Bazalgette Ventures Limited

Annual report and financial statements

For the year ended 31 March 2019

Registered number 09553461

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Directors and advisors

Directors holding office

Andrew Cox

Scott McGregor

Joseph Philipsz

Alistair Ray

Angela Roshier

Gavin Tait

Amanda Woods

Company Secretary

Valmai Barclay

Registered office

Cottons Centre

Cottons Lane

London

SE1 2QG

Independent auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Strategic report

The Directors present their Strategic report for Bazalgette Ventures Limited ("the Company") for the year ended 31 March 2019.

Business review

The principal activity of the Company is that of an intermediate holding company in the Bazalgette Equity group of companies ("the Group"). The Company was established to act as the vehicle for shareholder loan financing. The shareholder loans are on-lent via back to back loans to the Company's immediate subsidiary, Bazalgette Holdings Limited, and then ultimately to the Company's indirect subsidiary, Bazalgette Tunnel Limited. Bazalgette Tunnel Limited is a regulated business that is overseeing the design, construction, operation and maintenance of the Thames Tideway Tunnel.

As the Company acts solely as a vehicle for shareholder loan financing for Bazalgette Tunnel Limited, for the purpose of its activities as infrastructure provider for the Thames Tideway Tunnel, further information on the performance of the Thames Tideway Tunnel project can be found in the Bazalgette Equity Limited Annual Report (available from www.tideway.london). This includes information on development, performance and position and the impact of activities in the areas of environmental matters, employees of the Group, social matters, respect for human rights, anti-corruption and anti-bribery.

Information on the Company's role in the Group is also disclosed in the Holding Company Principles statement which is available at www.tideway.london.

Results and performance

The Company recorded a £nil result for the year (2018: £nil). The Company had net assets of £509.7m as at 31 March 2019 (2018: £509.7m).

The Company investment in its subsidiary Bazalgette Holdings Limited remained the same at total investment of £509.7m (2018: £509.7m)

During the year £57.1m (2018: £51.6m) of shareholder loan interest was accrued on the shareholder loan notes. At 31 March 2019, £57.1m (2018: £51.6m) of the accrued shareholder loan interest had been paid and £3.4m (2018: £23.8m) of loan principal was repaid during the period.

Principal risks and uncertainties

The Company acts as a vehicle for shareholder loan funding and does not carry out any activities beyond this.

The principal risk for the Company is credit risk in relation to the loan it makes to its subsidiary Bazalgette Holdings Limited, which in turn has an identical back to back loan with Bazalgette Tunnel Limited on the same economic terms. As this asset relates to intra-group debt ultimately owed by a regulated water company which is characterised by stable and predictable cash flows and which has significant liquidity, the credit risk is considered low.

The Company has access to the Chief Executive of Bazalgette Tunnel Limited and his executive team, who also manage the wider Bazalgette Equity Limited Group and its individual group companies on a day to day basis. The executive team receive regular reports from all areas of the business which enables prompt identification of financial and other risks so that appropriate actions can be taken in the relevant group companies.

Brexit risk is discussed in the principal risks section of the Bazalgette Equity Limited Annual Report. The Group's annual report is available at www.tideway.london.

Future outlook

The Company is expected to continue to act as an intermediate holding company within the Group for the foreseeable future.

This Strategic Report was approved by the board of Directors on 20 June 2019 and signed on its behalf by:

By order of the board

Valmai Barclay
Company Secretary

Directors' report

The Directors present their report and the audited financial statements for Bazalgette Ventures Limited for the year ended 31 March 2019. The registered company number is 09553461.

Dividends

The Company did not pay a dividend in the year (2018: £nil).

Directors

The Directors who held office during the year for the Company were as follows:

Andrew Cox

Scott McGregor

Joseph Philipsz

Alistair Ray

Angela Roshier

Gavin Tait

Amanda Woods

Employees

The Company does not employ any staff directly (2018: none).

Directors' indemnities

Subject to the conditions set out in Section 234 of the Companies Act 2006, the Company has made qualifying third-party indemnity provisions for the benefit of its Directors, the Company Secretary and the General Counsel and these remain in force at the date of this report. The Bazalgette Equity group of which the Company is a subsidiary operates a directors and officers insurance.

Financial risk management

The Company acts as an intermediate holding company in the Bazalgette Equity group of companies and its exposure to price risk, credit risk, liquidity risk and cash flow risk is considered to be low. More details on the credit risk exposure which arises as a result of its intra-group lending can be found in the Strategic Report in the 'Principal risks and uncertainties' section.

Charitable and political donations

The Company made no political or charitable donations nor incurred any political expenditure during the year (2018: £nil).

Events occurring after the reporting period

There are no events that have occurred after the reporting period that would require disclosure in these financial statements.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' responsibilities in respect of the Annual report and the financial statements

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

Company law requires the Directors to prepare Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 their profit or loss for that period. In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report and Directors' report includes a fair review of the development and performance of the business and the position of the issuer together with a description of the principal risks and uncertainties that it faces.

This responsibility statement has been approved and is signed by order of the Board by:

Valmai Barclay
Company Secretary

Cottons Centre
Cottons Lane
London
SE1 2QG

20 June 2019

KPMG

Independent auditor’s report

to the members of Bazalgette Ventures Limited

1. Our opinion is unmodified

We have audited the financial statements of Bazalgette Ventures Ltd (“the Company”) for the year ended 31 March 2019 which comprise the the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company’s affairs as at 31 March 2019 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality financial statements as a whole		£6.7m (2018:£5.2m) 0.5% (2018: 0.4%) of total assets
Key audit matters		**vs 2018**
Recurring risks	Recoverability of investment in subsidiary	◄►
	Recoverability of intra-group receivables balance	◄►
New risk	The impact of uncertainties due to the UK exiting the European Union on our audit	▲
	Going Concern Assessment	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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 arriving at our audit opinion above, the key audit matters, were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 3 (strategic report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements, see below. All of these depend on assessments of the future economic environment and the Company's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge** We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Sensitivity analysis** When addressing the recoverability of intra-group receivables and investments in subsidiaries, and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency** As well as assessing individual disclosures as part of our procedures on recoverability of intra-group receivables and investments in subsidiaries we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under the recoverability of intra-group receivables and investments in subsidiaries, we found the resulting estimates and related disclosures of intra-group receivables and investment in subsidiaries, and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

KPMG

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Going concern assessment *Refer to page 3 (strategic report) and page 16 (basis of preparation).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company. That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Company's available financial resources over this period were: • Significant cost overruns on the Thames Tideway Tunnel project; • The impact of Brexit on the supply chain of Bazalgette Tunnel Limited and its impact on the recovery of intragroup receivables which in turn impacts the ability of the Company to meet its external debt obligations. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Funding assessment** We obtained lending agreements for committed financing, including undrawn amounts to ensure the Company had adequate funding available or to call upon to meet its obligations in the going concern period. Our assessment also included recalculating covenant compliance. **Sensitivity analysis** We considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; including the possible impact of Brexit, such as increasing supply chain costs and delays, to identify whether reasonably possible adverse scenarios could have an impact on liquidity. We have also considered the adequacy of funding available to Bazalgette Tunnel Limited including its ability to generate liquid funds to honour its commitments under its lending agreements. **Assessing transparency** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by ensuring the disclosures are consistent with our understanding of the Company's circumstances and other outcomes of the procedures described above. **Our results** We found the going concern disclosure without any material uncertainty to be acceptable.

2. Key audit matters: our assessment of risks of material misstatement (continued)

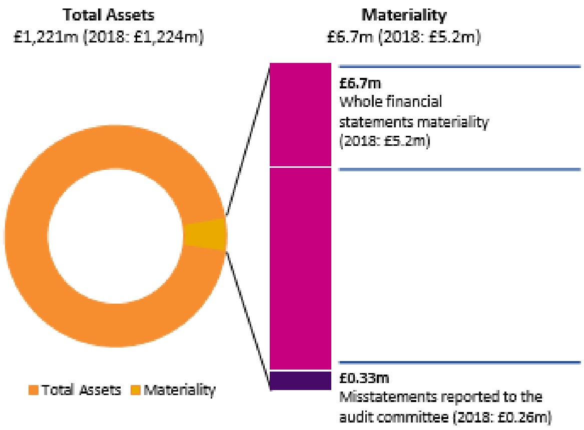
	The risk	Our response
Recoverability of intra-group receivables balance from Bazalgette Holdings Limited (£711.0 million; 2017: £714.4 million) *Refer to page 16 (accounting policy) and page 19 (financial disclosures).*	**Low risk, high value** The carrying amount of the intra-group debtor balance represents 58% of the Company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Company's financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.	Our procedures included: **Tests of detail** Assessing 100% of intra-group debtors to identify, with reference to the relevant debtor's draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed. **Assessing Bazalgette Holdings Limited's ability to repay the receivable** Assessing the ability of Bazalgette Holdings Limited to obtain liquid funds and therefore the ability to fund the repayment of the receivable through reviewing Bazalgette Tunnel Limited's ability to generate returns through its licence agreement and considering sensitivity analysis on cost overruns on the regulatory capital value (RCV). **Our results** We consider the Company's assessment of the recoverability of intra-group receivables balance in the Company's balance sheet to be acceptable.
Recoverability of investment in subsidiary (£509.7 million; 2018: £509.7 million) *Refer to page 16 (accounting policy) and page 19 (financial disclosures).*	**Low risk, high value** The carrying amount of the Company's investments in subsidiaries represents 42% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.	Our procedures included: **Tests of detail** Comparing the carrying amount of 100% of investments representing 100% of the total investment balance with the relevant subsidiary's draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making or if they have potential to generate returns. **Assessing subsidiary audits** Assessing the work performed by the subsidiary audit team and considering the results of that work, on the subsidiary's profits and net assets. **Our results** We consider the assessment of the recoverability of the investment in subsidiary to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £6.7m (2018: £5.2m), determined with reference to a benchmark of total assets, of which it represents 0.5% (2018: 0.4%). The benchmark has not changed from prior year.

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £0.33m (2018: £0.26m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the Company's head office in London.



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

John Luke
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
20 June 2019

KPMG

Income Statement
For the year ended 31 March 2019

	Note	**2019** **£m**	**2018** **£m**
Net operating costs	*2,3*	**-**	**-**
Operating result		**-**	**-**
Finance income	*4*	57.1	51.6
Finance costs	*4*	(57.1)	(51.6)
Result for the year before tax		**-**	**-**
Taxation	*5*	-	-
Result for the year		**-**	**-**

Statement of Other Comprehensive Income
For the year ended 31 March 2019

	2019 **£m**	**2018** **£m**
Result for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**-**	**-**

Notes 1 to 11 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2019

	Note	**2019 £m**	**2018 £m**
Non-current assets			
Investments in subsidiary undertakings	*6*	509.7	509.7
Other receivables	*7*	711.0	714.4
Total assets		**1,220.7**	**1,224.1**
Non-current liabilities			
Borrowings	*8*	(711.0)	(714.4)
Total liabilities		**(711.0)**	**(714.4)**
Net assets		**509.7**	**509.7**
Equity			
Share capital	*9*	509.7	509.7
Total equity		**509.7**	**509.7**

These financial statements were approved by the board of Directors on 20 June 2019 and were signed on its behalf by:

Alistair Ray
Director

Company registered number: 09553461

Notes 1 to 11 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital £m	Total equity £m
Balance at 1 April 2017	370.4	370.4
Transactions with owners, recorded directly in equity		
Issue of shares	139.3	139.3
Total contributions by and distributions to owners	**139.3**	**139.3**
Balance at 31 March 2018	**509.7**	**509.7**
Balance at 1 April 2018	509.7	509.7
Total comprehensive income for the period	**-**	**-**
Total contributions by and distributions to owners	**-**	**-**
Balance at 31 March 2019	**509.7**	**509.7**

Notes 1 to 11 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 March 2019

	Note	**2019 £m**	**2018 £m**
Cash flows from operating activities before working capital movements		**-**	-
Changes in working capital			
Decrease/ (Increase) in other receivables	*7*	3.4	(185.1)
Cash flows from/used in operations		**3.4**	**(185.1)**
Net cash from/ used in operating activities		**3.4**	**(185.1)**
Cash flows from/used in investing activities			
Investment in subsidiary undertaking		-	(139.3)
Interest received		57.1	51.6
Net cash from/used in investing activities		**57.1**	**(87.7)**
Cash flows used in/from financing activities			
Proceeds from the issue of share capital	*9*	-	139.3
Proceeds from borrowings		-	208.9
Repayment of shareholder loans		(3.4)	(23.8)
Interest paid		(57.1)	(51.6)
Net cash used in/from financing activities		**(60.5)**	**272.8**
Net increase/(decrease) in cash and cash equivalents during the period		**-**	**-**
Cash and cash equivalents at the beginning of the year		**-**	**-**
Cash and cash equivalents at the end of the year		**-**	**-**

Notes 1 to 11 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Basis of preparation

Bazalgette Ventures Limited ("the Company") is domiciled in the United Kingdom. The Company's registered address is The Cottons Centre, Cottons Lane, London, SE1 2QG. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). The financial statements are prepared in accordance with the historical cost accounting convention except where adopted IFRS requires an alternative treatment. Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Company's financial position.

The Company is exempt under CA2006 s400 from the obligation to prepare group accounts. The Company's parent undertaking Bazalgette Equity Limited includes the company in its consolidated financial statements. The consolidated financial statements of Bazalgette Equity Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained online at www.tideway.london or from the address disclosed in note 11.

Measurement convention

The financial statements are prepared in accordance with the historical cost accounting convention.

Judgements and Estimates

In the process of applying the Company's accounting policies to the financial statements, the Directors are required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The Directors do not believe there are any areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements.

Going concern

The Directors have undertaken a detailed review to assess the liquidity requirements of the Company compared against the cash and facilities available to the Company and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

New Accounting Standards

With effect from 1 April 2018, the Company has adopted IFRS 9. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 replaces the "incurred loss" model in IAS 39 with an "excepted credit loss model" which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Company has completed an impact assessment of the adoption of IFRS 9 and has concluded that on adoption of the new standard, impairment losses against financial assets under the twelve-month expected credit loss (ECL) model and those under the simplified ECL model are immaterial and no adjustment was required to opening retained earnings.

There has been no significant impact to the way the Company classifies financial assets as a result of the changes in classification categories. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Notes to the financial statements (continued)

1 Accounting policies (continued)

In addition, with effect from 1 April 2018, the Company adopted IFRS 15. IFRS 15 replaces previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under this standard the Company will apply a five-step revenue recognition model to revenue recognition. Under IFRS 15, revenue is recognised when a customer obtains control of the goods and services.

Financial Instruments

The Company determines the classification of financial instruments at initial recognition and re-evaluates this designation at each financial year end. The initial and subsequent measurement of financial instruments depends on their classification as follows:

Trade and other receivables

Trade and other receivables that do not have a significant financing component are classified as amortised cost under IFRS 9; initially recognised at their transaction price, rather than at fair value. Subsequent to initial recognition they are measured at amortised cost and any expected credit loss impairments or reversals are recognised through profit or loss.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand balances and deposits with a maturity at acquisition of three months or less. Cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

Short term cash deposits disclosed in the Statement of Financial Position comprise cash deposited with a maturity of greater than three months on acquisition, a fixed interest rate and which do not constitute cash equivalents under IAS 7 'Statement of cash flows'.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same tax authority and the Company has the right of set off.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Recently issued accounting standards not yet applied by the Company

At the date of authorisation of these financial statements, the Company has not applied the following new or revised IFRS's that have been issued but are not yet effective for the Company as at 31 March 2019 and in some cases are subject still to endorsement by the EU.

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 Long-term Interests in Associates and Joint Ventures
- Improvements to IFRSs (2015–2017)
- IAS 19 Plan Amendment, Curtailments or Settlement
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS Practice Statement 2 Making Materiality Judgements
- Conceptual Framework for Financial Reporting

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

The Company has completed its assessment of the impact of applying the single recognition model for lessees and concluded there would be no material impact on adoption of this standard as the Company does not currently have any operating leases.

2 Auditors' remuneration

The auditor's remuneration for the audit of these financial statements was £4,100 (2018: £4,000). These costs are being wholly borne by Bazalgette Tunnel Limited.

3 Remuneration of directors

The directors of the Company did not receive any payments in respect of their services as directors of the Company as they did not perform any qualifying services (2018: £nil).

4 Finance income and expense

	2019 **£m**	**2018** **£m**
Finance income		
Interest on loans to subsidiary undertakings	57.1	51.6
Finance costs		
Interest expense on borrowings	(57.1)	(51.6)
Net finance costs	**-**	**-**

Notes to the financial statements (continued)

5 Taxation

Recognised in the profit and loss

The tax charge for the year was £nil (2018: £nil).

Reconciliation of effective tax rate

In the year ended 31 March 2019 there were no reconciling items between the tax charge for the year and the tax charge using the UK corporation tax rate of 19% (2018: tax rate 19%; no reconciling items).

6 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2019	Ownership 2018
Company				
Bazalgette Holdings Limited	UK	Ordinary	100%	100%

Bazalgette Holdings Limited has the same year end as the Company and the same registered address as the Company which is Cottons Centre, Cottons Lane, London, SE1 2QG

7 Other receivables

	2019 £m	2018 £m
Amounts owed by group undertakings	711.0	714.4
Due after one year	**711.0**	**714.4**

Amounts owed by group undertakings represent loans made to the Company's immediate subsidiary Bazalgette Holdings Limited. The loan has the same economic terms and maturity as the shareholder loan notes disclosed in note 8.

8 Borrowings

This note provides information about the Company's borrowings, which are measured at amortised cost.

Terms and debt repayment schedule

The principal economic terms and conditions of outstanding borrowings are:

	Currency	Nominal interest rate	Maturity dates	Carrying value 2019 £m	Carrying value 2018 £m
Borrowings measured at amortised cost					
Shareholder loan notes	GBP	8%	2064	711.0	714.4

Notes to the financial statements (continued)

9 Capital and reserves

Called-up share capital

Allotted, called-up and fully paid Ordinary shares of £1 each	**Ordinary shares 2019**	**Ordinary shares 2018**
At the beginning of the year	509,672,601	370,407,648
Issued for cash	-	139,264,953
At the end of the year	**509,672,601**	**509,672,601**

The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to vote at meetings of the Company in line with the details of the Shareholders agreement. Further information on the role of the shareholders is outlined in the Holding Company Principles statement which is available at www.tideway.london.

10 Related party transactions

The Company has a loan for £711.0m (2018: 714.4m) with its direct subsidiary Bazalgette Holdings Limited which is disclosed in note 7. During the year £57.1m (2018: £51.6m) of interest was received from the subsidiary and £3.4m of loan principal was repaid (2018: £23.8m).

There were no transactions with key management personnel who comprise the Directors of the Company.

11 Ultimate parent company and parent company of a larger group

The Company is a wholly owned subsidiary of Bazalgette Equity Limited which is the ultimate parent company (incorporated in the United Kingdom). The largest and smallest group in which the results of the Company are consolidated is that headed by Bazalgette Equity Limited. No other group financial statements include the results of the Company.

Copies of the consolidated financial statements of this group can be obtained from the Company Secretary, Bazalgette Equity Limited, The Cottons Centre, Cottons Lane, London, SE1 2QG.