HS2 Ltd Board members are published on the HS2 website.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued)** **for the Year Ended 31 March 2012**

#### **Ethics and values**

The Board abides by its own Code of Practice which is in keeping with the Cabinet Office model code of practice for board members of executive NDPBs. The Code of Practice has been agreed with the DfT, HS2 Ltd's sponsor Department.

#### **Commitment**

Douglas Oakervee	(Chair – from 1 April 2012) – Contractual commitment of two days per week
Sir Brian Briscoe	(Outgoing Chair) – Contractual commitment of two days per week
Andy Friend	(Non-Executive Board Member) – Contractual commitment of two days per month
Mike Welton	(Non-Executive Board Member) – Contractual commitment of two days per month
Martin Capstick	(Non-Executive Board Member) – Full time Civil Servant within the Sponsor Department and attends on the same basis as other Non-Executive Board members
Simon Bowles	(Non-Executive Board Member – from 27 February 2012) – Full time Civil Servant and attends on the same basis as other Non-Executive Board members
David Goldstone	(Non-Executive Board Member – from 27 February 2012) – Full time Civil Servant and attends on the same basis as other Non-Executive Board members
Alison Munro	(Board Member and Chief Executive) – Full time director of HS2 Ltd (NB: employed by DfT)

#### **Attendance at meetings**

All Board members have been present at monthly meetings during their periods of appointment, except where indicated below:

- 26 May 2011 – Mike Welton / Alison Munro
- 7 September 2011 – Mike Welton
- 16 November 2011 – Martin Capstick
- 21 December 2011 – Andy Friend
- 24 January 2012 – Mike Welton
- 21 March 2012 – Martin Capstick

#### **Changes to the Board**

On 1 April 2012, Douglas Oakervee took over from Sir Brian Briscoe as Chair of HS2 Ltd. Sir Brian is currently continuing on the Board as an outgoing chair to support this transition.

To meet the demands of the development phase, following the Secretary of State's decision to proceed with HS2, the Board is to be strengthened by recruitment, ensuring that the necessary expertise is reflected in the Board composition.

The Corporate Governance Code now requires the Audit Committee to have appropriate financial experience, and this will be taken into account when considering roles on the Board within the development phase. In February 2012 Simon Bowles and David Goldstone were appointed as HS2 Ltd Non-Executive Board members, bringing with them financial expertise to support the Board.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued)** **for the Year Ended 31 March 2012**

#### **Director Independence**

The Chair, Outgoing Chair and four of the Non-Executive Directors are independent directors. The seventh Non-Executive Director is affiliated to the DfT. The HS2 Ltd Chief Executive is the eighth member of the current Board. Board Conflicts of Interest and Business Interests are declared and published on the HS2 website.

#### **Conflicts of Interest**

Board members update HS2 Ltd on conflicts of interest as they arise. They are asked on a quarterly basis to declare any interests, as are members of the Audit Committee. A Register of Board members' Business Interests is kept and is to be published on the HS2 website.

#### **Board Evaluation**

The Chair oversees and reviews the work of the Board and its members to ensure they are working effectively. The annual self-assessment of the Board was conducted on 30 November 2011. The Board was satisfied that it was operating effectively.

#### **Board Effectiveness**

##### ***Information and professional development***

Current Board members are experienced Board members and have received up to date guidance on corporate best practice. They have met HS2 Ltd staff, attended background briefing sessions and been familiarised with specific issues relating to the project. Board members who started prior to February 2012 have attended site visits along the HS2 route and this is something that we would aim to facilitate for new Board members once the full Board is in place. An induction process has been developed for new Board members, which includes one to one meetings with the Chairman followed by individual briefings with the Chief Executive or Commercial Director. New Board members are provided with induction materials in line with Cabinet Office Guidance and attend Background Briefings on the work of HS2 Ltd.

##### ***Board Decision-making***

The annual Board Self Assessment and the Triennial Review were satisfied that, to date, there were adequate systems in place to ensure that efficient delegated authority, reporting and approvals processes were being carried out.

The Corporate and Business Plan, updated annually, is overseen and approved by the Board. Project milestones and risks are regularly reviewed, and the Board is regularly appraised of the latest financial information. The Audit and Remuneration Committees have delegated authority to advise on matters in their respective areas, as set out in their Terms of Reference.

Effective, structured decision-making is key as the project develops. Following the Secretary of State for Transport's announcement on 10 January 2012, the Board has agreed a decision-making approach and a project delivery structure for the new organisation.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued)** **for the Year Ended 31 March 2012**

#### **Audit Committee**

The **Audit Committee**, chaired by Mike Welton, provides independent assurance to the Board that effective arrangements are in place for risk management, governance and internal control. The Committee oversees all assurance work, including that of HS2 Ltd's internal auditors. Audit Committee members include:

Mike Welton	(Chair)
Andy Friend	(Non-Executive Director)
Simon Bowles	(Non-Executive Director – from 27 February 2012)

The first meeting of the HS2 Ltd Audit Committee took place in March 2011 and it has met quarterly since. Items addressed by the Audit Committee include the following:

The Audit Committee reviews risk as a standing item at meetings. Updates are given by internal and external auditors. The audit committee also signs off internal and external annual audit plans. The annual accounts are approved by the Committee before being submitted to the Board. The Chairman of the Audit Committee updates the Board after each meeting. The Audit Committee also considers significant Finance policies (such as anti-bribery policy).

#### **Remuneration Sub-Committee:**

The **Remuneration Committee**, chaired by Andy Friend, reviews HS2 Ltd's pay policy and advises on matters concerning the remuneration of senior executives. Remuneration Committee members include:

Andy Friend	(Chair)
Sir Brian Briscoe	(Outgoing Chair)
Mike Welton	(Non-Executive Director)

#### **The HS2 Ltd Team**

##### **Executive Committee:**

The Executive Committee was set up in January 2012 and comprised the following individuals:

Alison Munro	(Chief Executive)
Andrew McNaughton	(Technical Director)
Ian Jordan	(Leeds Manchester Heathrow Director)
Mark Bayley	(Interim Commercial Director)
Roy Hill	(London West Midlands Director – from 3 February 2012)

Roy Hill is Managing Director of HS2's development partner, CH2M Hill and joined HS2 Ltd on 3 February 2012. He takes no part in Executive Team discussions relating to the Development Partner contract.

##### **Procurement sub-committee:**

During the year a Procurement sub-committee was created by the Board to approve the Development Partner contract award and awards under the professional services framework. The Committee originally comprised Sir Brian Briscoe, Alison Munro and Martin Capstick. Since February 2012 it has comprised Sir Brian Briscoe, Alison Munro, Simon Bowles and David Goldstone.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued) for the Year Ended 31 March 2012**

#### **HS2 Ltd Executive Team**

The Executive team meets at weekly Executive Committee meetings where matters with project-wide relevance and corporate matters are discussed and approved. Separate London West Midlands ('LWM') and Leeds Manchester Heathrow ('LMH') Project Boards are also held on a weekly basis where decisions relating specifically to these elements of the project are discussed. The Executive Committee and LWM and LMH Project Boards were set up in January 2012 and replaced the Programme Board and Management Board. A Project Delivery Group was also set up in January 2012, which includes members of the Sponsor Department and meets on a weekly basis. Important decisions for this group are escalated from the LWM Project Board.

#### **Executive Directors' other directorships**

A Register of Business Interests is kept of Executive Directors' and Heads of Business Unit interests.

#### **HS2 Workforce**

The HS2 Ltd workforce is made up of direct HS2 Ltd staff, DfT and other Government department secondees, Network Rail secondees, contractors and agency staff.

HS2 Ltd has policies on rights and responsibilities of staff, holiday entitlement, working hours, conflicts of interest and Whistleblowing.

Staff training and development needs are identified as part of the annual employee performance monitoring and these are reviewed during the year.

#### **Suppliers and Contractors**

We employ specialist suppliers and contractors as deemed necessary to supply technical services necessary to achieve the objectives of HS2 Ltd. We procure and contract-manage these suppliers and contractors in accordance with Government-wide procurement guidance.

#### **Risk Management**

An assessment of the risks facing HS2 Ltd is set out on page 10. The Accounting Officer and Board acknowledge their responsibility for risk management, which is overseen through a process of risk escalation to the Executive and Board as appropriate.

In line with the approach adopted by DfT, the company's risk appetite is 'open', which under HM Treasury guidance means that the company is 'willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward', considering each risk on its own merit. A cautious risk appetite has been adopted for the company's personal and other sensitive information.

HS2 has adopted a risk management strategy in line with HM Treasury guidance Management of Risk: Principles and Concepts (also known as 'The Orange Book'), responsibility for which is led by the Commercial Director.

Each business unit monitors the risks facing their area of HS2 Ltd's operations. Project Risks are reported through project boards; corporate risks are reported via the Executive Committee. Corporate risks include finance, procurement, HR, governance, information assurance and public enquiries. Key risks are reviewed by the Board.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued) for the Year Ended 31 March 2012**

The HS2 Executive reviews risks on a monthly basis, bringing issues to the HS2 Ltd Board as required. The HS2 Ltd Board and Audit Committee review risks every three months, and the Audit Committee also reviews the company's risk management systems and advises the Board on risk.

### **Clear and balanced business strategy**

HS2 Ltd has produced a draft corporate plan, which sets out a three year corporate strategy. An annual business plan is also in production which sets out our business strategy in the shorter term.

### **Internal control**

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can provide reasonable and not absolute assurance of effectiveness. The system of internal control supports the achievement of the HS2 Ltd policies, aims and objectives, whilst safeguarding the funds and assets of the organisation. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of HS2 Ltd policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The controls are also designed to safeguard public funds and departmental assets in accordance with HM Treasury's 'Managing Public Money'.

Best practice guidance is followed on the monitoring of income and expenditure within HS2 Ltd. The Board reviews HS2 Ltd's financial position monthly examining the expenditure and variances for the period to date and year end. Full-year forecasts are updated regularly and re-profiling carried out as required.

The system of internal control has been in constant development and improvement during the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

A Triennial Review of HS2 Ltd was carried out at the end of 2011 to review the status of HS2 Ltd as an NDPB, and to review the control and governance arrangements to ensure that the company complies with recognised principles of good corporate governance. The review found that arrangements which had been put in place for HS2 Ltd during its original remit, considering the case for HS2 Ltd and in supporting the consultation process for the first phase of the project, were adequate.

The review of the effectiveness of HS2 Ltd's system of internal control is driven largely by information received through the reviews and monitoring carried out by senior managers in conjunction with the Audit Committee, through the Internal Audit programme of audits and reporting, and through management letters and reports received from External Auditors.

## **High Speed Two (HS2) Limited**

### **Governance Statement (continued)** **for the Year Ended 31 March 2012**

The outcome of the Internal Audit 2011-12 programme was that the majority of audits were given an overall assurance opinion of 'reasonable' or better ('reasonable' being 'Systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified'). The Head of Internal Audit's opinion on the adequacy and effectiveness of HS2's governance, risk management and internal control arrangements in 2011-12 concluded that the arrangements have generally been adequate and effective for 2011-12 and will result in an overall 'reasonable' level of assurance being awarded. Plans are being developed to continuously improve systems, working with Internal Audit.

The Audit Committee maintains an overview of process performance and improvement measures and receives reports on the outcome of internal and external audits. HS2 Ltd is proactive in identifying and addressing the outcomes of audits carried out by external bodies. Progress against management actions on all audit recommendations is taken to the Audit Committee for review.

### **Regulation, Parliament and the Public**

The Annual Accounts are presented to Parliament by the Secretary of State for Transport. They are also made available to the public on the HS2 website and through Companies House.

HS2 Ltd upholds a policy of transparency. Relevant documents relating to Governance are published on the HS2 website.

### **Conclusion**

As reflected in the information presented in this statement, it is my view that HS2 Ltd's internal control and governance mechanisms are adequate and fit for purpose. Where possible improvements have been identified, such as the recommendations set out in the Triennial Review report, these have been or are in the process of being implemented.

The overall opinion I have received from the Head of Internal Audit for 2011-12 endorses this view. He has provided me with 'reasonable' assurance that HS2 Ltd's governance, risk management and control arrangements are appropriately defined and found to be working effectively.

*In the areas where Internal Audit identified the need for control enhancements, these were not deemed to be significant in the context of the overall control environment. Where enhancements were proposed, corrective action has been agreed and subsequent delivery has contributed to the overall assurance reported within the Governance Statement.*

As Accounting Officer I am confident that there is a sound system of internal control that supports the achievement of the HS2 Ltd policies, aims and objectives.



Ms A M Munro – Chief Executive and Accounting Officer

Signed on 28 June 2012

## **The Certificate of the Comptroller and Auditor General to the Members of**

### **High Speed Two (HS2) Limited**

I certify that I have audited the financial statements of High Speed Two (HS2) Limited for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the directors and the auditor**

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

#### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2012 and of the result for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Report of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the company, or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**

**Date: 2 July 2012**

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

**High Speed Two (HS2) Limited**  
**Statement of Comprehensive Income**  
**for the Year Ended 31 March 2012**

		Year ended 31 March 2012 £000	Restated Year ended 31 March 2011 £000
	Note		
<b>Expenditure</b>			
Staff costs	2	6,754	3,624
Depreciation and amortisation	3	162	12
Other expenditure	3	27,031	10,973
		<u>33,947</u>	<u>14,609</u>
<b>Income</b>			
Income from activities	4	<u>(33,947)</u>	<u>(14,609)</u>
<b>Net Income</b>		<u>-</u>	<u>-</u>
Taxation	5	<u>-</u>	<u>-</u>
Net income after taxation		<u><u>-</u></u>	<u><u>-</u></u>

A Statement of Other Comprehensive Income has not been prepared as there are no other income items in the year.

**High Speed Two (HS2) Limited**  
**Statement of Financial Position**  
**As at 31 March 2012**

		31 March 2012 £000	31 March 2011 £000
	<b>Note</b>		
<b>Non-current assets:</b>			
Property, plant and equipment	6	294	42
Intangible assets	6	31	34
<b>Total non-current assets</b>		<u>325</u>	<u>76</u>
<b>Current Assets</b>			
Trade and other receivables	7	1,576	18
Cash and cash equivalents	8	2,799	4,159
<b>Total current assets</b>		<u>4,375</u>	<u>4,177</u>
<b>Total assets</b>		<u>4,700</u>	<u>4,253</u>
<b>Current liabilities</b>			
Trade and other payables	9	(4,700)	(4,253)
Other liabilities		-	-
<b>Total current liabilities</b>		<u>(4,700)</u>	<u>(4,253)</u>
<b>Total net assets</b>		<u>-</u>	<u>-</u>
<b>Taxpayers equity</b>			
Revaluation reserve		-	-
General reserve		-	-
		<u>-</u>	<u>-</u>

The financial statements on pages 21 to 29 were approved by the Board on 11 June 2012 and were signed on its behalf on 28 June 2012 by:



Ms A M Munro, Chief Executive and Accounting Officer

The Accounting Policies and Notes on pages 25 to 29 form part of these financial statements

**High Speed Two (HS2) Limited**  
**Statement of Cash Flows**  
**For the year ended 31 March 2012**

		<b>Year ended 31 March 2012 £000</b>	<b>Year ended 31 March 2011 £000</b>
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net income per Income Statement		-	-
(Increase) / decrease in trade and other receivables		(1,558)	18
Increase in trade and other payables		447	3,409
Add : Depreciation and amortisation		162	12
<b>Net cash outflow from operating activities</b>		<b>(949)</b>	<b>3,439</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(411)	(62)
<b>Net cash outflow from investing activities</b>		<b>(411)</b>	<b>(62)</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>			
		(1,360)	3,377
Cash and cash equivalents at the beginning of the year	8	4,159	782
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>2,799</b>	<b>4,159</b>

The Accounting Policies and Notes on pages 25 to 29 form part of these financial statements

**High Speed Two (HS2) Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2012**

	<b>Year ended 31 March 2012 £000</b>	<b>Year ended 31 March 2011 £000</b>
Shareholder equity at 1 April	-	-
Net expenditure after interest and grants	-	-
<b>Shareholder equity at 31 March</b>	<b>-</b>	<b>-</b>

The Accounting Policies and Notes on pages 25 to 29 form part of these financial statements

**High Speed Two (HS2) Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

## **1. Statement of accounting policies**

HS2 Ltd is a Non-Departmental Public Body and is entirely funded by grant-in-aid from the DfT.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The 2011/12 Government FReM issued by HM Treasury has been adopted, applying IFRSs as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HS2 Ltd for the purpose of giving a true and fair view has been selected. The particular policies adopted by HS2 Ltd are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2012, and have not been applied in preparing these financial statements. The following may need to be adopted in subsequent periods:

- IFRS 9 (Financial Instruments) – which will replace IAS 39 and will simplify the classification of financial assets. Any impact on initial adoption is not expected to be significant for HS2 Ltd.
- IFRS 7 (Financial Instruments: Disclosure) – amendments which are considered to have no impact on HS2 Ltd.

### **1.1 Accounting convention**

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment.

### **1.2 Government grants**

The company is entirely funded by a grant from the DfT. Any element of grant received in excess of expenditure is shown in deferred income and any expenditure incurred in excess of grant income is shown as a receivable. Transfers are made from these accounts to ensure that, at all times, grant income equals total expenditure incurred.

### **1.3 Non-current assets**

Expenditure on intangible non-current assets (software) is capitalised. Expenditure on non-current tangible assets (plant & equipment) is expensed below £1,000, otherwise is capitalised.

### **1.4 Depreciation/amortisation**

Depreciation/amortisation is provided on all non-current assets, at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

- Plant & equipment: 3 years
- Software: 3 years

### **1.5 Intra-Government balances**

Intra-Government receivables and payables have been disclosed in accordance with the Government FReM.

### **1.6 Taxation**

The company operates on a not-for-profit basis and does not currently trade. Any grant not spent will be returned and any grant shortfall will be reimbursed by the DfT. On this basis the directors do not consider that the company is liable to corporation tax.

**High Speed Two (HS2) Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2012**

**1.7 Value Added Tax (VAT)**

The company's activities are considered to fall outside the scope of VAT in the period to 31 March 2012. Any input VAT incurred is included with the expenditure to which it relates.

**1.8 Restatement of prior year information**

The Income Statement for 2010/11 has been restated to classify expenditure more clearly between staff and other costs.

**2. Staff numbers and related costs**

	<b>Directly employed staff 2011/12 £000</b>	<b>Other staff 2011/12 £000</b>	<b>Total Year ended 31 March 2012 £000</b>	<b>Restated Total Year ended 31 March 2011 £000</b>
<b>Staff costs comprise:</b>				
Wages and Salaries	1,543	4,296	5,839	2,969
Social security costs	180	188	368	255
Other pension costs	44	355	399	253
Non-executive Directors' fees	-	148	148	147
<b>Total staff costs</b>	<b>1,767</b>	<b>4,987</b>	<b>6,754</b>	<b>3,624</b>

The costs of remunerating the Chief Executive of £186k (2010/11: £186k) are included in Wages & Salaries above. The total fees of HS2 Ltd Directors were £334k (2010/11: £333k) as set out in the Remuneration report on page 7.

Direct employees of HS2 Ltd are eligible to enter a Stakeholder (defined contribution) pension scheme, in which the Company matches employee contributions to a maximum of 5%. Staff of HS2 Ltd, with the exception of those employed by DfT and on secondment from Government entities, are not eligible for Civil Service pensions. The pension scheme came into effect in February 2011 and is managed on the Company's behalf by Legal and General Ltd. For 2011/12, employers' contributions were £44k (2010/11 : £12k ).

'Other staff' costs include the cost of staff seconded from other Government bodies, together with subcontracted and agency personnel, and include VAT.

The costs of HS2's project development partner CH2M Hill, which is working alongside HS2 Ltd, is included within the cost of external services.

**Average number of persons employed**

The average number of whole-time equivalent persons employed during the year was as follows.

	<b>Year ended 31 March 2012 £000</b>	<b>Year ended 31 March 2011 £000</b>
Directly employed	35	12
Other staff	53	43
<b>Total</b>	<b>88</b>	<b>55</b>

**High Speed Two (HS2) Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2012**

**3. Other expenditure includes:**

	<b>Year ended 31 March 2012 £000</b>	<b>Restated Year ended 31 March 2011 £000</b>
External services and support	25,971	10,575
Other admin and running costs	1,060	398
	<hr/> 27,031	<hr/> 10,973
<b>Non-cash items:</b>		
Depreciation of tangible assets	147	6
Amortisation of intangible assets	15	6
<b>Total operating costs</b> (excluding staff costs)	<hr/> 27,193	<hr/> 10,985

External audit fees for the year ended 31 March 2012 were £22,000 (2010/11; £13,200).

**4. Income**

	<b>Year ended 31 March 2012 £000</b>	<b>Year ended 31 March 2011 £000</b>
Income from Government Grants receivable	33,947	14,609
	<hr/> 33,947	<hr/> 14,609

**5. Taxation**

No liability to UK Corporation tax arose on ordinary activities for the year ended 31 March 2012 nor for the year ended 31 March 2011.

**6. Non-current assets**

	<b>Property, Plant &amp; Equipment £000</b>	<b>Intangibles: Software £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 April 2011	48	44	92
Additions	399	12	411
<b>At 31 March 2012</b>	<hr/> 447	<hr/> 56	<hr/> 503
<b>Depreciation</b>			
At 1 April 2011	6	10	16
Charged in year	147	15	162
<b>At 31 March 2012</b>	<hr/> 153	<hr/> 25	<hr/> 178
<b>Net book value at 31 March 2012</b>	<hr/> 294	<hr/> 31	<hr/> 325
Net book value at 31 March 2011	<hr/> 42	<hr/> 34	<hr/> 76

**High Speed Two (HS2) Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2012**

**7. Trade receivables and other current assets**

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Other receivables	1,452	-
Prepayments and accrued income	124	18
	<u>1,576</u>	<u>18</u>

Analysis of balance:

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Balances with other Central Government bodies - Grant receivable	1,452	-
Balances with non-Government bodies	124	18
	<u>1,576</u>	<u>18</u>

**8. Cash and cash equivalents**

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,159	781
Net change in cash and cash equivalent balances	(1,360)	3,378
Balance at 31 March	<u>2,799</u>	<u>4,159</u>

**9. Trade payables and other current liabilities**

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade payables	309	652
Accruals and deferred income	4,391	3,601
	<u>4,700</u>	<u>4,253</u>

Analysis of balance:

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Balances with other Central Government bodies	105	162
Balances with other Central Government bodies - Deferred Grant	-	969
Balances with non-Government bodies	4,595	3,122
	<u>4,700</u>	<u>4,253</u>

**High Speed Two (HS2) Limited**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2012**

**10. Financial Instruments**

HS2 Ltd has no borrowings and is entirely funded by grants from the DfT. The Company maintains minimal holdings of cash & cash equivalents, and has no significant third party receivables. For these reasons HS2 Ltd is considered have no material credit, liquidity, interest rate or market risk.

**11. Commitments**

Financial commitments, which were contracted but not provided in the financial statements, comprised £108.0 million at 31 March 2012 (2011: £1.9m). There were no reportable contingent liabilities or contingent assets at 31 March 2012.

HS2 Ltd occupies premises at Eland House under an arrangement with the Department for Communities and Local Government ('DCLG'). A formal rental agreement is not yet in place hence is not considered to represent an operating lease obligation.

**12. Related party transactions**

HS2 Ltd is an executive non-departmental public body sponsored by the DfT, which is regarded as a related party. Grant in aid amounting to £33.9 million was receivable from the DfT and applied to the operating costs for the year (£2011: £14.6 million). Grant funding from the DfT which is received ahead of accrued expenditure is held within creditors as deferred income, and any amount due from the DfT is shown as other receivables.

Charges amounting to £0.11 million were levied by the DCLG for HS2 Ltd's accommodation at Eland House during the year to 31 March 2012. The DfT incurred costs of £0.78 million in respect of HS2 Ltd's accommodation at Eland House in the year, for which no charge was made to HS2 Ltd.

Fees amounting to £19,440 were paid to the DfT for internal audit services in the year (2011: £8,175).

Aside from their remuneration, none of the Board members or key management staff has undertaken any material transactions with HS2 Ltd or its related parties during the year, and none has a financial interest in the activities of HS2 Ltd such as to influence their work with HS2 Ltd.

**13. Events after the reporting period**

There are no reportable events after the reporting period. These financial statements are laid before the Houses of Parliament. International Accounting Standards (IAS10) require the Company to disclose the date on which the accounts are authorised for issue. This is the date on which the Comptroller and Auditor General signs the audit certificate (pages 19/20).

**14. Ultimate controlling party**

The ultimate controlling party is considered to be the Secretary of State for Transport.

**15. Company Structure**

The company is limited by guarantee without having a share capital. Every member of the company undertakes to contribute up to £1 to the company's assets towards the company's debts in the event that it is wound up. At 31 March 2012 there was one member, the Secretary of State for Transport.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

ISBN 978-0-10-297911-4



9 780102 979114