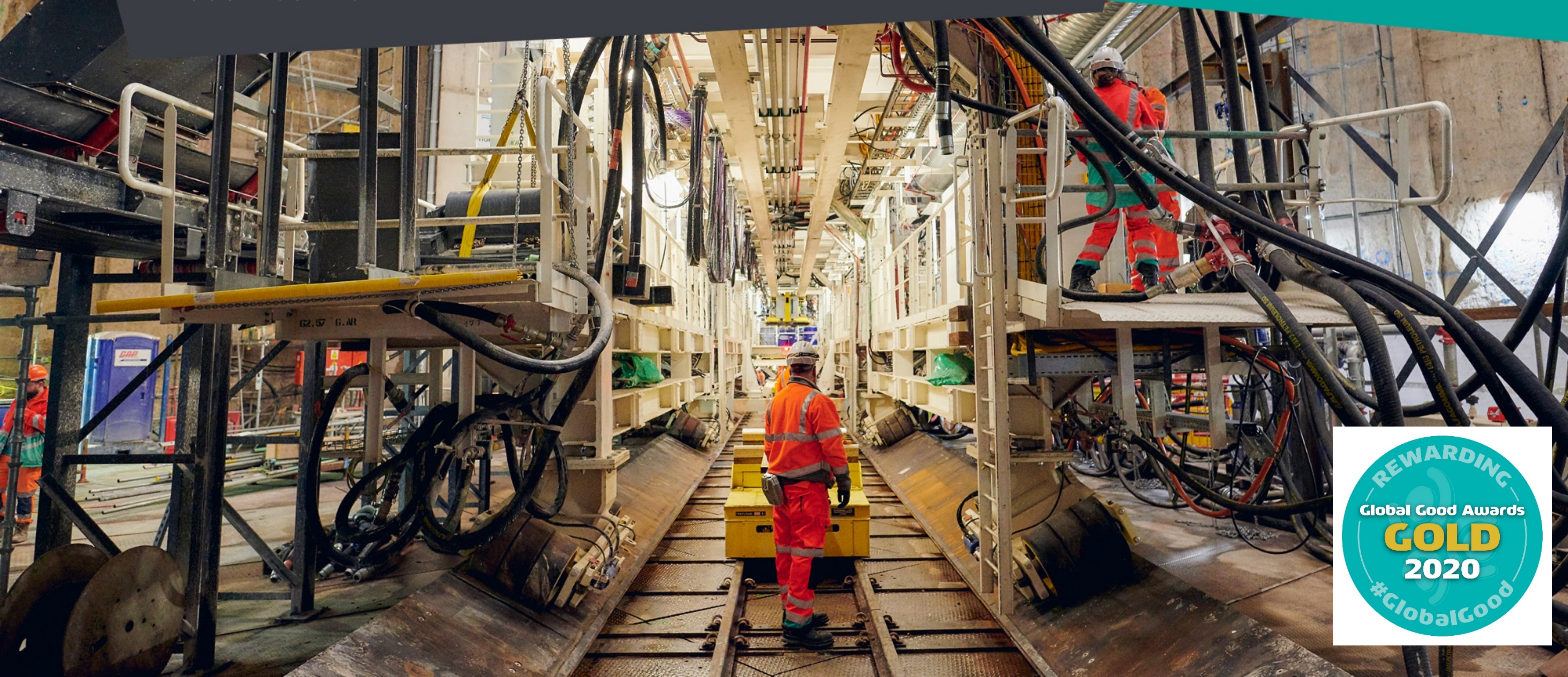
TIDEWAY – HOLDCO GROUP INVESTOR REPORT H1 2021/22

December 2021

Tideway



Notice

IMPORTANT NOTICE

This Investor Report is being distributed by Bazalgette Tunnel Limited ("BTL" or "the Borrower") (as 'Holdco Group Agent') on behalf of each Obligor pursuant to the Common Terms Agreement (CTA). BTL trades as "Tideway".

This Investor Report contains forward looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each of the Obligor's assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

BASIS OF PREPARATION

Investor Reports relate to the performance of the Holdco Group which includes Bazalgette Holdings Limited ("BHL" or "Holdco"), Bazalgette Finance plc ("Finco") and BTL. This Investor Report comments on the historical financial performance of the Holdco Group for the period to 30 September 2021.

Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

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Overview

This Investor Report provides an update of the Holdco Group's activities for the period to 30 September. It covers business, regulatory and financing developments. This Investor Report should be read in conjunction with the Semi-annual Report and Financial Statements for the year ended 30 September 2021.

H2 2020/21 Highlights:

- Construction is progressing with the project now 70% complete as of September 2021 in line with 2021/22 Business Plan.
    - We completed 23.5km of cumulative primary tunnelling as of June 2021 (76% of total) and 9.8km of secondary lining (32% of total). The last two of the six tunnel boring machines are in operation in the East section
    - All shafts are fully excavated with shaft secondary lining works progressed to 55% complete and complete at 11 of 21 sites
    - Systems integration works are 69% complete
- Commissioning is expected to start in late 2023 and the Handover date remains March 2025.
- Total project costs for the six-month period to September 2021 were £365.4m, taking the total capitalised costs relating to the tunnel, the Regulatory Capital Value, at 30 September 2021 to £3,596.5m.
- The Estimate at Completion (EAC) as of September 2021 is £4,181m (versus £3.4bn regulatory baseline) and this figure includes the forecast impact of COVID-19 on the delivery of the works and a £39m increase to reflect the 2021 Baseline approved since year end.
- The annual bill impact for Thames Water customers remains at £20-25.
- There has been significant progress with Ofwat on the treatment of the impact of Covid-19. The related licence modifications are expected to come into effect in Q4 FY22. Furthermore, we have now reached an agreement with Ofwat on the Financing Cost Adjustment (FCA) which we expect Ofwat to consult upon soon.

Overview (continued)

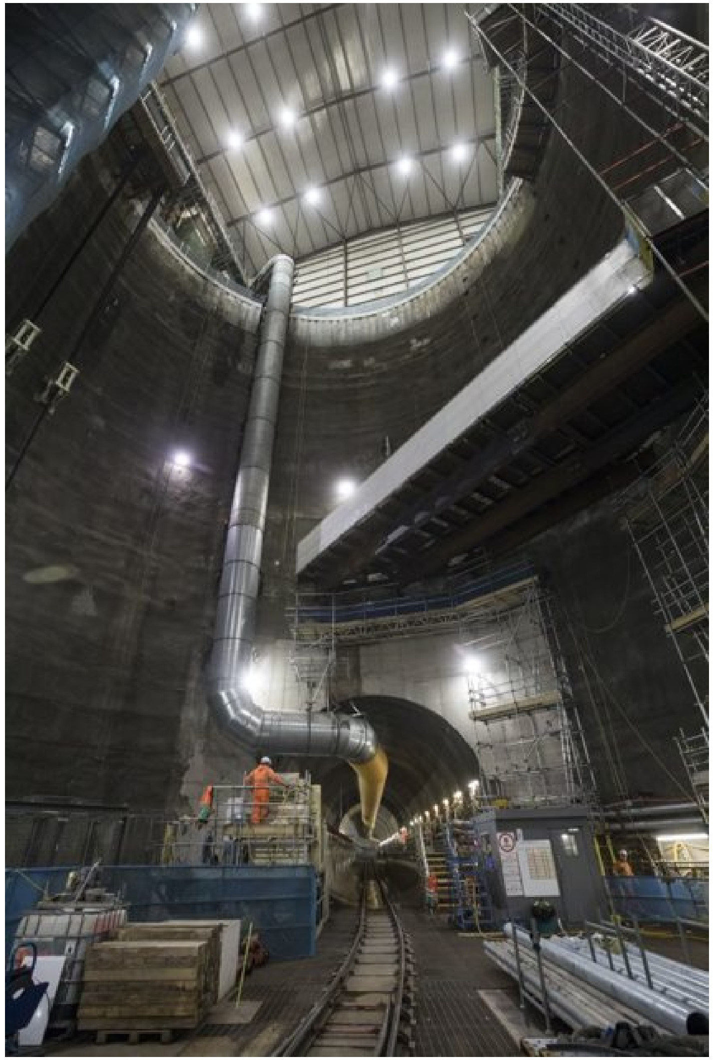
- We established a new baseline – 2021 Baseline – for cost and schedule during the period and reflecting the impact of Covid-19. This concluded the review process initiated last year with our delivery partners, an activity undertaken by major projects at this stage of delivery in preparation for system commissioning. As expected, it had a minimal impact on schedule and a small cost impact.
- We are exceeding our 85% target for live Legacy commitments – including jobs, skills and environment – with 90% on track.
- We were disappointed to record a significant injury, when a marine operative sustained a hand injury during a lifting operation. We are also seeing higher accident frequency rates than before the Covid-19 pandemic.
- The Company has secured total committed debt funding of £2,843m and reached a point of strong financial resilience, where sufficient liquidity has been secured to cover anticipated construction costs until Handover in March 2025.
- Gearing remains low at 59% in line with our equity-first approach. The interest coverage ratio stood at 5.21x, well above the covenant level.
- Tideway continued to defer all distributions in the first two quarters of FY22. This was the result of the company recognising the uncertainties caused by the Covid-19 disruption and delays and uncertainty as to the regulatory response.
- Fitch affirmed the credit rating at BBB+ with stable outlook. Moody's maintained the Baa1 rating. Outlook remains negative following the COVID-19 operational announcement published in August 2020. The Company's rating is presently two notches above the covenants in its financing documents and licence.
- We published our 3rd Sustainable Finance Report and our first our first Climate Related Financial Disclosures Report aligned with the TCFD recommendations.

Business Update – Health, Safety, and Wellbeing

- Tideway remains committed to completing the programme with zero fatalities or serious injuries on or off site. Unfortunately in August 2021, a marine operative sustained a serious injury to his hand during a lifting operation. Lifting operations were suspended and a thorough investigation was undertaken to identify actions to prevent any recurrence.
- Accident frequency rates (AFR, measuring lost-time injuries over a rolling 12-month window) increased during the period. AFR-1 increased by 22% (0.44 up to 0.54) and AFR-7 by 11% (0.18 up to 0.20). There were 11 lost time injuries during 2.4 million hours worked, three of which resulted in over seven days lost time.
- Whilst the AFRs remain below the highs experienced on previous major infrastructure projects, since the start of the Covid-19 pandemic, it has been recognised that additional measures were required to manage the incident/accident rates back to pre-Covid levels. Improvement strategies have been implemented and progress is regularly reviewed with our senior management.
- Tideway continues to manage the risks from the Covid-19 pandemic and have maintained many of the control measures previously implemented in accordance with the Construction Leadership Council Site Operating Procedures. This approach remains under regular review.
- Supporting the Mental health of the workforce continues to be a major drive for the project and has been supported with the Mates in Mind charitable programme to improve and promote positive mental health and wellbeing in the workplace.
- The overarching Heath, Safety and Wellbeing Strategy continues to be appraised and is evolving as the project progresses. Mechanical, Electrical, Instrumentation, Control and Automation (MEICA) and worksite testing and commissioning will be a focus for the second half of the year. A specific MEICA sub-group of the Transformational Health & Safety Group (THSG) has begun working to identify opportunities for implementation of industry best practices, with respect to safety during the design, manufacture, testing, installation and commissioning of the MEICA elements of the Tideway Programme.

Business Update – Vision, Legacy, and Reputation

- Tideway has continued with its proactive engagement and communications strategy, with the aim of building positive relationships and a positive environment for the delivery of the project.
- During the first half of the year, we have continued to promote awareness and understanding of the project, engaging with a wide range of stakeholders through site visits, boat tours and other meetings and briefings and through our extensive internal and external communication channels.
- As Covid-19 restrictions have relaxed, Tideway was able to recommence its full Employer’s Project Induction Centre (EPIC) induction programme.
- A total of 90 per cent of our live commitments were on track by the mid-point of the year against a target of 85 per cent and we generated good momentum in delivering against our plan, closing out eight more commitments, taking the total number closed to 15.
- Tideway continues to explore how it can further reduce the environmental impacts of construction activities, including its carbon footprint. We prepared a communications campaign on our sustainability achievements and ongoing work to coincide with COP26. This included an announcement on Tideway funding for a programme supporting grassroots community organisations who are greening their neighbourhoods to tackle climate change.



Regulatory Update

- Since March 2020, Tideway has regularly updated Ofwat and Government on its response to Covid-19. During 2020/21 we held discussions with Ofwat on a package of measures that could appropriately address the related costs of Covid-19, the impact on Tideway's financial resilience and risk of schedule penalties.
- In April 2021, Ofwat consulted on amending Tideway's licence for the impact of Covid-19 on both cost and schedule: https://www.ofwat.gov.uk/wp-content/uploads/2021/04/Consultation-on-amending-Tideways-project-licence.pdf. It indicated that 85% of Covid-19 related expenditure up until 24 July 2020 would be borne by customers compared to the existing 60% sharing rate.
- We have continued our discussions with Ofwat on the FCA, a mechanism that seeks to share movements in the cost of debt finance since licence award. Extraordinary macroeconomic circumstances have increased the risk of a mismatch between the FCA and the cost Tideway pays for its debt and have led to the FCA not delivering the intended outcomes. We now have an agreed position which we expect Ofwat to consult upon soon.

- We also continue to engage Ofwat on Covid-19 schedule impacts.
- We have recognised some inaccuracies in the debt tables in our regulatory reporting which have no material impact on the company's financial performance. This information has been amended and discussed with the regulator; the respective revised tables were published in October 2021.

Interface with Thames Water

- Thames Water continues to facilitate access to the Sewer Network to enable Tideway to construct the connections to the TTT. Thames Water and Tideway are continuing the joint planning for sewer accesses required in the project's system activation phase.
- Tideway and Thames Water continue to implement robust asset protection arrangements for the Sewer Network during the carrying out of Tideway's Works.
- Thames Water and Tideway continue to deliver the Joint Approach with the development of the requirements and working relationships for the completion & handover phases of the TTT project including those relating to land hand-back and system commissioning.

- The first land handback to a third party has been successfully completed by the Tideway and Thames Water property teams and Tideway has completed the first transfer of as-built data to enable permanent acquisition of tunnel subsoil by Thames Water.
- Tideway and Thames Water continue to collaborate on the planning for System Commissioning including refining assumptions and mitigating risks.

Investment Programme – Overview

- Progress stands at overall 70% complete as of September 2021 (71% as of October 2021).
- In August 2020 we announced that the handover date would be pushed back by 9 months from June 2024 to March 2025. The System Acceptance date remained the same as the regulatory baseline at February 2027. There has been no subsequent change to these dates.
- A new “2021 Baseline” was approved in July 2021 following the re-baseline exercise and the confirmed EAC is a slightly higher figure of £4,181m, a £39m increase from the £4,142m at 31 March 2021.
- Completed 23.5km of cumulative tunneling as of September 2021 against a half year-end target of 23.4km (24.5km completed as of October 2021) which is c76% of the total.
  - All six TBMs launched of which four have completed their journeys.
- Completed 9.8km of secondary lining as of September 2021 versus a half year-end target of 9.1km (10.6km completed as of October 2021).

- All shaft excavation works has been completed following the completion of the last shaft excavation at King Edward Memorial Park.
- Shaft secondary lining works progressed to 55% as of September 2021 against a half year-end target of 56% and the Shaft Secondary lining is now complete at 11 of the 21 sites.
- The handback of areas on completion of construction has commenced with the first area at Hammersmith Pump Station being successfully handed back to the residential developer St George.

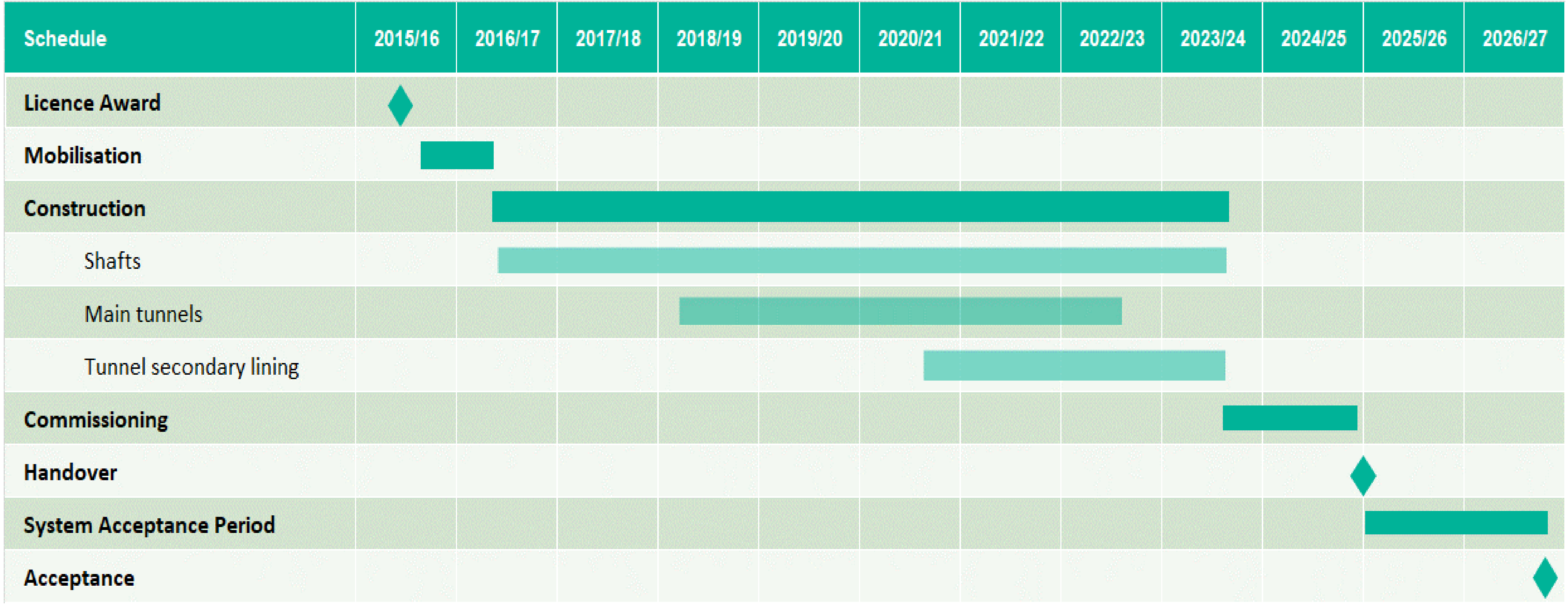
Investment Programme – Cost

- Total project costs for the six-month period to September 2021 were £365.4m, taking the total capitalised costs relating to the tunnel at 30 September 2021 to £3,596.5m.
- We completed the T-24 reviews and established a new baseline – 2021 Baseline – for cost and schedule during the period and reflecting the impact of Covid-19. This concluded the review process initiated last year with our delivery partners, an activity undertaken by major projects at this stage of delivery in preparation for system commissioning. This is the first baseline to be established and reported against since the 2018 baseline.
- The 2021 Baseline activity has provided a new Integrated Project Master Programme (iPMP) which maintains the previously reported key programme dates whilst removing a significant number of schedule challenges - there has been no change to the key milestones of Start of Commissioning in late 2023 and Handover in March 2025.
- The EAC as of September 2021 is £4,181m (versus £3.4bn regulatory baseline) and this figure includes the forecast impact of COVID-19 on the delivery of the works and a £39m increase to reflect the 2021 Baseline approved since year end.
- Higher cost inflation has led to an increase in compensation provided to the Main Works Contractors (MWCs), but this has not had a significant impact on the EAC.
- Tideway has been working collaboratively with the MWCs to finalise their construction schedules for the next twenty-four months and to completion and where appropriate to resolve outstanding claims. The changes to the contract to adopt the 2021 Baseline have now been agreed and signed with FLO (Central) and CVB (East) on the Heads of Terms. Discussions with BMB (West) are progressing at a slower pace as the contractor is focused on mitigating delays being experienced on main tunnel A secondary lining.

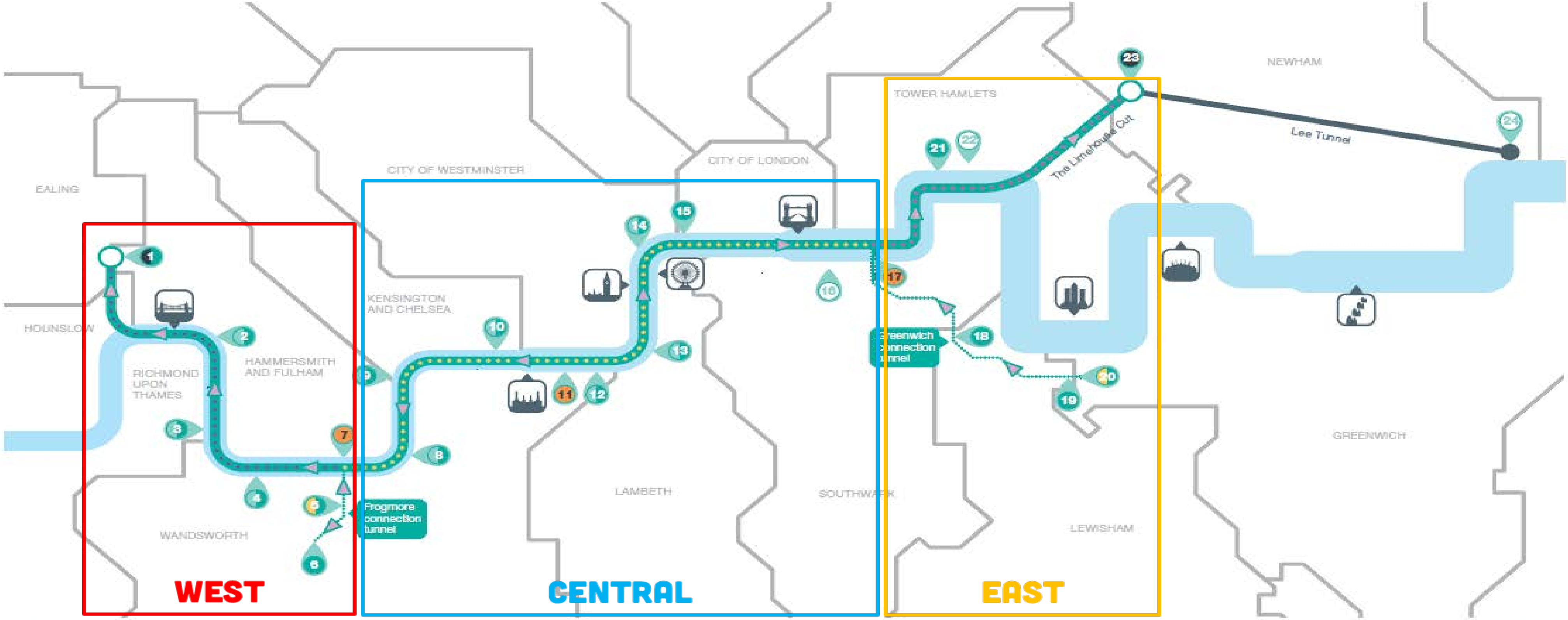
Investment Programme – Project Schedule Update

The outline schedule sets out our current view on the schedule. It reflects out latest view following significant engagement with our delivery partners and includes the expected impact of Covid-19.

As we continue to deliver the project we will make further changes to specific site schedules.



Investment Programme – Route and Sites

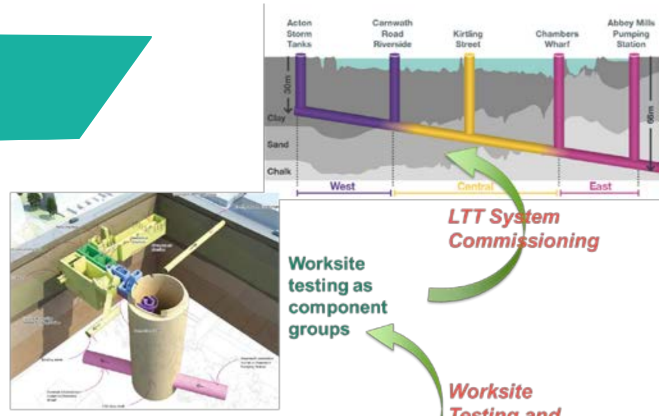


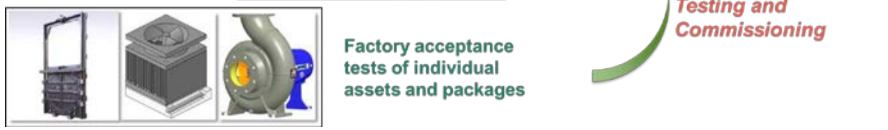
Map key

- Main tunnel drive site
- Main tunnel reception site
- CSO site
- Short connection tunnel drive site
- Long connection tunnel drive site
- System modifications
- Main tunnel
- Long connection tunnel
- Lee Tunnel (under construction)
- Proposed drive direction
- West works site
- Central works sites
- East works site

1. Acton Storm Tanks
2. Hammersmith Pumping Station
3. Barn Elms
4. Putney Embankment Foreshore
5. Dormay Street
6. King George's Park
7. Carnwath Road Riverside
8. Falconbrook Pumping Station
9. Cremorne Wharf Depot
10. Chelsea Embankment Foreshore
11. Kirtling Street
12. Heathwall Pumping Station
13. Albert Embankment Foreshore
14. Victoria Embankment Foreshore
15. Blackfriars Bridge Foreshore
16. Shad Thames Pumping Station
17. Chambers Wharf
18. Earl Pumping Station
19. Deptford Church Street
20. Greenwich Pumping Station
21. King Edward Memorial Park Foreshore
22. Bekesbourne Street
23. Abbey Mills Pumping Station
24. Beckton Sewage Treatment Works

System Integration and System Commissioning





- In addition to the major civil construction works, there are several mechanical and controls elements of work that must be undertaken to enable the tunnel to be integrated with the existing sewer network and therefore operate as a system.
- The area MWCs are responsible for providing the assets and packages that make up an individual worksite and the associated testing. They are making good progress in conducting factory acceptance testing (FAT) for the penstocks, flap valves, isolation gates, access covers and air treatment units. These tests have been witnessed by the PM and the Commissioning lead. Site Acceptance Testing (SAT) have also begun for the mechanical assets installed on site, and this will increasing be the focus as the MWCs begin Worksite Testing.
- The System Integrator (Amey) covers system-wide control integration including telemetry, IT systems, control room interfaces and software. Their work is 70% complete overall as of October 2021 and system software development is nearing completion. Formal factory acceptance testing (FAT) of the core software and site equipment has commenced and enabling installation works are progressing well at Beckton Sewage Treatment Works in preparation for the hardware installation.
- Plans for system commissioning have continued to be developed and refined including identifying the detailed activities and assets that will be constraints in governing the commissioning process according to agreed criteria for achieving key milestones. The Phased Commissioning approach and re-baseline activities have improved the maturity of the commissioning programme, and will provide resilience to mitigate potential programme risks that might delay the testing and commissioning process.
- Following completion of required worksite testing, the physical separation between the TTT and the Lee Tunnel will be removed to create the London Tideway Tunnel (LTT). Flows will be progressively allowed into the LTT, and the Company will, with Thames Water's assistance, conduct a number of system commissioning tests to demonstrate the LTT is fit for purpose and can be operated by Thames Water in accordance with the environmental consents and operating techniques. When the tests have been completed and the handover criteria met, Thames Water will issue a Handover certificate.
- Following Handover, system acceptance tests will be conducted by Thames Water with the support of the Company to optimise operation and maintenance activities and to demonstrate system capacity in relation to intense storm events. When the system has been monitored over a range of climatic and operational scenarios and certain system acceptance criteria have been met, Thames Water will issue a system acceptance certificate

Licence Award | System Commissioning Commencement | Handover | System Acceptance

Design/Construction phase

Planning | **Pre-System (Worksite) Commissioning** | **System Commissioning Period** | **System Acceptance Period** | **O&M Period**

Financing Activity

- Since Licence Award, Tideway has made significant progress in the implementation of its financing strategy, raising £2.7bn of long-term debt of which £2,278m has been drawn and is outstanding.

Debt facilities

Debt £M	RCF	EIB	RPI loan	RPI bonds	CPI bonds	Nominal	Total
Drawn		620	100	658	275	625	**2,278**
Undrawn	160	80		250	75	0	**565**
Total	**160**	**700**	**100**	**908**	**350**	**625**	**2,843**

- This represents 100% of long-term funding needs to cover anticipated construction costs to Handover (March 2025) taking into account the undrawn £160 million Revolving Credit Facility.
- During the period we received £60m from Tranche 8, £84.1m from Series 17 and £75m from USPP.
- At 30 September 2021, we had total liquidity of c£1bn, comprising £436.6m of cash and £565m of undrawn debt facilities. This, combined with expected revenue collections, provides liquidity significantly in excess of our 18-month target.
- There were no new derivative transactions in the period – our derivative portfolio continues to include the swaps hedging the first eight tranches of our £700m EIB loan and £70m of our £300m USPP 2017 notes.
- As at 30 September 2021, we had received £1,274m from our shareholders in the form of equity and shareholder loans, which was the full commitment at Licence Award. Part of the shareholder loans have been repaid and the balance at 30 September was £720.4m. The Board approved the deferral of FY21 distributions and the distributions for the first half of FY22.
- Given the discontinuation of Libor planned for the end of this calendar year, we are close to agreeing and finalizing with our counterparties the fallback approach for all of our transactions that currently reference Libor.
- Fitch affirmed the credit rating at BBB+ with stable outlook. Moody's maintained the Baa1 rating, but the outlook remains negative following the change from stable to negative as a result of the operational announcement on the impact of COVID-19 on cost and schedule published in August 2020.

Financing Activity

£2.7bn long term debt

£160m RCF

100% needs to Handover as of September 2021

Refinancing from 2025 (EIB) and 2027 (bond)

£1.3bn of debt portfolio matures or resets around 2030 (2027-2032)

Index Linked debt as % of RCV

Sep 2021
56.43%

Index Linked debt as % of total debt

Sep 2021
79.16%

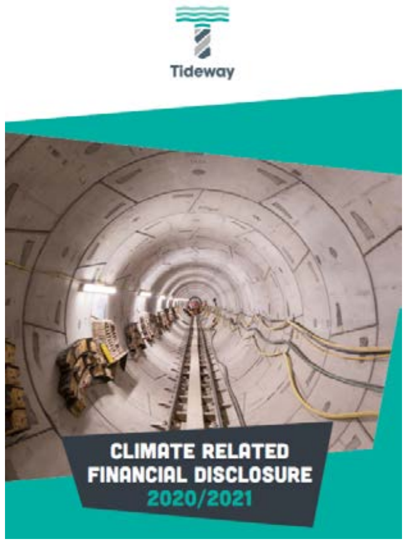
Gearing remains low in line with our equity-first approach. This will grow in the coming years as we progress through construction and draw on the deferred committed debt. The interest coverage ratio remains well above the covenant level.

Sep 2021
Net debt/ RCV
58.66%

Sep 2021
ICR
5.21x

Financing Activity – Sustainable Finance

- Tideway has 17 green bonds totalling £1.5bn, a £75m green USPP and a £160m Sustainability-Linked RCF. Our bond programme, the bond series issued under it and the £75m USPP are covered by a Green Evaluation from S&P Global ratings with a score of E1 - 95/100.
- The agreed KPI in the Sustainability-Linked RCF is the meeting of at least 85% of the live Legacy Commitments and as at 30 September 2021 we exceeded the target by meeting 90% of the live commitments.
- S&P Global Ratings completed an Environmental, Social and Governance (ESG) Evaluation of Tideway with a score of 74/100 score.
- In July we published our 3rd Sustainable Finance Report providing information on our use of debt proceeds, and how the £1.7 billion sustainable financing supports Tideway's programme delivery and legacy commitments. This year's report expands on the work we have done on legacy and the ten UN Sustainable Development Goals (SDGs) and 27 targets we are delivering. It also shows how we are starting to close out some of our legacy commitments and a more mature approach to reporting performance. For the first time, we also report on those SDGs where we have a negative impact and our mitigation efforts.
- Tideway recognises the importance and fully supports the Task Force on Climate-related Financial Disclosures (TCFD). We are committed to ensuring that our climate change disclosures align with TCFD recommendations and in July we published our first Climate Related Financial Disclosures Report, which we believe is a first for a project of this nature. The report discusses how the tunnel was designed to withstand changes in climate and population scenarios until at least 2080 and how it is expected to continue to provide a good level of service in a plausible range of future conditions. During construction, we detail how we have sought to reduce our construction phase carbon footprint through design decisions, materials specification and using the river to transport materials.
- Our treasury and sustainability teams were a finalist in the Finance for the Future Awards for their collaboration with academics, industry and government to map our legacy commitments to the United Nations Sustainable Development Goals.



Historical Financial Performance

The information in this and the next two pages is in respect of BTL, the operating company. Please see our website for BHL group accounts.

The Company recorded a £13.1m loss during the six month period ended 30 September 2021 (2020: £23.8m loss). This is a result of fair value movements on the Company's derivative financial instruments. The tunnel asset under construction totalled £3,596.5m at 30 September 2021 (2020: £2,910.7m).

	6 months ended 30 September 2021			6 months ended 30 September 2020		
Analysis of Project Costs and the equivalent Net Cash Outflows (£m)	**Costs**	**Timing Differences**	**Cash Outflow**	**Costs**	**Timing Differences**	**Cash Outflow**
Direct Costs	253.9	(19.0)	234.9	241.5	10.5	252.0
Indirect Costs	30.1	(1.0)	29.1	32.4	3.1	35.5
Total Allowable	284.0	(20.0)	264.0	273.9	13.6	287.5
Excluded Costs	81.4	(70.3)	11.1	42.9	(31.1)	11.8
Total	365.4	(90.3)	275.1	316.8	(17.5)	299.3

Allowable Costs

Our Allowable Costs of £284.0m (2020: £273.9m) includes £253.9m of Direct costs and £30.1m of Indirect costs.

Direct Costs

Direct costs are primarily the Main Works Contractor costs and the System Integrator contract so reflect costs directly related to the tunnelling programme such as primary tunnelling and secondary lining works and also other related construction activities such as shaft construction and marine works.

Indirect Costs

The largest indirect costs are resource costs of £23.5m. This represents the cost to employ an average of 294 Full Time Equivalents (FTEs) across the six-month period. These FTEs are either employed directly by the Company or contracted by the Company via our programme manager Jacobs. Other indirect costs include non-resource costs such as information systems, office, insurance, Government Support Package and other running costs. Indirect costs have reduced compared with 2020, largely reflecting cost savings from lower FTEs and other running costs.

Analysis of Capitalised Costs (£m)	6 months ended 30 September 2021	6 months ended 30 September 2020
Direct Costs	253.9	241.5
Indirect Costs	30.1	32.4
Total Allowable	284.0	273.9
Excluded costs	81.4	42.9
Total Capitalised Costs	365.4	316.8

Excluded Costs

Excluded costs for the six-month period to 30 September 2021 were £81.4m (2020: £42.9m). These comprise £79.7m of net interest expense (including shareholder loan interest of £27.9m) and £1.7m of costs which mainly related to financing activities. These costs have increased compared with 2020 as rising inflation indices have increased out index linked debt interest costs.

Historical Financial Performance (continued)

Cash Flow and Cash

Net cash flows from operating activities of £90.9m (2020: £45.6m) represent movements in working capital and are chiefly driven by timing of payments to our Main Works Contractors and the receipt of regulated revenue payments from Thames Water which are deferred on the Statement of Financial Position during the construction phase of the project.

Net cash flows used in investing activities of £410.0m (2020: £173.6m) show the gross cash outflows used in constructing the TTT as well as movements to and from short-term deposits which represent money market funds where cash is held on deposit for a period longer than three months.

The net cash inflows from financing activities of £268.0m (2020: £179.0m) are largely the result of new borrowings drawn in the period which included £134.1m of index linked bonds, £75.0m fixed rate loan and £60.0m of floating rate loans.

External Debt

Net debt at 30 September 2021 was £1,954.2m, which was £501.6m higher than the £1,452.6m net debt at 30 September 2020.

At 30 September 2021, the Company's total borrowings were £3,102.5m being £720.4m of shareholder loans and £2,382.1m of other borrowings which include third party borrowings and intra group debt. In addition, the Company has secured deferred loans of £80.0m and deferred bond issuances of £325.0m which will be reflected in the financial statements when they are drawn down in the future. The Revolving Credit facility of £160.0m remained undrawn during the period.

A list of Tideway's external debt facilities can be found on page 21.

Cash Flow (£m)	Six months ended 30 September 2021	Six months ended 30 September 2020
Cash generated from operations before changes in working capital	-	-
Decrease/(Increase) in trade and other receivables	2.7	(8.3)
Increase in trade and other payables	49.3	27.8
Increase in advance payment liability	38.9	26.1
Net cash from operating activities	**90.9**	**45.6**
Construction of infrastructure asset	(320.0)	(311.1)
Transfers (to)/from short-term deposits	(90.0)	137.5
Net cash used in investing activities	**(410.0)**	**(173.6)**
Proceeds from new borrowings	269.1	180.0
Repayment of lease liabilities	(1.1)	(1.0)
Net cash from financing activities	**268.0**	**179.0**
Net (decrease)/increase in cash and cash equivalents during the period	**(51.1)**	**51.0**
Cash and cash equivalents at the start of the period	342.7	391.5
Cash and cash equivalents at the end of the period	**291.6**	**442.5**

Historical Financial Performance (continued)

Fair value measurements and valuation

Tideway has entered into long-term swaps with commercial banks to hedge the interest rate for tranches one to eight of the £700m EIB loan secured in May 2016 and £70m of the £300m US Private Placement notes secured in September 2017.

These are long-term swaps which we entered into with commercial banks to economically hedge the interest costs of the Group's debt. The swaps fix finance costs for the Group’s regulatory period in a cost-effective manner and ensure that we benefit from low-cost financing. The movement in fair value of these financial instruments is recognised in the Income Statement because, under IAS 23 these do not represent current borrowing costs incurred for financing the project and so, unlike our other expenditure, cannot be capitalised.

During the last six months, there was a negative movement of £13.1m in the fair market value of the index-linked swaps. This was primarily driven by an increase in RPI which impacted the pay leg of the swaps.

Tax

We have made a ‘disregard election’ to HMRC effective 1 April 2016, which means that any gains or losses arising from the movement in the fair value will be disregarded for current tax purposes.

We did not recognise any taxable profits in the period (2020/21: £nil) and the resulting corporation tax charge for the period was £nil (2020/21: £nil).

Further information on the financial performance of the Group can be found on our website.

Debt Portfolio – September 2021

Drawn Debt Portfolio - September 2021

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£75m CPI + 0.828%	75	Green Bond	Aug-17	2047
£300m 2.86%	300	USPP Loan Note	Sep-17	2032
£250m 2.375%	250	Green Bond	Nov-17	2027
£200m CPI+ 0.74%	200	Green Bond	Nov-17	2042
£100m RPI + 0.688%	100	Green Bond	Jun-18	2050
£80m Tranche 1	80	EIB	Jul-18	2051
£100m RPI + 0.249%	100	Green Bond	Dec-18	2040
£80m Tranche 2	80	EIB	Jan-19	2051
£100m RPI + 0.755%	100	Green Bond	Jun-19	2051
£80m Tranche 3	80	EIB	Jul-19	2051
£125m RPI + 0.192%	133	Green Bond	Jul-19	2049
£100m RPI + 0.01%	100	Loan	Sep-19	2049
£80m Tranche 4	80	EIB	Jan-20	2051
£25m RPI + 1.035%	25	Green Bond	Jun-20	2048
£50m RPI + 0.787%	50	Green Bond	Jun-20	2052
£25m RPI + 0.951%	25	Green Bond	Jun-20	2054
£80m Tranche 5	80	EIB	Jul-20	2051
£80m Tranche 6	80	EIB	Jan-21	2051
£80m Tranche 7	80	EIB	Mar-21	2051
£25m RPI + 1.042%	25	Green Bond	Jul-21	2048
£25m RPI + 0.954%	25	Green Bond	Jul-21	2054
£60m Tranche 8	60	EIB	Jul-21	2051
£75m RPI + 0.01%**	75	Green Bond	Aug-21	2036
£75m 2.418%	75	Green USPP Loan Note	Sep-21	2041
Subtotal	**2,278.00**			

(**) re-offer price of 112.157% reflecting negative yield of -0.754%

Undrawn Debt Portfolio - September 2021

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
RCF	160	Sustainability-linked Revolver	N/A	2025
EIB Tranches 9 & 10	80	Loan	2022	2051
£150m RPI + 0.01%*	150	Green Bond	Apr-22	2032
£75m CPI + 0.949%	75	Green Bond	May-22	2052
£50m RPI + 0.074%	50	Green Bond	May-22	2049
£50m RPI + 0.174%	50	Green Bond	May-23	2049
Subtotal	**565**			

(*) re-offer price of 100.24% reflecting negative yield of -0.014%

Financial Ratios

We confirm that in respect of this Investor Report as of 30 September 2021, by reference to the most recent Financial Statements that we are obliged to deliver in accordance with paragraph 1 (Financial Statements) of Part A (Information Covenants) of Schedule 3 (Holdco Group Covenants) of the CTA:

a) the Senior RAR(1) in respect of the relevant Test Period is equal to 58.66%

b) The FFO ICR(2) in respect of the relevant Test Period is equal to 5.21

c) The average FFO ICR in respect of the relevant Test Period is equal to 4.56

(together ***the Ratios***)

We confirm that the above Ratios have been calculated in respect of the Test Period(s) or as at the Test Dates for which it is required to be calculated under the CTA.

Other Reportable Matters

Significant management and board changes H1 2021/22

- On 30th September Mark Sneesby, COO, stepped down as Executive Director of the Board and Roger Bailey, Chief Technical Officer became an Executive Director of the Board. The changes reflect the progress of the project. Roger Bailey's appointment strengthens the board's commissioning and technical focus, as the project moves towards the completion and handover stages.
- Gavin Tait stood down as a Non-Executive Shareholder Director of Bazalgette Tunnel Limited and the other Tideway group companies. He was replaced by Chris Morgan as the Non-Executive Shareholder Director for Amber Infrastructure Group, on each of the Tideway group company boards, effective 30 September 2021.

Acquisitions and disposals H1 2021/22

There have not been any acquisitions and disposals in the period.

Current Hedging Position

The current swap portfolio can be found on slide 26 in the appendix.

Confirmation

We confirm that:

a) no Default or Trigger Event has occurred and is continuing;

b) the Borrower is in compliance with the Hedging Policy;

c) the statements set out in this Investor Report are accurate in all material respects; and

d) the insurances are being maintained in accordance with paragraph 28 (Insurance) of Part C (General Covenants) of Schedule 3 (Holdco Group Covenants) to the CTA.

Mathew Duncan,

Chief Financial Officer

For and on behalf of Bazalgette Tunnel Limited as Holdco Group Agent

APPENDICES

Swap Portfolio – September 2021

- During FY16/17 Tideway swapped tranches 1-8 of the EIB loan with various banks to index linked (RPI) format and agreed to draw tranches 9-10 in index linked format directly from the EIB.
- In September 2017, Tideway swapped £70m notional of the USPP.
- The swaps mature in 2030-2032 which is the beginning of Tideway's next regulatory period where the regulatory framework is expected to change to CPIH from RPI.
- There were no new hedges in the period.

Swap	Facility	Notional (£m)	Effective date	Swap maturity	Interest rate
Swap 1	EIB	80	Jul 2018	Mar 2030	RPI - 0.125%
Swap 2	EIB	80	Jan 2019	Mar 2030	RPI - 0.122%
Swap 3	EIB	80	Jul 2019	Mar 2030	RPI - 0.018%
Swap 4	EIB	80	Jan 2020	Jan 2031	RPI - 0.750%
Swap 5	EIB	80	Jul 2020	Jan 2031	RPI - 0.484%
Swap 6	EIB	80	Jan 2021	Jan 2031	RPI - 0.573%
Swap 7	EIB	80	Mar 2021	Jan 2032	RPI - 0.468%
Swap 8	EIB	60	Jul 2021	Jan 2032	RPI - 0.550%
Swap 9	USPP	70	Sep 2017	Mar 2030	RPI - 0.455%

Reference to the CTA

The table below summarises the requirements of the Investor Report as per Schedule 6 of the CTA and references in this document.

Requirement	Reference
General overview	Page 4-5, Overview
Regulatory and Business update	Page 6-9, Regulatory and Business Update Page 10-14, Investment Programme
Capital Expenditure	Pages 18-21, Historical Financial Performance
Financing	Page 15-17, Financing Activity Appendix
Acquisitions or Disposals	Page 23, Other Reportable Matters
Current Hedging Position	Page 26, Other Reportable Matters Appendix
Ratios	Page 22, Ratios

Tideway

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