Bazalgette Equity Limited

Annual report and financial statements
For the year ended 31 March 2022
Registered number 09553394

Contents

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Strategic report

The Directors present their Strategic report for Bazalgette Equity Group (the Group) and Bazalgette Equity Limited (the Company) for the year ended 31 March 2022.

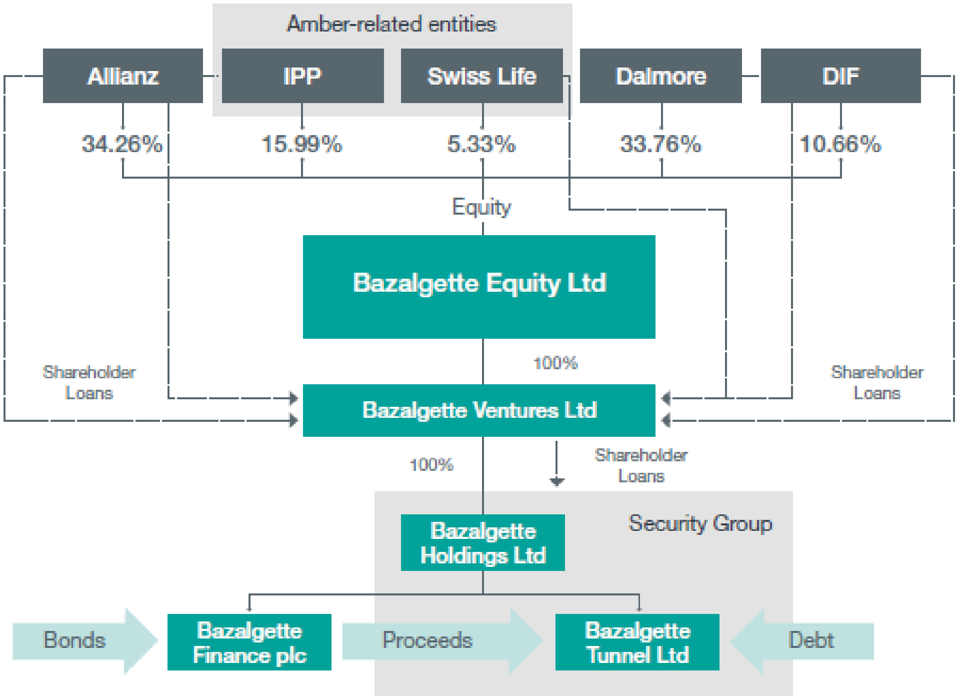
Introduction

The Bazalgette Equity Limited is the ultimate controlling company of the Bazalgette Equity Limited group of companies.

As at the 31 March 2022, the Group comprised the Company, Bazalgette Ventures Limited (BVL), Bazalgette Holdings Limited (BHL), Bazalgette Tunnel Limited (BTL) and Bazalgette Finance plc (BF). BTL, trading under Tideway, is an independent regulated water company which was awarded a licence by Ofwat in August 2015. The emphasis given to BTL, which trades under the name 'Tideway', throughout this report reflects its importance to the overall performance of the Group.

The principal activity of the Company is to act as the ultimate holding company of the Group and to act as the vehicle for shareholder share capital financing. It does not carry out any activities beyond this role.

The Bazalgette Equity Limited Group's investors include Allianz Infrastructure Luxembourg I S.a.r.l, Dalmore Capital 14 GP Limited, IPP (Bazalgette) Limited, Bazalgette (Investments) Limited and DIF Bid Co Limited (UK). The Group structure is set out below:



Company governance

Each shareholder controlling 10 per cent or more of the ordinary shares of BEL and loan notes of BVL is entitled to appoint one director to the Boards of BEL, BVL and the Company. Each shareholder controlling 20% or more of the ordinary shares of BEL and loan notes of BVL is entitled to appoint an additional director to the Boards of BEL, BVL and the Company. The board of the Company is committed to best practice in corporate governance.

On a day to day basis the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of BTL also carry out duties on behalf of the Group with clear governance and controls in place to ensure that decisions that affect individual Group companies are taken in line with this governance framework.

Further information on our equity investors and their equity interests, as well as Board leadership, transparency and governance are disclosed in the Holding Company Principles statement which is available at www.tideway.london.

Business review

Our Purpose

Tideway is building the Thames Tideway Tunnel under the River Thames – creating a healthier environment for London by cleaning up the city's greatest natural asset, now and for the foreseeable future.

Our Vision

Reconnecting London with the River Thames.

Delivering our Purpose and Vision

We bring our purpose and values to life through what we do and how we do it. The way we treat each other and our stakeholders is important to us successfully delivering the project. We aim to transform the way the industry operates and in particular we want to see a step change in the health and wellbeing of everyone involved in the project, as well as our partners and stakeholders, whether that is through our focus on safety and wellbeing in the workplace, volunteering with our charity partners, collaborating with our partners, engaging local residents on what we are doing or supporting people to develop skills and find employment.

Throughout the report we have included case studies reflecting on both our values and how we align to the UN Sustainable Development Goals.

VALUES

Examples	Page	Safety	Legacy	Collaboration	Respect	Innovation	SUSTAINABLE DEVELOPMENT GOALS
Stakeholders Engagement	09	✓		✓	✓	✓	17
Build the Thames Tideway Tunnel	10	✓	✓	✓	✓	✓	6, 9, 11
Mental Health	15	✓	✓		✓	✓	3
Employers Project Induction Centre (EPIC)	15	✓	✓	✓		✓	3
More by River	17	✓	✓	✓			3, 11, 13
Ethical Supply Chain	21	✓	✓		✓		8, 12
Community Investment, Charitable Giving & Volunteering	22		✓	✓	✓		11, 17
Staff Engagement	23	✓		✓	✓		
Diversity and Inclusivity	23			✓	✓	✓	5, 8
Women into Construction	24			✓	✓		5
Sustainable Financing	27		✓	✓		✓	8, 17

Our Commitment to Legacy & Sustainability

In line with our Purpose and Vision, Tideway has made long term and public commitments as to the value and benefits it is seeking to achieve. At an early stage of the project, we made 54 legacy commitments across the environment, health, safety and wellbeing, economy, people and place. We aligned our commitments to the UN Sustainable Development Goals (SDG), identifying the ten SDG Goals to which Tideway makes a direct contribution. We will continue to report on our legacy commitments including those that have already been achieved. The project's core environmental benefits will make a long-term direct contribution to SDG 6 Clean Water and SDG 11 Sustainable Cities.

We continue to evolve our approach to wider public value. This activity includes the appointment an of an independent social value expert to undertake a robust and comprehensive, quantitative evaluation of the social impact of our Legacy programme and secondly, a carbon learning legacy project together with an independent verification of our carbon data. We intend to share the learnings from both the social value and carbon projects with the industry to support other infrastructure projects and future frameworks.

We provide a comprehensive review of our performance in relation to Legacy and Sustainability in our 2021/22 Sustainability Report.

Who We Are & What We Do

Tideway is a privately financed company responsible for building, commissioning, financing and maintaining the Thames Tideway Tunnel. However, our ambition for this engineering endeavour goes beyond building a 25km tunnel, ‘the super sewer’ to stop tens of millions of tonnes of sewage polluting the Thames each year. We want to transform the River Thames, leaving it cleaner and changing how Londoners use it. We want people to enjoy the Thames in their leisure time, participating in water sports and appreciating the views and walks along the foreshore. The joy and prosperity a cleaner river will provide for Londoners will be our legacy once the project is complete.

Our Shareholders

Our shareholder groups are represented on our Board, enabling them to support decision making and provide important project oversight and governance. They bring with them extensive experience of investing in and managing a wide range of infrastructure assets in the UK and overseas, knowledge that supports us in the delivery of the project.

Since Licence Award, our Shareholders have invested £1.3bn. Close to half the total equity has come from UK investors, including many pension funds, giving 3.8 million UK pension holders a stake in Tideway.

Delivering With Our Partners

Tideway has an alliance comprising Tideway, Thames Water, the Programme Manager (PM), three consortia known as the Main Works Contractors (MWCs) and our System Integrator. We work closely with Thames Water and their team co-located at our offices. Thames Water is responsible for important elements of the project and will ultimately operate the system.

The Alliance Agreement incentivises collaboration towards achieving the construction aims, milestones and outcomes, including the objective of meeting overall cost challenges. We have an experienced and competitive supply chain and we share lessons learned that enable us to best deliver the project.

Role	Partners
Programme Manager	• Jacobs
West Contract BMB Joint Venture	• Bam Nuttall Ltd • Morgan Sindall Plc • Balfour Beatty Group Ltd
Central Contract FLO Joint Venture	• Ferrovial Agroman UK Ltd • Laing O'Rourke Construction Ltd
East Contract CVB Joint Venture	• Costain Ltd • Vinci Construction Grands Projets • Bachy Soletanche Ltd
System Integrator	• Amey OWR Ltd

The Delivery Model

The Thames Tideway Tunnel has an innovative delivery model, which was established to attract private sector capital to finance infrastructure and deliver value for money to customers. It includes a bespoke regulatory framework, with a contingent Government Support Package, which recognises the unique nature of Tideway's business. This framework provides a revenue stream during both the construction and operational periods. Revenues are billed and collected on our behalf by Thames Water from its wastewater customers and passed to Tideway.

For the period until 2030, our revenues are calculated according to the framework set out in our Licence, which is primarily based on a percentage return (2.497 per cent) on the regulatory value of our company (Regulatory Capital Value or RCV). From 2030, we expect to be regulated in line with the rest of the water industry.

Engaging with Our Stakeholders & Partners

In delivering a major infrastructure project across London we recognise the importance of engagement, transparency and building trust.

We listen to our stakeholders' views directly and through their representatives such as local councillors, MPs and Members of the London Assembly. Our most recent stakeholder research shows positive sentiment towards the project to be around 80 per cent. We continue to ensure that the communities we are working in are kept up to date on the progress being made, potential impacts and how best they are being mitigated. At the three main drive sites there are dedicated community relations teams and other forums. These methods, plus a 24-hour Helpdesk, ensure that we are always accessible to our neighbours.

To support the project, we have established a range of independent parties and roles to ensure we engage fairly and effectively with each of our stakeholder groups and to support trust in the project. These include independent assessors of project information, Chairs for stakeholder groups and bodies for advice, complaints and compensation. The Tideway Reporting Group is chaired by the Right Honourable Nick Raynsford.

Rt Hon Nick Raynsford, Independent Chair of the Tideway Reporting Group, 2021/22 review

During the year, the independently-chaired bodies that Tideway established have continued to work effectively. The quarterly meeting of the TTT Forum, incorporating stakeholders from across the project, continues to be well attended with strong levels of engagement. The Forum continues to consider construction progress and this year the focus of meetings also started to move towards the commissioning and land hand-back phases, as well as the project's long-term legacy. The Independent Compensation Panel (ICP) saw a significant reduction in claims (108 vs 171 in 2020/21) reflecting the 'steady-state' stage of the project and intrusive works reducing in some areas. The Independent Complaints Commissioner (ICC) received no appeal requests on ICP decisions and no complaints were escalated to the Commissioner. It should be noted that Tideway received approximately 40 per cent fewer complaints compared with the previous 12 months which is a measure of the effectiveness of site operations as well as a reflection of the stage of the project. I am pleased to see Tideway's continued commitment to a high level of engagement, openness and support to the bodies and those impacted by the project.

'Our partnership with Tideway has been an extraordinary success and I want to thank all those involved for their hard work on this incredible project, and I look forward to seeing its completion.'
Environment Minister, Rebecca Pow

'As a Londoner, I really value the attempt to clear up the Thames for future generations…I also think that there's been huge efforts and huge successes in engaging with communities along the routes as well. I think the stakeholder engagement has been very good, both in terms of the information provided to communities, and also an attempt for the project to get to know those communities and provide some benefits for them during the construction phase.'
Yonder research

Stakeholder Groups

Key Government and regulatory stakeholders

Ofwat; Environment Agency; Department for Environment Food & Rural Affairs; Thames Water

Consenting bodies and delivery partners

Transport for London; Historic England; Marine Management Organisation; Port of London Authority; Greater London Authority

STAKEHOLDERS ALSO INCLUDE
LANDOWNERS, ASSET OWNERS & LOCAL AUTHORITIES

Communities directly impacted by construction

RESIDENTS; BUSINESSES & LOCAL SERVICES; SCHOOLS

Engagement Channels

Quarterly Liaison Committee meeting (including Thames Water)

Independently chaired Thames Tideway Tunnel Forum – meets quarterly
- Bilateral meetings
- Annual stakeholder survey

Regular Community Liaison Working Group meetings
- Letter drops about works
- Quarterly newsletters
- Community Information Centres
- Dedicated web pages and other communications

Independent Roles and Assurance

Independent Technical Assessor (ITA): The ITA reviews Tideway and Thames Water reporting to the Liaison Committee.

Independent Chair of Tideway Reporting Group
ICP, ICC, IAS report annually to the Tideway Reporting Group. The Reports are available on Tideway's website

Independent Chair for TTT Forum

Independent services available to support stakeholders, which include:

Independent Advisory Service (IAS): Offers independent help and support to stakeholders living and working close to our construction sites.

Independent Compensation Panel (ICP): Oversees and determines claims made under any of the the non-statutory compensation policies.

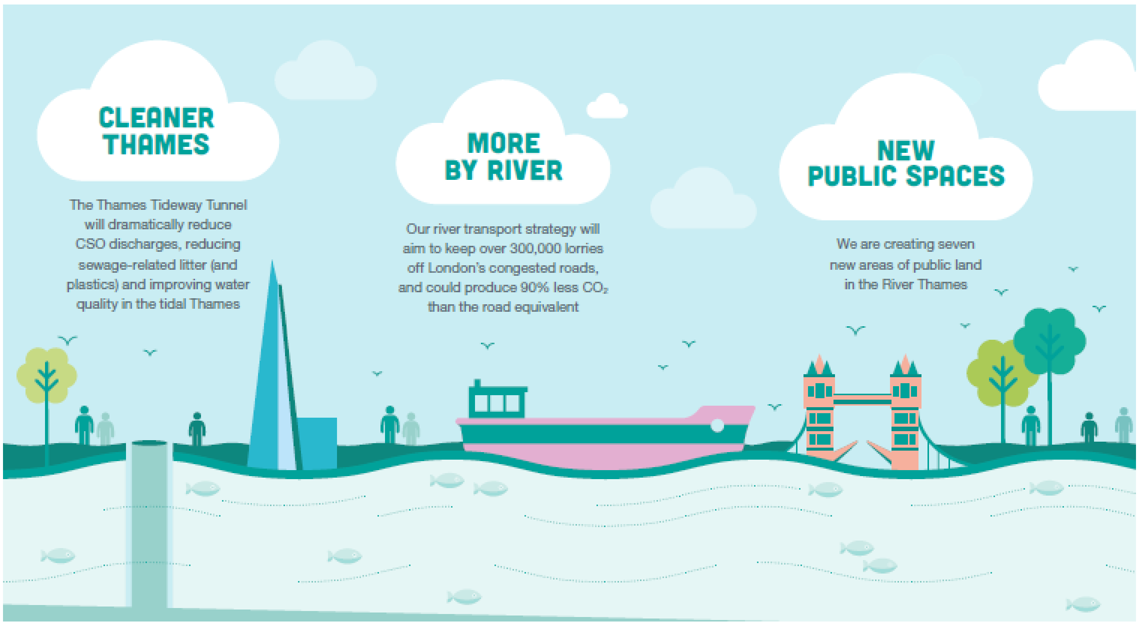
Independent Complaints Commissioner (ICC): Assists stakeholders who are not satisfied with the ICP's response regarding a claim.

The Tunnel Route

The 'super sewer' tunnel will run from the Acton Storm Tanks in West London to the Lee Tunnel at Abbey Mills in East London, mostly under the River Thames. The flow from over 30 combined sewer overflows (CSOs) will be diverted from the sewerage network into the main tunnel. From there it will run to the Tideway Pumping Station, to be pumped to Beckton sewage treatment works.

The main tunnel construction used Tunnel Boring Machines (TBMs) in four drives from three main sites. The primary tunnelling concluded in April 2022.

Our Business Model



STAKEHOLDER VALUE

LONDON

- Reconnecting London with the River Thames
- Ensuring that we leave a positive legacy for London
- Developing the river economy

ENVIRONMENT

- A positive impact on the tidal River Thames
- Ensuring, where we can, that we reduce our environmental impact

COMMUNITIES

- Providing a river that locals deserve and can use
- Enhanced local landscapes for reclaimed land and public art

OUR PEOPLE

- A unique and innovative project with a focus on learning and development
- A safe and inclusive workplace
- A competitive and fair compensation package that incentivises delivery and rewards success

SUPPLY CHAIN

- Industry and supply chain with the right incentives across each of our three contract areas
- Providing opportunities for companies and for workers to develop skills and gain experience
- Industry leading innovations that are shared via i3P

BILL PAYERS

- Finance the project efficiently, minimising impact on Thames Water bill payers

INVESTORS

- An appropriate return on investment

The Timeline

Tideway maintains a schedule with our partners for delivery of the project. There are four main stages.

Mobilisation of the MWCs

This started off site, with mobilisation of people, the start of detailed design work, consenting applications and procurement of subcontractors and materials. Moving on site as these activities progressed, construction sequencing was finalised, and the enabling Thames Water Works were completed.

Construction

Excavating deep shafts at the three drive sites and each CSO interception shaft, followed by tunnelling, tunnel secondary lining, installing mechanical and electronic equipment, and architectural and landscaping works.

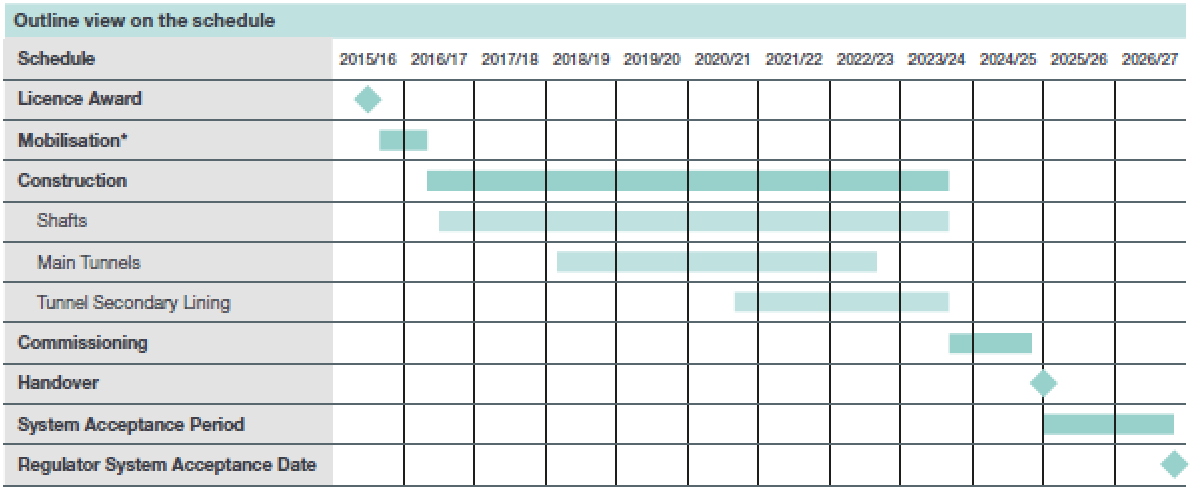
Commissioning

All the worksites and tunnels will be connected to the London Tideway Tunnels (LTT) system and tested. Once this is complete, the MWCs hand over the Thames Tideway Tunnel (TTT) Works to Tideway, the MWCs' activities will be complete, and the contractors will be demobilised.

System Acceptance Period

This will be a proving period. The LTT will be operated across a variety of storm conditions, to demonstrate that it fulfils the project requirements. Once this is complete, Thames Water will become responsible for maintaining the near-ground structures and assets. Tideway will retain responsibility for the shafts and tunnel structures and ensure the TTT is available to allow flow to pass to the Lee Tunnel. This involves inspecting the deep tunnels and shafts, which we expect to do on a ten-yearly cycle, performing any maintenance as required.

2021 BASELINE



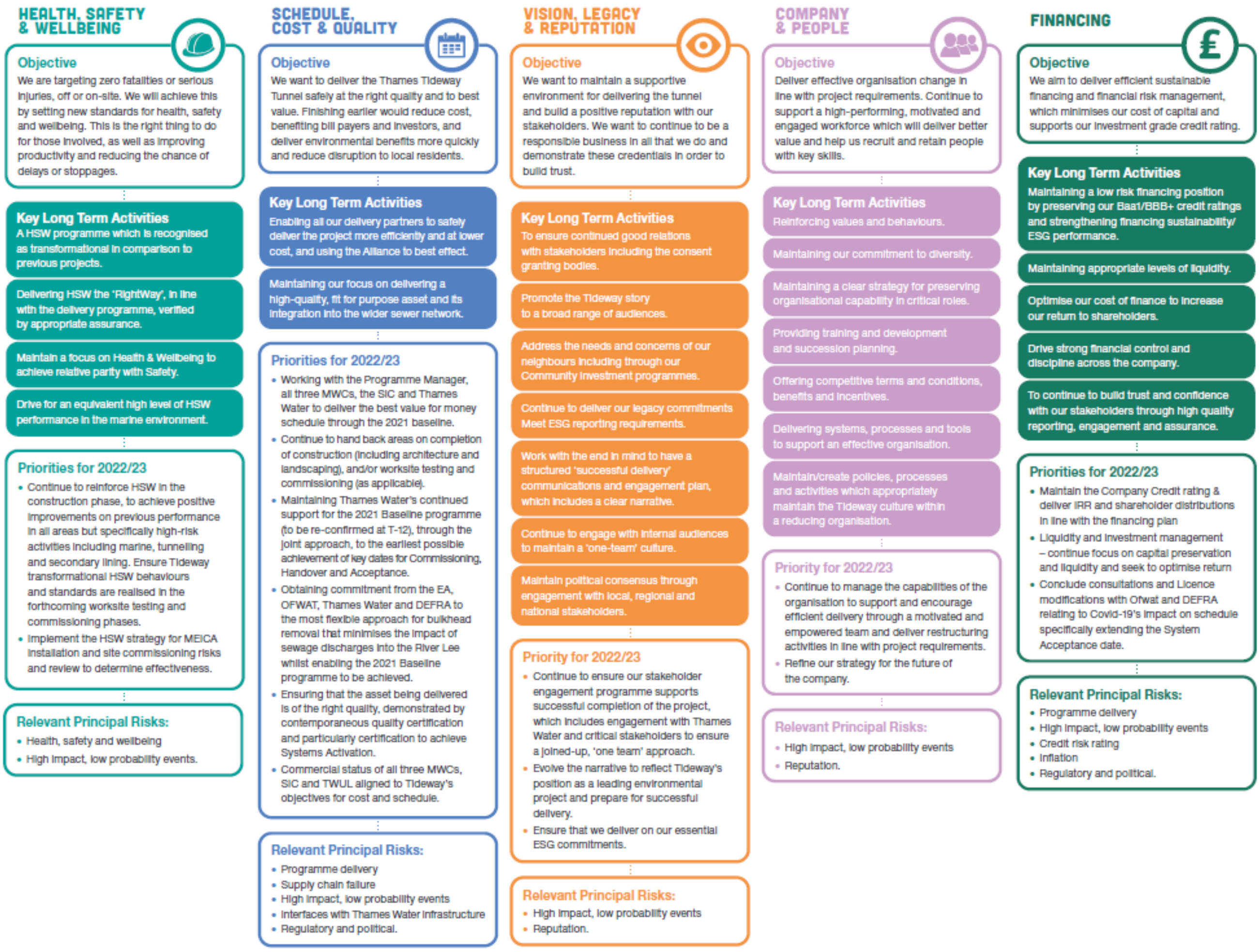
* *Mobilisation activities shown from Licence Award to the start of Construction at the three main drive sites. Additional mobilisation activities continue throughout construction (i.e. consents, procurement).*

Our Strategy & Priorities for 2022/23

The Executive Team and the Board have reviewed and developed targets and aspirations for 2022/23. They reflected on the project's progress and the development of the new 2021 baseline with our delivery partners to find the best opportunities for the completion of construction and commissioning.

By the end of March 2023 construction will be 89% complete, this year our focus will be to:

- Retain our focus on Health, Safety and Wellbeing.
- Maintain high performing tunnelling and marine operations whilst securing good secondary lining performance ensuring that lessons are shared across the programme.
- Progress Worksite Close Out Strategies and hand back land to Thames Water.
- A commercial strategy that best aligns our delivery partners to the 2021 baseline on cost and schedule.
- Focus on System Commissioning with our partners in particular Thames Water. This will include finalising the System Commissioning Plan at T-12 (the 12 months prior to start of Commissioning) ensuring alignment with partners and stakeholders.
- Secure positive regulatory treatment for the schedule impacts of Covid-19.
- Continue to maintain the current positive stakeholder environment.
- Increase emphasis on our Vision of reconnecting London with the River Thames.



Health, Safety and Wellbeing

Objective	We are targeting zero fatalities or serious injuries, off or on-site. We will achieve this by setting new standards for health, safety and wellbeing. This is the right thing to do for those involved, as well as improving productivity and reducing the chance of delays or stoppages.
Priorities	Continue to reinforce HSW in the construction phase, to achieve positive improvements on previous performance in all areas but specifically high-risk activities including marine, tunnelling and secondary lining. Implement the HSW strategy for MEICA (Mechanical, Electrical, Instrumentation, Control and Automation) installation and site commissioning risks and review to determine effectiveness.

Measure	Target	Actual
Maintain strong HSW Performance	Safety record better than recent major projects Improved performance on 2020/21	On Track
Number of major injuries	0	0
Marine Operations - Significant Incidents	Zero – significant incidents due to marine activities	0
*Accident Frequency Rate 3 (AFR-3)	0	0.16
*Accident Frequency Rate 7 (AFR-7)	0	0.09

*Definitions: Major injury; any injury that could potentially lead to death, prolonged disability or permanently diminished quality of life.

AFR-3 12-month rolling average, per 100,000 hours worked, of injuries which occurred as a result of work activities and resulted in more than three days lost time for the individual involved. Excludes Road-Traffic accidents to ensure alignment with RIDDOR 2013

AFR-7: as above, for over seven days lost time for the individual involved. Excludes Road-Traffic accidents to ensure alignment with RIDDOR 2013. Injuries contributing to AFR-7 will automatically be included in AFR-3.

Performance

There were no major injuries during the year and no significant incidents as a result of our marine activities. The first half of the year saw the three-day Accident Frequency Rate (AFR-3) plateau in the region of 0.2, before steadily decreasing month on month from September. This was testament to the efforts made at every level to eliminate and reduce accident and injury occurrences. It included regular joint venture board level reviews of Health, Safety and Wellbeing (HSW) improvement plans and strategies and increased focus on site leadership. Both AFR-3 and AFR-7 showed improvements from the levels in the previous year.

Despite the continued additional challenges, particularly early in the year, the programme's three-day Accident Frequency Rate has remained below the highs experienced during other large infrastructure projects.

During the year, there were 19 lost time incidents of which five resulted in RIDDOR reportable injuries. One was a significant hand injury sustained by a marine operative during a lifting operation which has resulted in prolonged absence from work. We investigated each of these incidents and implemented the resultant lessons learned and remain committed to improve as we progress further into the project.

RightWay

The 'RightWay in Delivery' initiative continues to provide an opportunity for site teams to showcase innovations and good practices. Site teams submit their best practice examples for each of the six categories; leadership, competence, health & wellbeing, safe workplace, communication & engagement and performance & improvement. Quarterly the overall winning site team is presented with an award and in this way, we celebrate and promote enthusiastic ownership of good practice and encourage adoption of best practices across sites.

RightWay in Delivery winners: Hammersmith Pumping Station

Hammersmith was a stand-out site having won five monthly awards across Competency, Leadership and Safe Worksite categories. The team has continued to display its commitment to best practice and continual improvement to support the challenging and demanding works in the Inlet Channel and Interception Chamber.

Health and Wellbeing

Our aim this year was to maintain a focus on Health and Wellbeing to achieve relative parity with Safety and to minimise and mitigate any health risks arising from our work, whilst supporting the wider health and wellbeing of our workforce.

Occupation Health Inspections (OHI)

The approach of OHI to support the management of health risks has continued to serve us well. This includes high quality inspections by experienced site staff, supported by our occupational hygienists. The inspections have focused on tasks which are potentially problematic and associated with tunnelling and the construction of secondary lining such as exposures to noise, dust and ergonomic hazards.

Targeted interventions have been developed to address the risks at source. An example includes the redesign of physically demanding tasks and the introduction and evaluation of the associated health benefits of utilising HVO (Hydrotreated Vegetable Oil) as a replacement for diesel in powered plant. Ongoing training programmes alongside this continue to provide the workforce with the skills to protect their health at work.

With our OH Services Provider we have sought to improve the wider health of our workforce. Through a targeted project to identify and address hypertension, almost 1000 worker assessments have been carried out. Hypertension was identified in approximately one quarter of those assessed, allowing referrals to be made for ongoing health management. Addressing cardiovascular risk factors in this way is critical for a workforce known to be at increased risk of early disability or death due to socioeconomic, lifestyle and workplace factors.

We have also supported a move to hybrid working for many of our office-based workforce. The flexibility of dividing time between home and office working has provided opportunities to balance personal and work commitments; reducing commuting demands whilst maintaining strong and productive working relationships with colleagues.

Mental Health

We support our workforce with the Mates in Mind programme including more than 142 Mental Health First Aiders, Mental Health First Aider Networks, Mental Health focused RightWay Live sessions and initiatives and the use of local services such as the mental health charity, MIND. Tideway's Mental Health Working Group (MHWG) works to gain insights from the business to help inform what actions we needed to take.

Initiatives include:

- Mates in Mind course for managers/supervisors.
- "Tribes" and "TimeAway" to connect staff working from home.
- Hosting a Supply Chain Event in October for World Mental Health Day, bringing together the supply chain to share lessons learned from Tideway's approach to mental health and support smaller companies as they embark on the same journey.

Employer's Project Induction Centre (EPIC)

Our well established EPIC centre provides an immersive induction experience and has been used by many of our partners and is available for external industry days to promote the experience to the wider industry. To date, over 21,000 people have attended the programme, including those working on Tideway and other interested parties, supporting our aim to be transformational and to help improve health and safety across the construction sector.

EPIC Logistics is FORS Silver accredited programme designed to provide HGV drivers with a visceral experience of a fatal incident It highlights the impact that a chain of poor decisions can have on health and safety. To date, EPIC Logistics has been undertaken by over 1,000 drivers. This supports our More by River strategy to significantly reduce vehicle movements.

The full EPIC and EPIC Logistics days were affected by the pandemic and an interim EPIC was devised to ensure behavioural safety training continued across the project. The interim session was a 2-hour, socially distanced, reduced capacity version, that was rolled out at our EPIC training centre and on site, 1,213 people attended. The full EPIC and EPIC Logistics day resumed on 21 June 2021.

Schedule, Cost and Quality

Objective	We want to deliver the Thames Tideway Tunnel safely at the right quality and to best value. Finishing earlier would reduce cost, benefiting bill payers and investors, and deliver environmental benefits more quickly and reduce disruption to local residents
Priorities	Working with the Programme Manager, all three MWCs, the SIC and Thames Water to deliver the best value for money schedule developed through the T-24 reviews resulting in the establishment of a 2021 Baseline.
	Start to hand back areas on completion of construction (including architecture and landscaping) and/or worksite testing & commissioning (as applicable)
	Securing TWUL's commitment, through the joint approach, to the earliest possible System Commissioning Commencement Date (SCCD), Start of Systems Activation, Handover and Acceptance.
	Seeking and implementing all appropriate opportunities to increase efficiency, mitigate risk, and minimise the impact of COVID.
	Ensuring that the asset being delivered is of the right quality, demonstrated by contemporaneous quality certification.
	Commercial status of all three MWCs, SIC and TWUL aligned to Tideway's objectives for cost and schedule.

Measure	Target	Forecast
Delivery against the 2021 baseline regulatory baseline – Schedule Handover	Handover by quarter one 2025	Handover by quarter one 2025
Delivery against the regulatory baseline – cost*	£3.5bn	£4.3bn

*Tideway's element of the programme in outturn prices (based on current inflationary expectations), up to System Acceptance. Ofwat has set a regulatory baseline of £3.1bn (in 2014/15 prices) Which is equivalent to £3.5bn in outturn prices).

Performance

Tideway continues to be in peak construction and by end of 2021/22 we had completed 77 per cent of our programme. Shortly after, in April 2022, we recognised a major milestone on the project with the completion of all primary tunnelling, when the last two TBMs finished their drives. This puts us in a good position to complete the secondary lining of the tunnels which is already 50 per cent complete and we remain on track for the system to come into full operation in 2025. The cost estimate is currently £4.3bn which is a two per cent increase from the previous year however the impact on customer bills remains well within the pre-Licence award estimate of £20-25 (in 2014/15 prices).

With the impact of delays caused by Covid-19 abating, Tideway undertook a re-baseline activity and established the "2021 Baseline" which was approved by the Board in July 2021. This involved completing a thorough review of the cost and schedule risks to provide an integrated, holistic plan for successful delivery of Tideway, including a detailed review of the system commissioning activities to construction completion and Handover. The 2021 Baseline provides a revised cost and schedule to report the future performance of the programme activities against. A major achievement has been the completion of the tunnelling (i.e. primary lining) in April 2022. This is a one month improvement when measured against the 2021 Baseline.

As we move closer to starting commissioning in late 2023, Tideway and Thames Water continue to collaborate and implement the 'Joint Approach' to deliver the earliest possible System Commissioning Commencement Date (SCCD), Start of System Activation, Handover and Acceptance. Dedicated teams from Tideway and Thames Water are working together on the detailed planning for System Commissioning and a successful initial Rehearsal Of Concept (RoC) was carried out during the year which provided a valuable measure of planning status and focus for the teams. The progress of the 'Joint Approach' is reported on a monthly basis to the Interface Committee and continues to set good foundations to work together over the coming years.

Construction Quality

The level of non-conformance and re-work on the project has remained at a satisfactory level, with no critical defects being reported. Construction quality is the responsibility of the MWCs who self-certify their works. This self-certification is overseen through regular surveillance by the Programme Manager. Further technical assurance is provided by inspections from Tideway's NEC Supervisor team with regular oversight by Tideway's Chief Technical Officer. Tideway's Quality Management System is subject to annual senior management review and internal audit.

These levels of assurance provide the project with a robust framework to drive construction quality compliance and enable an integrated approach for dealing with quality related issues.

Commercial

Each of the MWCs' target prices have been adjusted to reflect Compensation Events (risks retained by Tideway). The primary areas of change to the MWCs relates to finalisation of the programme to commercial completion and the introduction of Tideway's Phased Commissioning Plan to the MWCs' scope of work. This includes the introduction of incentives for ongoing programme alignment between the MWCs and efficient delivery meeting Tideway's objectives. As a result of these activities, all three MWCs are collaboratively working with Tideway to finalise the detailed construction schedules to align with key milestone dates for the overall programme. Subject to final commercial discussions, all parties are incentivised and substantially aligned in their commercial approach for delivering the remaining works on the programme.

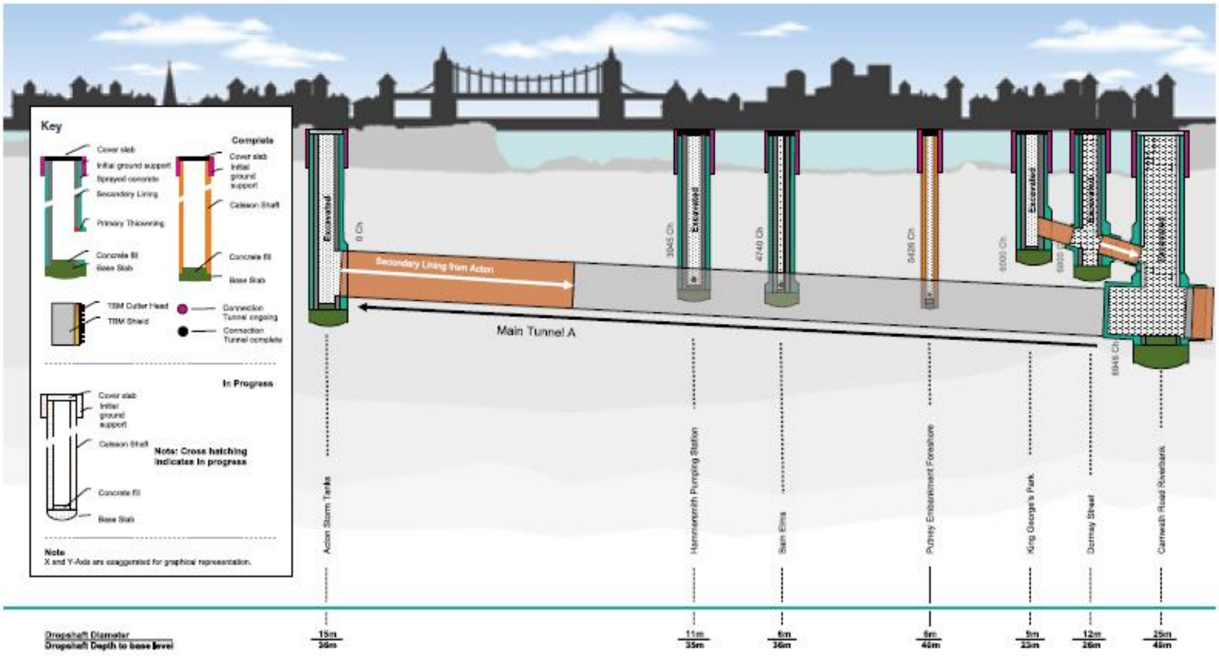
More by River

The completion of tunnelling in April 2022 sees the end to large volumes of materials transported by river with 1,011,427 tonnes transported in 2021/22, compared with 597,797 tonnes by road (41% of which was excavated material from non-foreshore sites). Our More by River approach supported the construction of Main Tunnel D and the Greenwich Connection Tunnel with the excavated material and the primary lining segments accounting for 804,867 tonnes. At Kirtling Street and Carnwath Road riverside 138,434 tonnes (100 per cent of the total) of main tunnel secondary lining aggregates were delivered, with the remainder consisting of small excavations and permanent fill for the new realm. The primary materials to be transported by river over the coming year will be secondary lining aggregates for Main Tunnel A and Greenwich connection tunnel, we will also start to demobilise the cofferdams and remove the temporary cofferdam fill material.

This brings the total quantities to date transported by river on Tideway to 5,409,510 tonnes (54 per cent of total quantities) This consists of 4,608,440 tonnes of specified materials that are required to be transported by river under the River Transport Strategy and 801,066 tonnes of additional materials that were transported as part of the More by River strategy. The impact of this was to remove around 326,000 HGVs or 650,000 HGV journeys from London's roads (roughly 500 a day) and saving over 17 million HGV miles and avoiding in the region of 23,400 tonnes of CO_2e. All of this reduced the impact of the project on not just residents around Tideway sites, but other Londoners by removing the traffic from the road network.

Progress by Area

West Area



Focus has been on installing the secondary lining of the tunnel alongside carrying out works above ground that will make up the new areas of public realm.

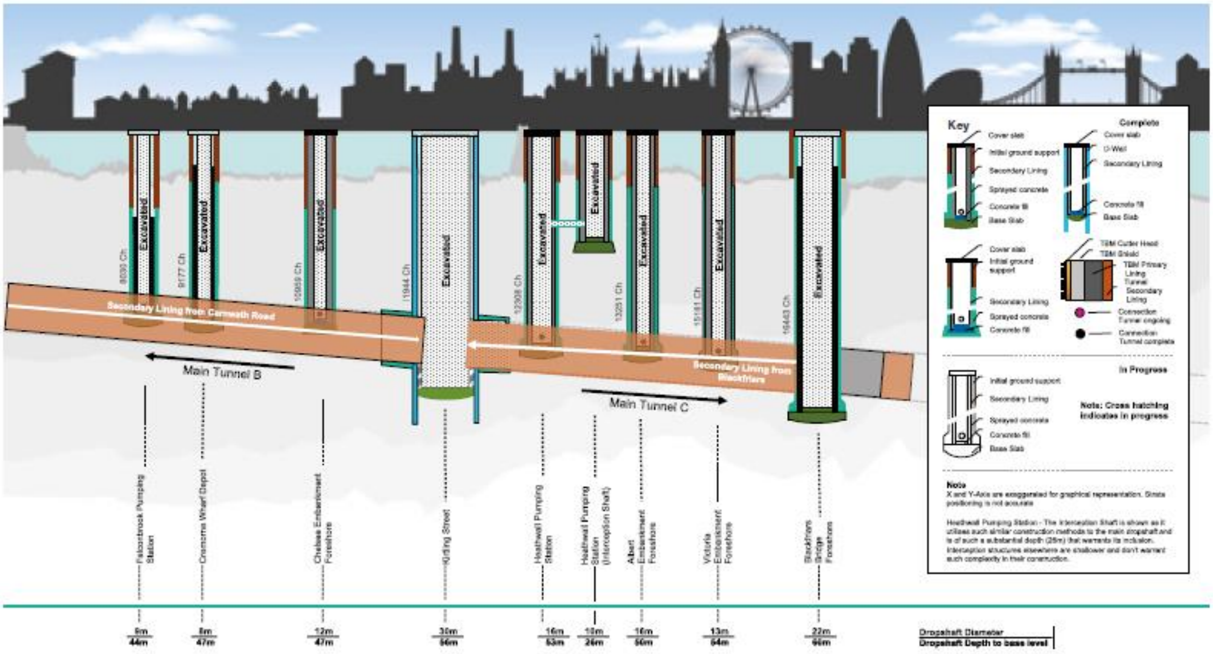
The secondary lining of the Frogmore Connection Tunnel, which runs from King George's Park in Wandsworth, through Tideway's site at Dormay Street, beneath the Thames before connecting to the main tunnel was completed in May 2021. This additional layer of concrete will protect the structure against erosion and increase the design life. Secondary lining of the Main Tunnel A section from Acton to Carnwath Road is now more than 50 per cent complete.

On the surface, works to create new areas of public realm have made good progress. At King George's Park in Wandsworth works have continued to plant the trees that will form the final landscaping of the site and the first signature ventilation column on the project has been installed. The new river wall has started to take shape along the Putney Embankment Foreshore site, where an attractive new piece of public realm will be created on the riverside.

Further highlights included:

- In July 2021, the breakthrough of a 75m connection tunnel at Carnwath Road Riverside into the Central section linked both sections for the first time.
- At Hammersmith Pumping Station a significant part of the site was handed back to the owners in the Autumn, marking the first hand back of Tideway project land.
- The Barn Elms shaft was completed and the shaft cover slab was lifted into place in December 2021.
- Acton Storm Tanks, the secondary lining of the 35-metre deep shaft was completed and works are progressing on the tunnel portal which connects the shaft with the main tunnel.
  A special tree planting ceremony was held at King George's Park in the Spring as part of the Queen's Green Canopy initiative.

Central Area



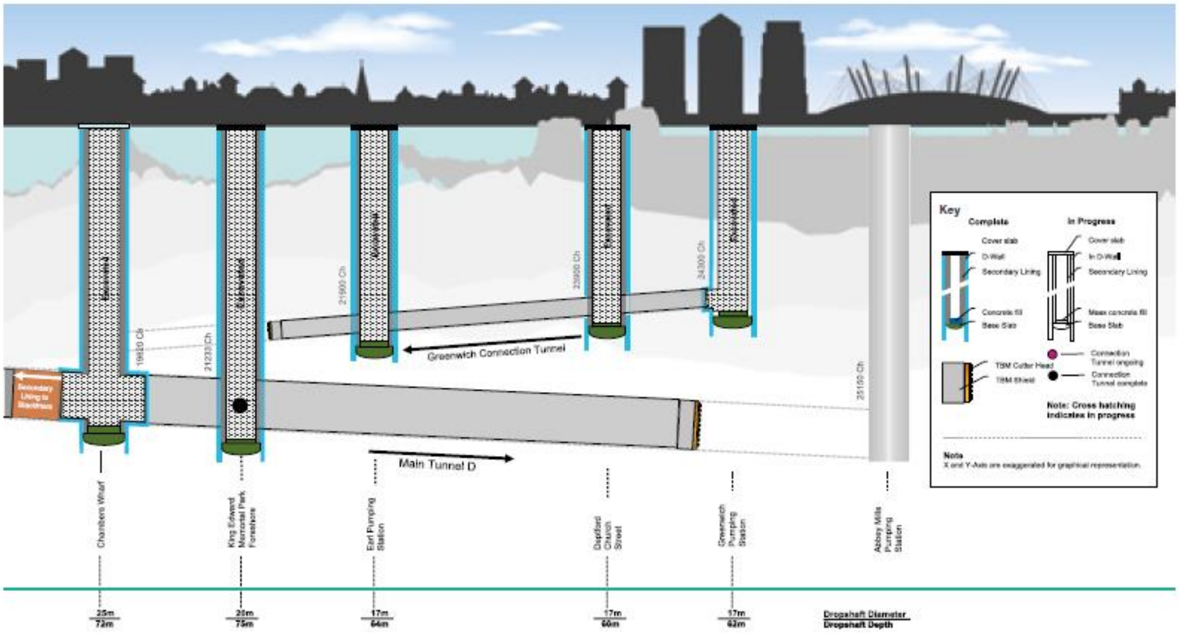
Focus has been on completing the Main Tunnel secondary lining with works completed from Carnwath Road to Blackfriars and works from Chambers Wharf to Blackfriars significantly ahead of the 2021 Baseline. Works have also progressed on installing new river walls for our new areas of public realm at Blackfriars and Chelsea. The full length of the main tunnel was linked following the breaking out of two large grout plugs deep underground at Tideway's Blackfriars Bridge Foreshore site.

At Victoria Embankment Foreshore work to uncover the Low Level 1 Sewer was completed, which formed part of the original Victorian sewerage system. A steel flume was also installed in the existing Victorian system at Blackfriars Bridge.

Further highlights included:

- The secondary lining of the junction where the main tunnel meets the connection tunnel beneath Heathwall Pumping Station was completed.
- Work to connect the existing sewers into the new sewer reached a key milestone at Albert Embankment Foreshore, following the breakthrough of a 30-metre tunnel under Vauxhall Bridge.
- At Victoria Embankment the concrete shaft roof slab was cast which will form part of the new public space to be created at this location.
- Shaft secondary linings were completed at Chelsea Embankment, Heathwall Pumping Station, Albert Embankment and Victoria Foreshore.

East Area



The final two tunnel boring machines (TBMs) on the project completed their underground journeys in April 2022, marking the completion of tunnelling on the project.

TBM Annie broke through the shaft at Chambers Wharf after a 4.5km journey from Greenwich, which included passing through a ‘plunge pool’ created in the shafts by the teams at Earl Pumping Station and Deptford Church Street to ensure safe levels of water pressure.

TBM Selina arrived at Abbey Mills Pumping Station in Stratford after a 5.5km journey underneath a number of landmarks including the world’s oldest river tunnel designed by Marc and Isambard Brunel.

Further highlights included:

- In Spring 2021, the team at Chambers Wharf successfully lifted TBM Ursula to the surface and onto a barge with the help of an 1,800 tonne marine crane. TBM Ursula completed 7.6km of tunnelling after starting her journey from Kirtling Street at the end of 2020.
- In July 2021, the final concrete base slab was successfully poured and set in the deepest shaft, located at King Edward Memorial Park in Wapping.
- The new piece of land at King Edward Memorial Park was approved. Once complete, riverside terraces descending towards the water will allow visitors to get closer to the River Thames.
- Across the duration of waste removal operations from Greenwich Pumping Station, the site has operated at 39.9% waste removal by barge, exceeding their commitment by 9.9%. The site also removed 7,030 HGVs from the road, removing 2,530 more than predicted. Due to this exceedance of commitment, the site has saved a total of 391.56 tCO2e.

Vision, Legacy and Reputation

Objective	We want to maintain a supportive environment for delivering the tunnel and build a positive reputation with our stakeholders. We want to continue to be a responsible business in all that we do and demonstrate our ESG credentials in order to build trust.
Priority	Continue to ensure our stakeholder engagement programme supports efficient delivery of the project
	Evolve the narrative and prepare our 'successful delivery' plan with the end point in mind. Includes engagement with Thames Water to agree a joint approach to communications, engagement and Corporate Responsibility to the end of the project
	Ensure we deliver on our ESG commitments and fulfill our reporting and governance requirements

Measure	Target	Actual
Support from Stakeholders	No material schedule impact as a result of stakeholder intervention	None
Percent of live legacy commitments on track	85%	90%
Apprentices per project staff	1 in 50	1 in 31
Science, Technology, Engineering, Mathematics (STEM) volunteer hours per project staff*	1 hr per 3 FTE	1.8 hrs per 3 FTE
Community volunteer hours per project staff*	1 hr per 3 FTE	3.7 hrs per 3 FTE

*Includes Tideway and MWC staff

Performance

Delivering a positive legacy is essential to the success of the project. We received three awards in recognition of the positive impact of our pan-London ‘river reconnection’ community programmes with London Youth Rowing and Thames21. Our community and STEM volunteering targets were achieved, despite another year where face-to-face events were disrupted by the pandemic.

Legacy

Our legacy programme is organised under five themes – environment; health, safety and wellbeing; economy; people; and place. We have 54 measurable commitments and this year, on average, 90 per cent were on track, against a target of 85 per cent.

Four more of the commitments were fully achieved bringing the total to 15. Firstly, we developed four industry leading initiatives to reduce the risks to vulnerable road users. Our MWCs are providing procurement opportunities and support to SMEs, but due to the advanced stage of the project, formal local market engagement activities are no longer appropriate, hence the associated legacy commitment has been achieved. Tideway’s educational website, Tunnelworks, has been developed although new content is not being added we are ensuring the resources remain available. Finally, our commitment relating to pan-London community investment activities was closed out as most of our ‘river reconnection’ programmes have concluded.

Carbon

Reducing our carbon footprint continues to be a key element of the environment theme of our legacy programme, albeit with more limited opportunities to do so as we near completion. We’re currently below our carbon footprint, although we haven’t completed construction we are not expected to exceed our anticipated carbon footprint. We commenced a project with our supply chain, MWCs and programme manager to better understand the carbon implications of how we procured, designed and constructed the tunnel. This project will complete in 2022/23 and should provide key lessons for future infrastructure projects about how to design, build and measure the carbon impacts associated with major infrastructure assets.

At the end of the financial year we have consumed 64 per cent of the predicted CAPEX (embedded) (Scope 3) carbon, which is in line with our original carbon footprint target. We have recently appointed a carbon consultant to provide third party verification of our carbon data. The assurance process will commence in 2022/23, with findings available thereafter.

	2021/22	
Scope 1 Emissions – Operational (OPEX)	**FY tCO2e**	**PTD tCO2e**
Operation of the tunnel		
Total Scope 1 Emissions	**N/A until operation**	
Scope 2 Emissions		
Grid electricity used by Tideway (Bazalgette Tunnel Ltd) controlled offices at Camelford House and the Cottons Centre	49.4	400.12
Total Scope 2 Emissions	**49.4**	**447**
Scope 3 Emissions		
Construction materials	134,102	425,227
Site accommodation and welfare	811	9,887
Material transport	2,340	15,757
Waste disposal	1,346	4,237
Plant and Machinery	4,283	35,800
Personnel transport	118	3,245
Total Scope 3 Emissions	**143,000**	**494,152**

Note: Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

For the first time, we are reporting a SWOT analysis of our carbon data and methodology in our sustainable finance report . It focuses on our Scope 3 embedded emissions as the vast majority of our carbon forecast of 768,756tCO2e is from the construction of the tunnel. Our Scope 2 emissions from grid electricity used in offices are limited and we will not have Scope 1 emissions until the tunnel is operational.

Ethical Supply Chain

Tideway supports ethical sourcing practices in the supply chain, including:

- Ensuring everyone on the project is paid the London Living Wage (LLW)
- Paying SMEs within 30 days of invoice under the Fair Payment Charter
- Ensuring staff have job security by working under contracts
- Maintaining a strong position on tackling Modern Slavery including having a robust Modern Slavery and Human Trafficking Statement and being signatories to the Gangmasters & Labour Abuse Authority (GLAA) Construction Protocol
- Verified to the Building Research Establishment (BRE) Ethical Labour Sourcing Standard (ELS) (BES 6002).

We are also committed to ensuring that 100 per cent of our key building materials (cement, aggregates, steel) must be certified to either BES6001 Responsible Sourcing of Construction Products, CARES

Sustainable Constructional Steel (SCS) or Eco-Reinforcement as applicable. All timber being used on site must be certified as FSC and/or PEFC standard.

Our supply chain spend to date has reached:

- Around 2000 companies
- 12 UK regions
- 19 London Boroughs

Since Licence Award c93 per cent of our supply chain spend has been within the UK.

Engagement and communication

Tideway proactively communicates with stakeholders and the public about the benefits and progress of the tunnel to maintain a supportive environment and be publicly accountable. This year has been characterised by increased awareness of environmental issues, including the issue of the sewage pollution in UK waterways and this has raised the profile of Tideway's purpose and activities.

We continued to highlight the project's construction milestones, sustainability objectives - including contributing to events at the COP26 summit – legacy activities and financing model, through our communication and engagement channels.

As pandemic restrictions lifted, we were again able to engage stakeholders face-to-face, taking MPs, government ministers and officials, London council leaders, industry bodies and investors on site visits and river boat tours. We continued to hold regular meetings with local residents and stakeholders to explain construction activities and potential impacts. Our 24-hour Helpdesk received 2504 enquiries and 463 complaints (reductions of 39 per cent and 43 per cent respectively, compared with last year).

STEM engagement

Tideway's community investment and STEM programmes supported 12711 people and 148 organisations. As well as our jobs, apprenticeships and training creating a skills and employment legacy, we want to inspire the next generation of engineers and construction workers. Through our STEM engagement programme we engaged 6317 young people, ranging from primary schools close to our sites to masters students at UCL's Bartlett School of Sustainable Construction. Project staff volunteered 1257 STEM hours in the year, or 1.8 hours per 3 FTE per year, above the target of 1 hour per 3 FTE.

Community Investment, Charitable Giving and Volunteering

Our community investment programme marked several important milestones, began new partnerships focused on the environment and gained significant external recognition. Our biggest single investment, the new Sands End Arts and Community Centre in Fulham, opened in March 2021.

Two pan-London partnerships, designed to support our vision to reconnect Londoners with the Thames, concluded. Active Row, with London Youth Rowing, engaged almost 7,000 young people in indoor and on-water rowing, 68 per cent of them from a minority ethnic background and 42 per cent female. The Thames Discovery Programme, with the Museum of London Archaeology, engaged 2,000 young people in river history on the foreshore and in the classroom and 30 budding archaeologists gained heritage skills certificates. A third 'river reconnection' partnership, Thames River Watch with Thames21, entered a new three-year phase with joint funding from Tideway and Thames Water and with a focus on recruiting volunteers from diverse backgrounds and groups who are poorly represented in the environment sector.

We launched two programmes to bring communities closer to nature and preserve their local environment - funding for the Creekside Discovery Centre in Deptford Creek to run land and low-tide walks, wildlife mapping projects, family fun days and certificated courses in creek know-how; and for Groundwork London's 2022 Our Space Award, which gave grants to 27 projects across London to 'clean and green' their communities. We offered a new community fund for Wandsworth, where we have six construction sites, giving grants to charities and social enterprises supporting young people, families in food poverty and vulnerable groups.

Tideway gave £27,325 in charitable donations, including £10,000 to the British Red Cross to support refugees in Ukraine and around the world. Collections of items to send to Ukraine refugees were held at multiple sites. There were also £16,387 worth of in-kind donations and £25,183 in donations from staff fundraising.

- Winner, Business Contribution of the Year, 2021 London Sports Awards – Tideway and LYR for Active Row.

- Silver Award, Best Alignment of Brand Values, 2021 Corporate Engagement Awards – Tideway and LYR/Thames21 for ‘river reconnection’ partnerships.
- Highly Commended, Social Purpose category, 2022 UK Sponsorship Awards – Tideway and LYR for Active Row.

Case study – Sands End Arts and Community Centre

The new Centre, near Tideway’s Carnwath Road site, was built with capital funding from Tideway’s Community Investment Programme and has also been supported through staff volunteering and donations. Officially opened in March 2022, the Centre has a main hall, function rooms and the Walnut Tree Café - which uses equipment and employs staff from the former café at Tideway’s London Bridge office.

Tideway worked very closely with Hammersmith and Fulham Council on the project, providing support through staff volunteering, staff donations, assistance with recruitment, a staff member appointed as a trustee and other professional advice.

Greta Chaffer, 82, from Parsons Green, attends the weekly Active Minds art sessions with her husband Martin, 87. Part of a Hammersmith & Fulham public health programme organised by H&F Dementia Action Alliance (HFDAA), the 10-week course at the Sands End Arts and Community Centre is offered free to the whole community. It is designed to be ‘dementia friendly’. The wide smiles and sense of accomplishment of those creating drawings, paintings and prints tells a story of the power of art to support learning and wellbeing at any age.

“I am so grateful that Martin has the opportunity to get out and do something he enjoys and which stimulates him. It’s wonderful for me, too - I am a 24/7 carer and it gives us both some variety in our week, as well as giving us the chance to use art to express ourselves and - even now - to learn.”
Greta Chaffer, member of the Society of Fulham Artists and Potters

“The SEACC is a fantastic legacy for Tideway and we are confident that it will offer opportunities for all members of the community in Sands End and beyond to get involved.”

Andy Mitchell, Tideway CEO

Company and People

Objectives	Deliver effective organisation change in line with project requirements. Continue to support a high-performing, motivated and engaged workforce which will deliver better value and help us retain key skills.
Priority	Continue to manage the capabilities of the organisation to support and encourage efficient delivery through a motivated and empowered team and deliver restructuring activities in line with project requirements.

Measure	Target	2021/22	2020/21	2019/20	2018/19	2017/18
Employee diversity* (percentage of women within Tideway at 31 March	40%	36%	36%	36%	34%	36%
Preserving a values driven, skilled, diverse and engaged workforce	Subjective*	Green	Green	Green	n/a	n/a

*We assess our performance based on a number of indicators, including engagement survey and demographic data and agree our assessment with our Remuneration Committee

Performance

We wanted to understand how our people were feeling and responding to the second year of the pandemic so instead of our usual engagement survey we ran a tailored engagement and wellbeing survey, incorporating a selection of key questions. The results were encouraging and helped us understand how to adapt to hybrid working and the Company restructure in the previous year and still meet the requirements of the latter stages of the project.

"Tideway has an excellent work culture in which everybody's views are valued and respected, and a generally positive and cooperative environment."
Staff Engagement & Wellbeing Survey 2021

Whilst we missed our 40% target for women on the project through our practices and employee network we continue to focus on initiatives to attract and support women working on the project; blind recruitment, mentoring, coaching, targeted development initiatives.

Question	% 2021/22 Favourable	% 2020/21
Tideway is open and honest in its communications with employees	90	85
I am treated with respect as an individual	94	93
Tideway values and promotes diversity	96	89

Diversity and Inclusivity

Tideway's active staff networks LGBTQ+, Gender, Race, Disability and Carers continue to help drive our diversity and inclusion work. Tideway was shortlisted for the third year in a row at the British LGBT annual awards as one of the 'Top 10 Inclusive Companies'. The awards celebrate the campaigners and allies who have made a positive impact on the LGBTQ+ community during the past 12 months, with the winner to be announced this August. Tideway was shortlisted based on the numerous ways that the company prioritises inclusivity, with particular reference to Encompass, the staff-led network that works to make Tideway and the wider construction industry more inclusive for its staff.

"I am thrilled that Tideway is shortlisted at these fantastic awards for the third year in a row. As part of Encompass, the network has continually developed our inclusion philosophy through numerous activities and events which has shown us to be a leading company in the construction sector."
Steve Hails, Executive Sponsor for the LGBT+ Encompass network

We were pleased to see our employee engagement score question, 'the company values and promotes diversity' return to the 2019 high of 96 per cent.

Women into Construction (case study)

We have supported our legacy commitment to increase diversity through our partnership with Women into Construction to promote women into work placements and jobs on site. WiC engaging with more than 300 women about a variety of roles including traffic marshals, crane operators, and tunnelling and site engineers. Where job opportunities were not available on completion of placements, many used their experiences to find employment elsewhere.

Tideway supported WiC's 'Moving on Up' project, which aimed to develop best practice and enable companies to increase gender diversity and address the gender pay gap. Tideway's labour-only suppliers Danny Sullivan Group, VGC Group and Reliable Contractors were active participants, encouraging retention and progression of women, as well as assisting nine women currently in low-paid roles to access coaching and further training to develop their careers.

As Tideway is nearing completion, we also wanted to leave a legacy for the industry. With WiC we created a Diversity Matrix that helps contractors develop their diversity plans to support recruitment, retention and progression of women in the workplace.

"WiC secured me two weeks work experience on site, where I assisted the engineers in their everyday tasks. This experience gave me confidence and encouraged me to pursue a career in the construction industry. Following the work experience, I was offered the position of Environment Lead and I am very proud to be part of this fantastic project".
Efrat Shabat Hadas, Site Environmental Lead, FLO Joint Venture.

Headcount as at 31 March*	2018 Female	2018 Male	2018 Total	2019 Female	2019 Male	2019 Total	2020 Female	2020 Male	2020 Total	2021 Female	2021 Male	2021 Total	2022 Female	2022 Male	2022 Total
Board**	2	11	13	2	11	13	1	12	13	1	12	13	1	12	13
Senior Management	20	33	53	18	22	40	19	23	42	14	21	35	14	17	31
Other Employees	153	271	424	128	250	378	125	226	351	109	191	300	90	168	258
Total *	**175**	**315**	**490**	**148**	**283**	**431**	**145**	**261**	**406**	**124**	**224**	**348**	**105**	**193**	**298**

* *Includes Tideway employees and our project management contractors (Jacobs) and Shareholder Directors*
** *Includes shareholder Directors*

Talent

We were delighted that all three Joint Ventures on the Tideway project were recognised at the New Civil Engineer Tunnelling Awards including wins in the Tunnelling Team and Young Tunneller of the Year categories.

Ignacio Tognaccini Sainz working on the central section of the 'super sewer' was named young Tunneller of the Year. Ignacio's win followed Dimple Parmar claiming Degree Apprentice of the Year at NCE's Graduate and Apprentice Award.

We annually review our succession plans to understand our strength at a senior leadership team level and identify and support individuals who have potential to progress further within the organisation. This regular health check ensures we have appropriate plans for key roles. As the organisation reduces in size, in line with project requirements, we continue to support individual career aspirations internally and externally.

Financing

Objective	We aim to deliver efficient sustainable financing and financial risk management, which minimises our cost of capital and supports our investment grade credit rating.
Priorities	Maintain the Company credit rating and deliver shareholder distributions in line with the financing plan Maintain strong liquidity position To achieve appropriate regulatory treatment of COVID19 impacts and an improvement in the FCA mechanism

Measure	Target	Actual
Company credit rating	Baa1/ BBB+	Baa1/BBB+
Distribution	Achieve 2021/22 financing plan	Deferred for Q1 & Q2, but resumed in Q3
Liquidity	12 months liquidity	38 months liquidity
Covid-19 and FCA	Acceptable treatment on COVID19 cost and schedule and the FCA	Achieved

Performance

We achieved most of our financing priorities for the year with the exception of distributions. These were deferred for the first half of the year due to the continued uncertainty on cost and schedule arising from the impact of Covid-19 and the uncertainty as to the regulatory response, but distributions were re-instated in December 2021 following clarity on the treatment of Covid-19 and a regulatory financing mechanism (Financing Cost Adjustment) which have led to licence modifications.

Debt covenants remain healthy and fully compliant with Net debt/Adjusted RCV (gearing) at 62.7% (covenant is maximum 70%) and Interest Coverage Ratio at 4.45x (covenant is minimum 1.3x) as at 31 March 2022.

Cash and liquidity continued to be managed effectively and prudently, in accordance with our Investment Management Strategy.

Treasury Policy

Tideway's treasury policy incorporates the corporate objective to finance the company while minimising risk. Our target is to maintain a robust investment grade credit rating. We manage our financing activities within the parameters set in the Government Support Package, the financing documents and the Licence.

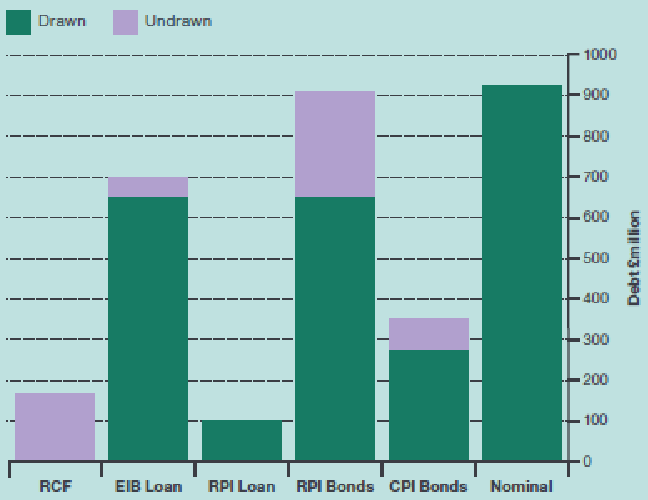
Financing Activity

In March 2022 we issued a £300m 12-year green bond in the public sterling market and with these additional funds, Tideway has reached a point of financial resilience, where sufficient liquidity has been secured to cover the costs to the project handover.

The maturity of the Revolving Credit Facility (RCF) was extended by a further year to January 2027. As a sustainability-linked loan it includes a rebate linked to a sustainability key performance indicator (KPI) of meeting at least 85 per cent of the live legacy commitments. This year we exceeded the target by meeting 90 per cent of the live commitments. The savings were used to partly fund Tideway's contribution to Our Space Awards for London communities to green their neighbourhoods. The RCF remained undrawn during the year.

Following the latest debt issuance, Tideway has secured total committed debt funding of £3,143m. Of these committed debt facilities, £2,618m has been settled and the funds have been received, and £525m is still undrawn.

Debt £m	RCF	EIB Loan	RPI Loan	RPI Bonds	CPI Bonds	Nominal Debt	Totals
Drawn	-	660	100	658	275	925	2,618
Undrawn	160	40	-	250	75	-	525
Total	**160**	**700**	**100**	**908**	**350**	**925**	**3,143**



Our multi-format debt platform supports the raising of long-term debt via structural enhancements that include a bankruptcy-remote structure and a package of covenants and restrictions protecting cash flows. The debt platform includes a multi-currency bond programme, which is listed on the regulated sustainable market of the London Stock Exchange.

Given the discontinuation of Libor from January 2022, we agreed the transition of our LIBOR-linked transactions in the second half of the year and all necessary amendments have been finalized with the relevant external counterparties.

Sustainable Financing

Our sustainable financing strategy aligns Tideway's financing both with the long-term target of cleaning the river and with the significant ESG efforts during construction which have been captured in Tideway's

legacy commitments. All bonds issued to date are green and are listed in the London Stock Exchange Sustainable Bond Market. Tideway's total green debt issuance stands at £1,883m, which includes the bonds and a £75m green US private placement. The £160m RCF is structured as a sustainability-linked loan.
The sustainable financing strategy is supported by the Sustainable Finance Framework which was updated in February 2022. It is aligned with the International Capital Markets Association (ICMA) Green Bond Principles and the Loan Market Association (LMA) Green Loan Principles, as well as with the Loan Market Association Sustainability Linked Loan Principles. It is available on our website https://www.tideway.london/media/5452/tideway-sustainable-framework-2022.pdf]

Our Sustainability Report combines our previous Sustainable Finance and Climate-related Financial Disclosure reports. This report shows the progress against our legacy commitments and is aligned with the United Nations Sustainable Development Goals at target level. It also includes information for investors on the allocation of proceeds and impact of the project in line with ICMA's Green Bond Principles and LMA's Sustainability-linked Loan Principles as well as describing how our climate change disclosures align with the Taskforce on Climate-related Financial Disclosures (TCFD).

Our bond programme and the bond series issued under it are covered by a Green Transaction Evaluation from S&P Global ratings which was updated in February 2022 giving us an Environmental benefit score of 95/100 and a governance and reporting opinion rated as advanced. It is published on our website published on our website.

Hedging

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 and £70m of the £300m US Private Placement notes. These transactions were completed in previous financial years and no swaps were executed in 2021/22.

Distributions

At Licence Award our shareholders committed a total of £1,274m in the form of £509.7m in equity and £764.5m as shareholder loans. This amount has been fully injected into Tideway and investments are being debt financed now. As a result, our gearing is increasing to our target capital structure as we deliver our investment programme and risks are gradually retired.

Prior to System Acceptance, Tideway will not generate distributable profits and as such it will not be able to pay dividends to its shareholders. As a result, during construction Tideway's shareholders receive a cash return on their investment through a combination of payments of interest on the loan and partial repayments of those loans, which now stand at £799.5m. This mechanism was put in place during the Infrastructure Provider equity procurement process run by Thames Water and overseen by Ofwat and the UK Government and was key to achieving the low cost of capital bid by our shareholders. Ultimately, Thames Water's wastewater customers benefit from the low cost of capital achieved through the procurement through a lower charge in their bills.

Tideway deferred the distributions in Q1 and Q2 as a result of the company recognising the continued uncertainties caused by the Covid-19 disruption and the uncertainty as to the regulatory response. Following the Ofwat consultation on this matter and the clarity provided around the treatment of the Covid-19 related costs and the regulatory mechanism called the Financing Cost Adjustment, distributions were resumed in Q3. The total distributions paid in the year were £29.7m and £79.1m were capitalized and added to the shareholder loans taking the overall balance to £799.5m.

Liquidity

At 31 March 2022, we had total liquidity of £1bn, comprising £476m of cash, the £160m undrawn RCF, the £40m undrawn part of the EIB loan and £325m of undrawn bonds. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12-month target, including all liquidity required to the project handover.

Credit Ratings and Environmental, Social and Governance Assessments

Fitch affirmed the credit rating at BBB+ with stable outlook. Moody's maintained the Baa1 rating and changed Tideway's outlook from negative to stable following the conclusion of Ofwat's consultation on certain licence changes addressing the impact of Covid-19 and the FCA.

S&P Global Ratings completed an updated Environmental, Social and Governance Evaluation of Tideway in January 2022. Tideway achieved a score of 76/100, a two-point uplift from the previous assessment done in 2020. Our workforce and diversity, safety management and transparency and reporting were rated as strong. Our environmental and social scores are above the industry average and our governance score is in line with the industry.

Investment Management

We maintained substantial cash balances throughout the period, averaging £353m per daily close. We managed these cash balances by adhering to the set limits and criteria of our approved investment management strategy, prioritising the preservation of principal, ensuring adequate liquidity and striving to optimise the yield.

The amount of shareholders' funds paid in and the debt drawn to date led to us benefiting from substantial cash balances throughout the period, averaging £445m per daily close. We managed these cash balances by adhering to the set limits and criteria of our approved investment management strategy, prioritising the preservation of principal, ensuring adequate liquidity and striving to optimise the yield.

Financial Performance Review

Accounting Policies

Our financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and our key accounting policies are outlined in note 1 to the financial statements.

During the construction phase of the project, expenditure which is directly attributable to bringing the Thames Tideway Tunnel into its intended use will be capitalised as an asset under construction within the Statement of Financial Position. Similarly, during the construction phase, any regulated revenue amounts received from Thames Water, will be deferred onto the Statement of Financial Position. This is because the performance obligation for recognising these amounts as revenue in the Income Statement will not be met until the tunnel is operational and being used by Thames Water. Post System Acceptance we consider that accounting for the Thames Tideway Tunnel as a finance lease is the most appropriate accounting basis under IFRS.

Non-GAAP Measures

In our financial reporting, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP). We believe these measures are valuable to the users of the accounts in helping them understand our underlying business performance. Our principal non-GAAP measure is Allowable and Excluded Project Spend.

Under our Licence, our costs are classified as either 'Allowable Project Spend' or 'Excluded Project Spend'. Allowable Project Spend (on a cash basis) is added to our Regulatory Capital Value (RCV). Excluded Project Spend (on a cash basis), such as financing costs, is not added to the RCV.

Allowable costs are stated on an accruals basis, which form part of the Allowable Project Spend when the underlying assets or liabilities are cash settled. Excluded costs are costs stated on an accruals basis which will be Excluded Project Spend when the underlying assets or liabilities are cash settled.

For the purposes of calculating net debt, borrowings include all intra-group and third-party borrowings with the exclusion of shareholder loan notes.

Income Statement

During the year Tideway reported a loss of £10.9m (2020/21: £6.0m profit), with no dividends paid or proposed (2020/21: £nil). 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).

We do not consider that the reported profit in the year reflects our business performance, as it results from the movement in the fair value in the Company's derivative financial instruments. These are long-term swaps which we entered into with commercial banks to economically hedge the interest costs of the Company's debt. The swaps fix finance costs for the Company's regulatory period 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 International Accounting Standards (IAS) 23, these do not represent current borrowing costs incurred for financing the project and so, unlike our other expenditure, cannot be capitalised. Note 11 to the financial statements provides more detail on the financial instruments.

We have made a 'disregard election' to HMRC which means that any gains or losses arising from the movement in the fair value will be disregarded for current tax purposes (the Tax section later in this Financial Performance Report provides more details).

Statement of Financial Position

At 31 March 2022, costs of £4,016.9m were capitalised within the asset under construction in the Statement of Financial Position. This represents £785.8m costs during the year and £3,231.1m for the prior periods to 31 March 2021.

Further details on how this expenditure is analysed into Allowable Project Spend and Excluded Project Spend can be found in the Bazalgette Tunnel Limited Annual Report available at www.tideway.london.

Net Debt and Financing

Net debt at 31 March 2022 was £2,446.2m, which was £735.2m higher than the £1,731.0m net debt at 31 March 2021.

Cash and cash equivalents at 31 March 2022 were £354.5m, which was £11.8m higher than the £342.7m cash and cash equivalents at 31 March 2021.

At 31 March 2022, the Group's total borrowings excluding shareholder loans were £2,797.3m and lease liabilities outstanding totalled £3.4m. Shareholder loans outstanding at 31 March 2022 were £799.5m. In addition, the Group has secured deferred loans of £40.0m 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.

Financial Key Performance Indicators (KPIs)

Under its Common Terms Agreement (CTA), Tideway must comply with a set of financial covenants including to calculate two key ratios, Senior Regulatory Asset Ratio (Senior RAR) and Funds from Interest Cover Ratio (FFO ICR) and report compliance with certain thresholds in specified circumstances. The performance of the two ratios for 2021/22 are provided in Tideway's Annual Report within the Financial Performance Review. .

Revenue

Within the financial statements, all regulated revenue is deferred in the Statement of Financial Position, in line with our revenue recognition accounting policy. During the year, we received cash inflows of £72.9m (2020/21: £68.9m) from revenue, which includes some revenue from prior years.

Tax

The Directors are responsible for ensuring that we comply with tax laws in the UK, which is the only territory we undertake our business activities in. We are committed to complying with tax laws in a responsible manner and to having open and constructive relationships with the tax authorities.

The scope of our business activities in the UK mean that we are subject to the scope of corporation tax, employment taxes, Value Added Tax (VAT) and other taxes such as environmental levies related to our project activities. Consequently, the Directors are responsible for ensuring that we calculate, collect and pay the appropriate taxes to HM Revenue & Customs and as a result the taxes we pay make an economic contribution to the UK. We believe we are compliant with all applicable UK tax legislation and pay the correct taxes on time and in full.

During the construction phase of the project, we anticipate that we will not pay any Corporation tax. This is because the tunnel we are building is an asset that will not be ready for economic use until it is fully operational. The System Acceptance date is when the asset is transferred to Thames Water. The significant amounts of expenditure we incur in construction go towards the development of that asset.

We do receive regulated revenue payments from Thames Water during the construction phase, however we do not recognise these as revenue in the Income Statement. This is because the performance obligations for recognition of this revenue will not be met and fulfilled until the System Acceptance date. This effectively means the recognition of revenue is matched to the same period where economic value can be obtained from the tunnel.

Our Income Statement does recognise profits and losses from the valuation of derivative financial instruments. As a result of the potential volatility of such items and because they are forward looking in nature, HMRC allows companies to take an exemption which effectively removes them the calculation of taxable profit or loss.

As a result of the accounting implications of the above, our Income Statement is unlikely to have taxable profits during the construction phase. This is in line with expectations at the time Tideway was procured and customers benefit in full from lower bills as a result of this. In the post construction taxation periods when the Tunnel asset is fully operational, we expect this position to change.

Tax Strategy

Tideway's commitments on tax and adherence to them are underpinned by the tax strategy which is based on the following principles:

1) Tax planning and compliance: We will engage in tax planning that supports our business and reflects commercial and economic activity. We will not engage in artificial tax arrangements and will adhere to relevant tax laws and seek to minimise the risk of uncertainty or dispute. Tideway is part of the Bazalgette Equity Limited Group, of which all members are domiciled in the UK. We consider the interaction with company members when we implement our tax policies.

2) Relationship with HM Revenue & Customs (HMRC):
We will seek to build and maintain a constructive relationship with HMRC. We will work collaboratively wherever possible with HMRC to resolve disputes and to achieve agreement and certainty. We will engage with the government on the development of tax laws where we can and where the tax law change is relevant to Tideway's business activities.

3) Transparency: We support measures that build greater transparency, increase understanding of tax systems and build public trust.

4) Tax risk management: We identify, assess and manage tax risks and account for them appropriately. Risk management measures are implemented including controls over compliance processes and monitoring of effectiveness.

5) Governance: The Chief Financial Officer (CFO) is responsible for and implements our approach to tax, which is reviewed and approved by the Audit Committee. The CFO is also responsible for ensuring that appropriate policies and procedures are in place and maintained and that the financial control team, with specialist external support as necessary, has the appropriate skills and experience to implement the approach effectively.

The publication of this strategy is considered to constitute compliance with the duty under paragraph 16(2) Schedule 19 Part 2 of the UK Finance Act 2016.

Risk Management

Our ability to deliver positive outcomes for our stakeholders depends on our risk management which is embedded in our culture and is central to achieving our objectives and priorities.

We have implemented a framework which gives us a defined process for identifying, analysing and controlling both corporate and project delivery risks. We actively monitor risks held on our 'Active Risk Manager' database. This includes quantification of project risks, and the potential cost and impact to the schedule and allows us to challenge the effectiveness of our mitigating actions.

Risk Management Framework

Our risk management approach ensures that we monitor and review the external environment and the uncertainties we face to ensure that we can respond appropriately to external changes, mitigate risks where we can and keep our project on track. We consider the emerging issues that may impact the project's future as part of our annual business planning.

The Board Risk Committee reviews our principal risks and risk management processes and reports its findings to the Board. It considers:

- Corporate risks, those that might impact on the financial and reputational viability of the company.
- Programme risks, which impact the physical delivery of the tunnel and associated works.
  Principal risks, which bring together the corporate and programme risks that have the potential for the most material impact on the business.

The Board Risk committee is supported by a Corporate Risk Committee and an Executive Risk Committee that considers the programme risks across the West, Central and East areas as well as System Integrator and System Commissioning risks.

The Compliance and Assurance Review Group (CARG) is a CEO-led group focused on reviewing the Company's activities, both as the client or through the PM and MWCs. It applies the three lines of defence model, to review the appropriateness and compliance with our controls and assurance activities.

Principal Risks

We assessed our principal risks regularly, updated our mitigations throughout the year and implemented changes to manage our risk exposure. We considered whether there were material changes to increase or decrease our risk exposure.

During the year the risk level of four risks were reduced and we retired one principal risk - the Financing Cost Adjustment risk. The FCA was removed as we agreed an adjustment to the regulatory mechanism via a licence change coming into effect on 8 March that balanced the interests of customers and shareholders.

Our Risk Appetite

Tideway's risk appetite remains unchanged. To manage the risks we face, we define our risk appetite, which is the level of residual risk that we are ready to take. Although this appetite recognises the agreements that underpin our delivery model, such as our Licence and the Government Support Package, our Board can further refine the residual risk through the strategies it sets.

Tideway's risk policy is to target an overall Company risk profile consistent with an independent UK regulated water company. This reflects our Board's risk appetite which is low and the importance of resilience. The Board's appetite for risk has been at the core of the main strategic decisions that it has taken to date.

Climate Related Financial Disclosures

Tideway recognises the importance and supports the Task Force on Climate-related Financial Disclosures (TCFD). We are committed to ensuring that our climate disclosures align with TCFD recommendations. In our Sustainability Report, we have made disclosures consistent with TCFD recommendations for ten of the eleven recommendations. Given the nature (with most of carbon footprint during construction) and the advanced stage (77% complete as of March 2022) of the project, Tideway is not able to fully comply with recommendation 2. c) namely the inclusion of a 2°C or lower scenario although we include a description of the resilience of the organisation's strategy, taking into consideration different climate-related scenarios (using UK Climate Projections) and population growth. These are discussed in our Sustainability Report.

Risk Management *Principal Risks*

1 HEALTH, SAFETY & WELLBEING

OVERALL

Description

The health, safety and wellbeing of our employees and the public is paramount. There is a risk that incidents could cause harm to individuals and delay progress.

Effect

A safety failure could cause injury, affect health and wellbeing or lead to loss of life. A single serious event or multiple events could also lead to delays or stoppages that could prevent us meeting our time and cost targets.

Mitigation

Our RightWay programme, aligned to the delivery programme, includes the RightStart approach with the very best facilities and arrangements on-site.

We are also continuing and developing our EPIC programme, mandated for all people working on our sites.

Several working groups have been established to identify how to manage emerging risks associated with MEICA works, increased interaction with TWUL networks and A&L e.g. Safe Asset Access Working Group a collaborative forum of MWC, TWUL, PM and Client.

Relevant Objective

HEALTH, SAFETY & WELLBEING

Commentary

NO CHANGE IN RISK LEVEL

MARINE

Description

There is a risk that a single marine incident could lead to multiple persons being affected or harmed and delay progress.

Effect

A safety failure could cause damage to third party assets, injury, affect health and wellbeing or lead to loss of life. A single serious event or multiple events could also lead to delays or stoppages that could prevent us meeting our time and cost targets.

Mitigation

Tideway continues to monitor marine risks and has implemented a Marine Assurance Plan and marine safety action plan. Inspections and surveillance both on vessels and from riverbanks and bridge ensure compliance with Tideway requirements.

Relevant Objective

HEALTH, SAFETY & WELLBEING

Commentary

NO CHANGE IN RISK LEVEL

2 PROGRAMME DELIVERY

Description

We are delivering a capital investment programme of £4.3bn. While there is experience of delivering similar projects in London, it is possible that the construction could take longer than planned and/or cost more.

Effect

A delay in delivering the tunnel would delay Londoners' benefits from the project and could attract regulatory enforcement. Cost increases above the regulatory baseline would increase charges to those customers receiving wholesale services from Thames Water, increase financing requirements and reduce returns for our shareholders.

Mitigation

Our approach to working with our contractors will help us to deliver the programme on time and to budget.

This includes:

- World-class contractors, with experience of major infrastructure/tunnelling projects in London.
- Contracts that transfer certain risks to our contractors that they are better placed to manage.
- An integrated, proactive approach to risk management. A thorough approach to and preparation for new activities.
- Commercial settlements to ensure MWCs teams remain focused on delivery.
- Tideway continues to pursue schedule opportunities and cost savings across the programme. In dialogue with contractors. It has been revising its cost estimates to reflect the current position on the project.

Relevant Objective

SCHEDULE, COST & QUALITY
FINANCING

Commentary

NO CHANGE IN RISK LEVEL

* The change in risk level is in comparison to last year*

3 SUPPLY CHAIN FAILURE

Description
Our delivery strategy is based on outsourcing works. Our ability to deliver therefore depends on our contractors' performance.

Effect
If our contractors do not deliver at the standards we expect, we may not be able to deliver our investment programme on time and on budget.

Mitigation
The procurement process ensured our contractors were technically excellent and financially strong, and limited our exposure to any one contractor. Within each consortia the contractors are joint and severally liable; the contracts also contain step-in rights, whereby one consortia could replace another, which helps mitigate against financial failure.

Relevant Objective
SCHEDULE, COST & QUALITY

Commentary
REDUCED EXPOSURE

Reflects the advanced nature of the project, procurement approaching 90% complete whilst we still recognise there exist severe pricing pressures for materials and commodities in part due to inflationary issues.

4 HILP – HIGH IMPACT, LOW PROBABILITY EVENTS

Description
Major investment programmes are complex and challenging, and we could suffer incidents that were highly unlikely but have a significant impact. These could affect the tunnel or assets belonging to others.

Effect
HILP events could have a significant effect on cost, schedule, health and safety or our reputation. Their financial impact could exceed our insurance cover, damaging our financial position and our ability to deliver the tunnel.

Mitigation
We minimise the chance of these events occurring by using best-in-class design, programme management and appropriate construction techniques. Our contractors have extensive experience of similar projects in London and conduct detailed Readiness Reviews before the commencement of major activities. We also mandate compliance with the Joint Code of Practice for Risk Management of Tunnelling Works in the UK. In the unlikely event that we make a claim that exceeds the limits of our insurance, the GSP provides support. With Tideway reaching the end of tunnelling approximately half of the HILP risks have now been retired.

Relevant Objective
HEALTH, SAFETY & WELLBEING
COMPANY & PEOPLE
SCHEDULE, COST & QUALITY
FINANCING
VISION, LEGACY, & REPUTATION

Commentary
NO CHANGE IN RISK LEVEL

5 CREDIT RATING RISK

Description
Adverse operational or financial performance, or factors external to the Company, could result in a credit rating downgrade.

Effect
The loss of an investment grade credit rating would affect our ability to raise debt, prevent distributions and would be a breach of our licence.

Mitigation
We have a robust delivery model, within a regulated framework, and a GSP.

We maintain a conservative financial profile and actively manage risks. We regularly engage with rating agencies. The credit ratings remain two notches above licence and financing documents covenants.

Relevant Objective
FINANCING

Commentary
NO CHANGE IN RISK LEVEL

6 INFLATION RISK

Description
There is a risk of inflation that is lower than assumed in our business plan or that the Retail Price Index (RPI) reform impacts Tideway's business.

Effect
Our RCV is indexed to RPI until 2030, and lower inflation would reduce nominal cash-flows and returns which are directly linked to RPI.

Mitigation
Tideway has issued 70% of its long-term debt indexed to RPI and Consumer Prices Index (CPI). Reductions in revenue due to low inflation would therefore be partially offset by reductions in interest cost. The resulting correlation between nominal RCV and nominal debt will help to protect interest cover ratios and equity returns. The current level of inflation has reduced the risk in the short term.

The RPI reform will be implemented from 2030 with RPI converging to CPIH, at which time Tideway's licence will have transitioned to CPIH indexation, with the similar timetable to transition into CPIH being a positive development for Tideway.

Relevant Objective
FINANCING

Commentary
REDUCED EXPOSURE

A reduced risk due to current inflation levels and forecasts.

7 REPUTATION RISK

Description
We are particularly focused on the risk that poor performance on our sites, on the river or with our neighbours could damage our reputation and support.

Effect
The loss of support from our neighbours or consent granting bodies could lead to delays and higher costs.

Mitigation
We actively develop relationships with key stakeholders. For example, through our CLWGs we seek to find the best ways of addressing neighbours' concerns, in advance of works happening.

The More by River strategy uses the river wherever feasible to ease congestion and to promote the use of the river.

We have established the Tideway brand as part of our efforts to build trust and communicate the legacy and long-term benefits we aim to deliver.

Relevant Objective
COMPANY & PEOPLE

VISION, LEGACY & REPUTATION

Commentary
NO CHANGE IN RISK LEVEL

8 THAMES WATER PERFORMANCE

Description
Thames Water is a key partner for Tideway. We have a number of important interactions with Thames Water, including its delivery of the Thames Water Works during the construction period, the Handover and Acceptance process and in the operational period.

Thames Water also passes revenue through to Tideway.

Effect
Thames Water's failure to deliver its share of the works could affect our ability to deliver our investment programme on time and on budget.

If Thames Water does not comply with the Revenue Agreement, it could have a financial impact.

Mitigation
Tideway and Thames Water have worked closely together through all key milestones to date and have developed a joint approach to System Commissioning, Handover and Acceptance.

The Alliance Agreement has incentivised Thames Water to help us deliver the programme.

Thames Water is also incentivised to deliver its share of the works in a timely manner, through its regulatory settlement. Joint Rehearsal of Concept exercises for commissioning, handover and acceptance periods have been undertaken with more scheduled; these provide early identification of future issues. We have worked with Thames Water to develop and agree updated arrangements for managing the revenue process.

Relevant Objective
SCHEDULE, COST & QUALITY

Commentary
REDUCED EXPOSURE

Positive developments in engagement and planning.

** The change in risk level is in comparison to last year**

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Relevant Objective

SCHEDULE, COST & QUALITY

Commentary

REDUCED EXPOSURE

Positive developments in engagement and planning.

9 REGULATORY AND POLITICAL RISK

POLITICAL CLIMATE

Description

Policy changes pursued by the Government may have legal, regulatory, reputational and relationship impacts on Tideway.

Effect

Increased political and public focus on river pollution and sewage discharges could increase scrutiny of Tideway.

Any institutional reforms could affect Tideway's relationship with key stakeholders such as Defra and/or its legal and regulatory environment.

Brexit is leading to changes in government and regulatory oversight, and potentially to legislation impacting the Tideway project. Gaps in scope or implementation of post-Brexit arrangements could generate legal/regulatory uncertainty.

Mitigation

Mitigations include information gathering and relationship building with political stakeholders, legal horizon scanning, and Defra/Ofwat engagement.

Relevant Objective

SCHEDULE, COST & QUALITY

FINANCING

Commentary

NO CHANGE IN RISK LEVEL

REGULATIONS

Description

Tideway must comply with regulatory requirements, including those in our licence granted by Ofwat. We also aim to meet other regulatory expectations, such as those set out in Ofwat's Vision and Strategy.

Effect

If we do not meet Ofwat's requirements, we could face enforcement including financial penalties or the loss of our licence. Failure to align with regulatory expectations could damage Tideway's relationship with Ofwat and other key stakeholders.

A revised regulatory framework could affect financial performance and investors' returns.

Mitigation

Tideway's focus is on compliance, high performance, and positive regulatory relationships. We have considered carefully how Ofwat's Vision and Strategy apply to Tideway, including in relation to public value.

Ofwat made changes to Tideway's licence in March 2022 to mitigate Covid-19 cost impacts. It has also consulted on further changes to mitigate schedule penalty impacts of Covid-19.

Relevant Objective

SCHEDULE, COST & QUALITY

FINANCING

Commentary

REDUCED EXPOSURE

The reduction in risk level reflects the progress made with Ofwat on addressing Covid-19 impacts. The FCA has also been resolved.

Long-Term Viability Statement

The UK Corporate Governance Code requires company directors to state whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a long-term period.

To assess the Company's long-term viability, the Board has:

- identified the most appropriate period over which to make the assessment;
- evaluated the Company's current position and future prospects;
- considered the potential impact of principal risks (taking into account availability and effectiveness of risk mitigation plans) over the period and where appropriate, analysed the potential financial impact under a suitable set of sensitivities; and
- overseen the governance process, ensuring robust levels of assurance over the analysis, and drawn conclusions regarding the company's long-term viability.

Appropriate period: The Board considers that it is appropriate to assess the Company's viability over the period to 2030, in line with Tideway's current regulatory period. This time horizon is supported by the progress made in the implementation of our investment programme to date and the significant de-risking of our financing plan achieved. This period extends beyond the forecast timeline for delivery of the Thames Tideway Tunnel and System Acceptance by Thames Water but is still covered by Tideway's planning horizon which extends to the end of the current regulatory period (2030). The Board is not aware of any specific relevant factors that would affect this statement beyond this period and therefore has no reason to believe the Company will not be viable over a longer period.

Current position and future prospects: The viability assessment takes into account our business and financing plan which is prepared as part of our annual planning process. Tideway has now raised £3.0bn of long-term financing since Licence Award. As of 31 March 2022, this represented 100 per cent of third party funding needs to Handover (March 2025). We expect to be able to raise new finance for any additional funding needs in the period to 2030.

Potential impact of principal risks: Where appropriate during the year, we conduct sensitivity analysis on our financial model to stress-test the resilience of the Company and our business model to the potential impact of our principal risks, or a combination of those risks. For the purposes of this assessment, we have considered the likely impact of each principal risk on the Company's viability, taking into account the availability and effectiveness of risk mitigation plans and the measures we could realistically take to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, we take into account the Board's regular monitoring and review of risk management and internal control systems.

The Board confirms that it has conducted a robust assessment of the principal risks (considering availability and effectiveness of risk mitigation plans) facing the Company, including those that could threaten its business model, future performance, solvency and/or liquidity, and which are set out in the Principal Risks section of this report.

Tideway has nine principal risks and the scenario analysis (outlined in the table below) has covered six of these. The three risks that have been excluded from the analysis are:

- HILP events (apart from Covid-19 that has been included) as it is considered too remote for meaningful quantification and substantially covered by commercial insurance and/or the Government Support Package;
- Credit Rating Risk: Our credit ratings have remained unchanged since Licence award at Baa1 by Moody's and BBB+ by Fitch, being two levels above the covenants in the CTA and Licence. Moody's changed the outlook from negative to stable following the conclusion of Ofwat's consultation on the licence changes addressing the impact of Covid-19 and the FCA; Fitch maintained a stable outlook. The factors that could lead to a downgrade remain material construction delays or other significant delivery problems and unfavourable regulatory developments. The financial impact of any downgrade is indirectly captured in the programme delivery scenarios 1 and 2 below; and
- Reputational Risk as the financial impact cannot be quantified.

We have assessed the potential impact of the remaining six relevant principal risks on Tideway's viability by modelling several scenarios, which have been discussed and agreed by the Board. Before mitigations, we consider there are four key routes through which viability could be impacted: i) increases in the total costs of the project (including potential delays in the project as ultimately this will translate into a cost increase scenario), particularly if the Company were to bear a disproportionate share of these costs; ii) reduction in outturn inflation, iii) increase in interest rates and iv) an increase in bad debt; For each of these routes, we have modelled scenarios representing impacts ranging from plausible downside to severe downside, as well as reviewing a scenario comprising the current estimate considered by the Board.

- Cost increase: Our current estimate of £4.3bn compares to our regulatory baseline of £3.5bn (£3.1bn in 2014/15 prices). For our plausible downside scenario, we modelled a 16% increase in the remaining costs to complete, taking the total to £4.4bn. This is consistent with our most recent internal scenarios. We consider a severe downside case to be a 20% increase in the remaining costs to complete, which equates to a total cost of £4.5bn. Two cost scenarios (current and plausible downside) include the impacts to date of the current Covid-19 pandemic, the agreed cost allocation with our stakeholders and assume the current Covid-19 pandemic will not have any significant impact in the future. Although it is not possible to know the precise impact of any future pandemic crisis, our severe downside cost scenario is intended to be sufficient to cover any significant disruption from a future Covid-19 (or equivalent) event. However, if such an event occurred, then the Company would re-engage with the regulator and other stakeholders regarding potential additional cost allocation, as well as implementing its own cost mitigation measures.

  The Threshold Outturn is the limit up to which the Company will be required to fund expenditure. The GSP provides that the company may request that the Secretary of State provide contingent equity in respect of the cost overrun above the Threshold Outturn. Ofwat compares our total cost against the Threshold Outturn in 2014/15 prices and there is headroom in the plausible downside and severe downside scenarios of circa £240m and £200m, respectively.

- High inflation is not a risk to Tideway as we receive higher revenue as the RCV increases with inflation. Therefore, for inflation risk we have modelled low inflation scenarios where outturn inflation is 1% and 2% lower than current expectations for 4 years, as well as a scenario of 0% average inflation in the period. The Bank of England policy response to current high inflation has led to higher interest rates. Therefore, we have also modelled scenarios where outturn interest rates are 1% and 2% higher than current expectations for 4 years, as well as a scenario of 4% higher through to 2030. These sensitivities have been run in isolation (i.e. without including the benefit from higher inflation) to show that the worst case scenarios have limited impact. This is due to Tideway having already raised significant long-term financing with only a relatively small proportion left to raise before 2030 and all the financing raised to date is in either an inflation or fixed-rate format.
- As the bad debt impact has a limited impact on the Company's long term viability, we assumed a conservative 50% lower revenue collection in one, two and four years in the period.
- Finally, we have modelled a combined scenario with 16% cost increase, 2% lower inflation for 4 years, 50% revenue under recovery for 2 years and 2% higher interest rates for 4 years, which we consider a reasonable composite downside combination of impacts.

The outcome of the sensitivities has been assessed considering a range of different financial ratios and the output of this analysis is summarised in the following table:

Scenario Analysis

Principal Risk No.	Principal Risk	Scenario	Assessment	Mitigation Strategies
1, 2, 3, 8, 9	Programme delivery (incorporating delays, also including HSW, Supply Chain Failure, Thames Water performance, Political and Regulatory risks)	Scenario 1. An increase of 16% £0.1bn in the remaining cost to complete the project (net of any sharing of costs assumed with the Main Works Contractors). Scenario 2. An increase of 20% £0.2bn in the remaining cost to complete the project (net of any sharing of costs assumed with the Main Works Contractors).	Tideway would be able to finance the increase in cost in Scenario 1 and Scenario 2 by flexing the amount of distributions to its shareholders and drawing existing available facilities. Gearing and interest cover ratios would be consistent with an investment grade rating, and compliant with our financing covenants.	The programme risk is most significant during the remaining years of construction, but some risk will still exist post construction as the project enters the commissioning and systems acceptance period. The programme risk is managed through Tideway's risk management framework, which is explained in the Risk Management section. The mitigation strategies for Scenarios 1 and 2 include the raising of new debt (within our gearing ratio requirement) and flexing the level of distributions to our shareholders.
6	Inflation risk	Scenario 3. Outturn inflation 1% lower than current forecast for 4 years then reverts to the long term forecast. Scenario 4. Outturn inflation 2% lower than current forecast for 4 years then reverts to the long term forecast. Scenario 5. Average inflation 0% until 2030. Scenario 6. Interest rates 1% higher than current forecast for 4 years then reverts to the long term forecast. Scenario 7. Interest rates 2% higher than current forecast for 4 years then reverts to the long term forecast. Scenario 8. Interest rates 4% higher than current forecast until 2030.	70% of Tideway's debt portfolio is linked to inflation, and therefore our assets and liabilities would move in a similar way. Gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	With the current high levels of inflation, the risk of low inflation in the short term is considered unlikely. The key mitigation strategy for Scenarios 3, 4, 5, 6, 7 and 8 is that 70% of Tideway's debt portfolio is linked to inflation, and therefore our assets and liabilities would move in a similar way. The residual risk is considered acceptable.

8	Thames Water performance - Revenue collection (Bad debt)	Scenario 9. A 50% under recovery in one year.	Our revenue includes a building block that deals with under recovery of revenue, and therefore the impact would be temporary and limited. After mitigation gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	The value of the revenue collection increases each year as revenue is driven by the RCV which accumulates each year. However, the main mitigation strategy for Scenarios 9, 10 and 11 is that there is a building block that deals with the under recovery of revenue which mitigates the risk to an immaterial level.
		Scenario 10. A 50% under recovery in two years.		
		Scenario 11. A 50% under recovery in four years.		
	Combined Scenario	Scenario 12: (1, 4, 7 and 10)	After mitigation gearing and interest cover ratios would be consistent with an investment grade rating, and compliant with our financing covenants.	See above

Note: For scenario 5 our modelling projects a change in capital will be required during 2023/24 to be compliant with our gearing financing covenant. However, as the value required is small, we would look at other actions, such as re-profiling some of the non critical path expenditure, as a sufficient alternative.

Governance, assurance and conclusions: In reaching its conclusion, the Board has taken into account Ofwat's statutory duty to secure that companies can finance their functions and has assumed that there will be no changes to the regulatory framework or Government policy that will adversely affect the Company's viability. The Board also believes that financing will be available to Tideway over the period covered by the analysis.

We have undertaken a range of internal assurance activities, which the Board considers provide a robust degree of assurance over the analysis. The internal assurance activities have included a first and second line of defence review as described in the Board statement on accuracy and completeness of data and information within this report.

On the basis of the robust assessment of our principal risks and on the assumption that we manage or mitigate them in the ways disclosed, the Board's review of the business plan and other matters considered and reviewed during the year, and the results of our sensitivity analysis and assurance described above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 2030.

The Board has also considered it appropriate to prepare the financial statements on the going concern basis. The Directors believe, after due careful enquiry, that the Company has sufficient resources to continue in operational existence for the foreseeable future and has assumed that there will be no changes to the regulatory framework or Government policy that will affect the Company's viability. Therefore, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

The Strategic Report was approved by the Board on 21 June 2022 and was signed on its behalf by:

Valmai Barclay

Valmai Barclay
Company Secretary

Cottons Centre
Cottons Lane
London
SE1 2 QG

21 June 2022

Directors' report

The Directors present their report and the audited Group and Company financial statements of Bazalgette Equity Limited ("the Company") for the year ended 31 March 2022. The Company is incorporated and domiciled in the United Kingdom. The registered company number is 09553394 and the Company's registered address is Cottons Centre, Cottons Lane, London, SE1 2QG.

The financial statements are the Company's statutory financial statements as required to be delivered to the Registrar of Companies. This Directors' report includes certain disclosures as required under the Companies Act 2006.

Financial results and dividends

The Group recorded a loss of £10.9m for the year (2021: profit of £6.0m). The Directors do not consider that the reported loss in the year reflects the business performance as the profit reflects the fair value movement of the Group's derivative financial instruments. These are long-term swaps which are entered into with commercial banks to economically hedge the interest costs of the Group debt. The swaps fix finance costs for the Group's regulatory period and ensure that it benefits from low-cost financing.

During the year, the Group's subsidiary, Bazalgette Ventures Limited paid £29.7m (2021: £nil) of shareholder loan interest to the Group's shareholders. Furthermore, £79.1m (2021: £nil) of unpaid shareholder loan interest was capitalised as shareholder loan principal in the year. Further details of the shareholder loan notes are set out in note 11 of the financial statements.

The Company recorded £nil profit for the year ended 31 March 2022 (2021: £nil) and did not pay any dividends in the year (2021: £nil).

Financial risk management

Full disclosure on the Group's financial risk management is set out in note 12 of the financial statements.

Directors

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

Nicholas Axam (Resigned 28 January 2022)

Andrew Cox

Javier Falero

Scott McGregor (Resigned 6 June 2022)

Christopher Morgan (Appointed 30 September 2021)

Alistair Ray

Gavin Tait (Resigned 30 September 2021)

Sebastian Schwengber (Appointed 6 June 2022)

Margaret Weir (Appointed 28 January 2022)

Amanda Woods

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 Group has had in place Directors and Officers Liability insurance for the period.

Employees

The average number of persons employed by the Group (including Directors) during the year was 120 (2021: 155), who were all employed by Bazalgette Tunnel Limited. At the Statement of Financial Position date, the Company did not employ any staff directly.

Details relating to the Group's employment policies and values and how it undertakes engagement with its employees are set out in the Strategic report.

Directors' report (continued)

Greenhouse gas emissions

The Group's approach to identifying and reducing its greenhouse gas emissions is set out in the Strategic Report.

Charitable and political donations

The Group made charitable donations totalling £27,325 during the year (2021: £56,704). Details of the Group's charitable partnerships are set out in the Strategic report.

The Group did not make any political donations or incur any political expenditure during the year (2021: £nil).

Payment to suppliers

Settlement terms are agreed with suppliers as part of the contract terms and the Company's policy is to pay in accordance with these terms. Other creditors are paid in accordance with invoice terms. The Fair Payment Charter has been issued to our MWC's and JV Partners as part of their contractual obligations and this is monitored to ensure compliance.

The creditor days for the year ending 31 March 2022 are approximately 11 days (2021: 26 days).

Events occurring after the reporting period

Details of any events occurring after the reporting date are included in note 18 of the financial statements.

Future Outlook

The future outlook of the Group is discussed in the Strategic Report. The Company is expected to continue to act as an intermediate holding company within the Group for the foreseeable future.

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 auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report.

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.

Valmai Barclay

Valmai Barclay
Company Secretary

Cottons Centre
Cottons Lane
London
SE1 2 QG

21 June 2022

Statement of Directors’ responsibilities in respect of the Strategic report, the Directors’ report and the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with UK-adopted international accounting standards and applicable law.

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 Group and parent Company and of the Group’s profit or loss for that period. In preparing each of the Group and parent 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 UK-adopted international accounting standards;
- assess the Group and parent 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 Group or the parent 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.

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.

The Directors responsibility statement was approved and signed by order of the Board by:

Valmai Barclay
Company Secretary

Cottons Centre
Cottons Lane
London SE1 2QG

21 June 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAZALGETTE EQUITY LIMITED

Opinion

We have audited the financial statements of Bazalgette Equity Limited ("the Company") for the year ended 31 March 2022 which comprise the Group income Statement, Group Statement of Other Comprehensive Income, Group and Company Statement of Financial Position, Group and Company Statement of Changes in Equity Group and Company Cash Flow Statements, and 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 the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assumptions and recognition of any pain / gain share.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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 parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 41, the directors are responsible for: the preparation of the financial statements and for 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 Group and parent 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 Group or the parent 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.

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.

Anna Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
21 June 2022

Group Income Statement
For the year ended 31 March 2022

	Note	**2022** **£m**	**2021** **£m**
Net operating costs	*2, 3*	-	-
Operating result		**-**	**-**
Net finance (costs)/income	*4*	(10.9)	6.0
(Loss)/profit before tax		**(10.9)**	**6.0**
Taxation	*5*	-	-
(Loss)/profit for the year		**(10.9)**	**6.0**

Group Statement of Other Comprehensive Income
For the year ended 31 March 2022

	2022 **£m**	**2021** **£m**
(Loss)/profit for the year	(10.9)	6.0
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year attributable to owners of the parent	**(10.9)**	**6.0**

Notes 1 to 18 form an integral part of these financial statements.

Group and Company Statement of Financial Position
As at 31 March 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current assets					
Property, plant and equipment	*6*	4,020.7	3,236.5	-	-
Trade and other receivables	*8*	33.2	37.7	-	-
Investment in subsidiary undertakings	*7*	-	-	509.7	509.7
		4,053.9	3,274.2	509.7	509.7
Current assets					
Trade and other receivables	*8*	48.2	42.6	-	-
Cash and cash equivalents	*9*	354.5	342.7	-	-
Short-term cash deposits	*9*	145.0	55.0	-	-
		547.7	440.3	-	-
Total assets		**4,601.6**	**3,714.5**	**509.7**	**509.7**
Current liabilities					
Trade and other payables	*10*	(146.3)	(149.9)	-	-
Lease Liabilities		(2.1)	(2.1)	-	-
		(148.4)	(152.0)	-	-
Non-current liabilities					
Other Payables	*10*	(53.9)	(42.2)	-	-
Lease Liabilities		(1.3)	(3.0)	-	-
Advance payment liability	*10*	(291.3)	(218.4)	-	-
Borrowings	*11*	(3,596.8)	(2,789.0)	-	-
Derivative financial instruments	*12*	(93.9)	(83.0)	-	-
		(4,037.2)	(3,135.6)	-	-
Total liabilities		**(4,185.6)**	**(3,287.6)**	**-**	**-**
Net assets		**416.0**	**426.9**	**509.7**	**509.7**
Equity					
Share capital	*13*	507.4	507.4	507.4	507.4
Share premium	*13*	2.3	2.3	2.3	2.3
Retained earnings	*13*	(93.7)	(82.8)	-	-
Total equity		**416.0**	**426.9**	**509.7**	**509.7**

Notes 1 to 18 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 21 June 2022 and were signed on its behalf by:

Andrew Cox

Andrew Cox
Director
Company registered number: 09553394

Group and Company Statement of Changes in Equity

	Group				Company			
	Share capital £m	**Share premium £m**	**Retained earnings £m**	**Total equity £m**	**Share capital £m**	**Share Premium £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 April 2020	507.4	2.3	(88.8)	420.9	507.4	2.3	-	509.7
Profit for the year	-	-	6.0	6.0	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**6.0**	**6.0**	**-**	**-**	**-**	**-**
Transactions with owners recorded directly in equity:								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2021	**507.4**	**2.3**	**(82.8)**	**426.9**	**507.4**	**2.3**	**-**	**509.7**
Balance at 1 April 2021	507.4	2.3	(82.8)	426.9	507.4	2.3	-	509.7
Loss for the year	-	-	(10.9)	(10.9)	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(10.9)**	**(10.9)**	**-**	**-**	**-**	**-**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2022	**507.4**	**2.3**	**(93.7)**	**416.0**	**507.4**	**2.3**	**-**	**509.7**

Notes 1 to 18 form an integral part of these financial statements.

Group and Company Cash Flow Statements
For the year ended 31 March 2022

	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Cash flows from operating activities before working capital movements		**-**	**-**	**-**	**-**
(Increase)/decrease in trade and other receivables	*8*	(1.1)	4.4	-	-
Increase in trade and other payables	*10*	8.1	54.9	-	-
Increase in advance payment liability	*10*	72.9	68.9	-	-
Cash flows from operations		**79.9**	**128.2**	**-**	**-**
Net cash flow from operating activities		**79.9**	**128.2**	**-**	**-**
Cash flows (used in)/from investing activities					
Construction of infrastructure asset	*6*	(583.8)	(617.5)	-	-
Transfer (to)/from short-term deposits	*9*	(90.0)	102.5	-	-
Net cash flows (used in)/from investing activities		**(673.8)**	**(515.0)**	-	-
Cash flows from/(used in) financing activities					
Proceeds from loans		607.8	340.0	-	-
Lease liability payments		(2.1)	(2.0)	-	-
Net cash flows from/(used in) financing activities		**605.7**	**338.0**	-	-
Net increase/(decrease) in cash and cash equivalents during the year		**11.8**	**(48.8)**	**-**	**-**
Cash and cash equivalents at the start of the year	*9*	**342.7**	**391.5**	**-**	**-**
Cash and cash equivalents at the end of the year	*9*	**354.5**	**342.7**	**-**	**-**

Group: Construction of infrastructure asset includes capitalised interest paid of £45.7m (2021: £15.9m) and capitalised interest received of £0.3m (2021: £1.7m)

Notes 1 to 18 form an integral part of these financial statements.

Notes to the financial statements (continued)

1 Significant accounting policies

Basis of preparation

Bazalgette Equity Limited (the "Company") is a private company incorporated, domiciled and registered in England, UK. The registered number is 09553394 and the registered office address is Cottons Centre, Cottons Lane, London SE1 2QG.

The accounting policies set out below have been applied consistently to all periods presented in these group and parent company financial statements.

As at the 31 March 2022, the Bazalgette Equity Group comprised the Company, Bazalgette Venture Limited, Bazalgette Holdings Limited, Bazalgette Tunnel Limited and Bazalgette Finance plc. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group"). The Company financial statements present information about the Company as a separate entity and not about its Group.

The Group and the Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRSs"). The financial statements are prepared in accordance with the historical cost accounting convention except where UK 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 Group and the Company's financial position.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Judgements and estimates

In the process of applying the Group's accounting policies, the directors are required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Judgements about how the Group has applied an accounting policy could have a significant effect on amounts recognised in the financial statements. Assumptions or other sources of estimation uncertainty (including judgements about estimations) have a significant risk of a material adjustment to carrying values in the next financial year.

The Directors consider the significant judgements made in the application of these accounting policies to be as follows:

Accounting for the Thames Tideway Tunnel as a finance lease – The judgement to account for the Thames Tideway Tunnel as a finance lease means that during the construction period of the project, the tunnel is accounted for as an asset under construction, with expenditure on the asset capitalised in the Statement of Financial Position. Following Systems Acceptance, which is when Thames Water accept the tunnel asset, the asset under construction will be de-recognised and a finance lease receivable will be recognised by the Group. In determining the appropriate accounting treatment one of the key questions was establishing which party has control over the asset. The applicability of both IFRS 16 'determining whether an arrangement contains a lease' and IFRIC 12 'service concession arrangements' were considered. It was concluded that the tunnel arrangements were outside the scope of IFRIC 12 and as the Group controls the asset the arrangements fall within the scope of IFRS 16. Consequently, the accounting policies applied to these financial statements reflect this arrangement.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

The Directors consider the assumptions or other sources of uncertainty with a risk of material adjustment to the carrying amounts in the next year are as follow:

Capitalised costs/creditors - The Group has a substantial capital programme and therefore incurs significant annual expenditure in relation to the construction of the Thames Tideway Tunnel asset. All costs incurred are capitalised as assets under construction, this includes assessment of any pain/gain and/or compensation events accrued under the contract. Due to the significance of these costs the directors need to ensure their completeness, existence and validity is appropriately monitored and controlled.

Going concern

After considering the current financial projections and facilities available, and through modelling plausible and severe sensitivities, the Directors of the Company are satisfied that the Company and Group has sufficient resources for its operational needs and will remain in compliance with relevant financing covenants for at least the next 12 months from the date of approving these financial statements.

Cash flow forecasts modelled included current, plausible downside and severe downside cost scenarios. The current scenario is consistent with our estimate at completion (EAC) of £4.3bn. For our plausible downside scenario, we modelled a 10% increase in the remaining costs to complete, taking the total to £4.4bn. We consider a severe downside case to be a 20% increase in the remaining costs to complete, which equates to a total cost of £4.5bn. Under the current, plausible and severe downside scenarios the group continues to have sufficient liquidity and is in compliance with covenants throughout the going concern period.

At 31 March 2022, the Group had total liquidity of £1bn, comprising £476m of cash and short term deposits, the £160m undrawn RCF, £40m undrawn part of the EIB loan, £325m of deferred bonds. This, combined with expected revenue collections, provides liquidity for the Group over the going concern period.

The Company has no liabilities falling due in the going concern period.

Consequently, the Directors are satisfied that the Company and Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Property, plant and equipment

Property, plant and equipment comprises assets under the course of construction and right-of-use assets.

Assets under Construction – Recognition and measurement

Additions to assets under construction represent the capitalised costs of project expenditure by the Group.

The construction phase of the Thames Tideway Tunnel project commenced in 2015 and is expected to be completed at System Acceptance. During the construction phase of the project, expenditure which is directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use will be capitalised within assets under construction. The directors consider that the Group is constructing one asset, that being the Thames Tideway Tunnel, and do not consider there to be other individual assets under construction.

The Directors consider all expenditure in the year ended 31 March 2022 to have met the capitalisation criteria.

Assets under construction are measured at cost less any accumulated impairment losses.

Land and property acquired for the Thames Tideway Tunnel project by Thames Water is not included in the Statement of Financial Position because the economic benefit of such assets is retained by Thames Water.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

Asset under Construction - Depreciation

Assets under construction are not depreciated.

Lease accounting – Lessee

Right-of-use assets and lease liability – Recognition and measurement

The Group assesses whether its leases are within scope of IFRS 16 using the single recognition model for lessees and applies practical expedients available under the standard. If the Group concludes that a lease is within scope and not excluded via practical expedients, the Group recognises a right-of-use (ROU) asset and a lease liability at lease commencement date.

The ROU asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of the outstanding lease payments at commencement date, discounted using either implicit interest rate in the lease or the Group's incremental borrowing rate if the interest rate cannot be easily determined from the lease.

The Group applies the following practical expedients under IFRS 16:

- The same discount rate to all property leases as they share similar characteristics. The Group used an incremental borrowing rate of 2.375% at transition to IFRS 16;
- Excludes short-term leases with lease terms of less than 12 months;
- Excludes leases of identifiable low-value assets from consideration; and
- The Group separated non-lease components being services charges from lease components (i.e. rental charges) for property leases.

Right-of-use assets – Depreciation and interest costs on lease liability

The ROU assets recognised on transition to IFRS 16, being the Group's existing property leases at 1 April 2019, continue to be depreciated over the remaining lease terms.

The Group continues to incur interest costs calculated periodically on the outstanding lease liabilities on these property leases.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time that those assets are ready for their intended use. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time is interpreted as being greater than one year.

Impairment

The Directors consider assets under construction to consist of a single asset, the Thames Tideway Tunnel. As such, impairment is considered in the context of the whole asset under construction as opposed to review of individual components.

The carrying value of the Group's asset under construction is reviewed at each reporting date to determine whether there is objective evidence the asset is impaired by reference to its recoverable amount. The recoverable amount of the asset is deemed to be the Group's RCV and the regulated return that is generated from that.

For non-financial assets, the Group reviews the individual carrying amount of those assets to determine whether there is any indication of impairment in those assets. If any such impairment exists, the recoverable amount of the asset is calculated in order to determine the extent of any impairment loss.

Financial assets under IFRS 9 are assessed under the forward looking 'expected loss model' at each reporting date to determine whether there are impairment losses.

Any impairment losses are recognised in the Income Statement.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

Revenue

The Group's billable revenue for each financial year is determined by arrangements set out in its licence granted by Ofwat. During the construction period of the Thames Tideway Tunnel the primary component of revenue is the regulated return on the Group's RCV. The Group's Allowed Revenue is notified to Thames Water, which bills and collects this revenue from its wastewater customers and passes this through to the Group. Through the construction period, billed revenue is deferred as the services associated with this revenue have not satisfied all the conditions of the five-step revenue recognition model under IFRS 15. Therefore, revenue will be recognised at the point that all conditions are satisfied which will not be until System Acceptance. Revenue is accrued in the period it has been earned, if it has not been invoiced by the Group to Thames Water. Revenues that have been invoiced and collected from Thames Water are treated as an advance payment liability.

Invoiced revenues reflect the actual cash collected by Thames Water from its customers.

Employee benefits

Defined contribution pension plans

A defined pension contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the period during which services are rendered by employees.

Other employee benefits

Other short and long-term employee benefits are measured on an undiscounted basis and are recognised over the period in which they accrue.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or contractual obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Any provisions recognised by the Group are recorded at management's best estimate of the consideration required to settle the obligation at the Statement of Financial Position date.

Financial instruments

The Group 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'.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

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.

Derivative financial instruments

The Group has entered into index-linked swaps to manage its exposure to inflation linked rate risk. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the Statement of Financial Position date. The resulting gain or loss is recognised immediately in the Income Statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Group has not designated any derivatives within hedging relationships and therefore has not applied hedge accounting.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

In addition, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

Further details of the derivative financial instruments fair values, valuation technique and fair value hierarchy level are disclosed in note 12.

Taxation

Tax on the profit or loss for the year 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 year, using tax rates enacted or substantively enacted at the Statement of Financial Position 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 Group has the right of set off.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

New accounting standards and future changes

The Group has adopted the following accounting standard amendments during the financial year:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 16) which was effective from 1 January 2022.

The above amendment did not have any material effect on the Groups at adoption.

At the date of authorisation of these financial statements, there were certain new or revised IFRS's that will be applicable in future years, but the Group does not expect any material impact on the Group's Financial Statements at future adoption. These new or revised IFRS's are noted below:

- Amendments to IAS 37- Onerous contracts (Cost of fulfilling a contract);
- Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a single transaction;
- Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors: Definition; and
- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 making materiality judgements.

Notes to the financial statements (continued)

2 Auditors' remuneration

	2022 £000	2021 £000
Audit services		
Statutory audit – Company only	3	3
Statutory audit – Group Companies	176	130
Audit related assurance services		
Regulatory audit services provided by the statutory auditor	20	11
Other non-audit services		
Other non-audit services	41	30
	240	**174**

All of these fees have been capitalised in the Company's subsidiary Bazalgette Tunnel Limited.

3 Employee costs

The average number of persons employed by the Group (including directors) during the year was 120 (2021: 155).

The aggregate employment costs of these persons were as follows:

	2022 £m	2021 £m
Wages and salaries	13.5	9.8
Termination benefits	0.3	1.0
Social security costs	1.7	1.6
Contributions to defined contribution pension plan	0.5	0.6
Capitalised into asset under construction	(16.0)	(13.0)
	-	**-**

The Group operates a single defined contribution pension plan which is open to all employees of the Group.

Directors remuneration

The Directors of the Company did not receive any payment for their services during the year ended 31 March 2022. Any qualifying services the directors perform in respect of the Company are considered to be incidental and part of the director's overall management responsibilities within the Group.

The remuneration for the directors to the Group for the current and prior year is included in note 16.

Notes to the financial statements (continued)

4 Finance income and costs

	Group 2022 £m	Group 2021 £m
Finance income		
Interest income	(0.5)	(0.8)
Finance costs		
Interest expense on borrowings	197.4	90.8
Interest expense on lease liabilities	0.1	0.1
Financing fees	2.0	1.8
Financial instruments at fair value through profit or loss:		
- Index linked swaps	10.9	(6.0)
Capitalised finance interest and expense into asset under construction	(199.0)	(91.9)
Net finance costs/(income)	**10.9**	**(6.0)**

5 Taxation

	Group 2022 £m	Group 2021 £m
Total current tax	-	-
Total Income Statement tax expense	-	-

The Company's current tax charge was £nil (2021: £nil).

The Group's effective tax rate for the year ended 31 March 2022 is 0% (2021: 0%) which is 19% lower than (2021: 19% lower than) the standard rate of corporation tax in the UK due to the items shown below.

Reconciliation of effective tax rate

	Group 2022 £m	Group 2021 £m
(Loss)/profit before tax	(10.9)	6.0
Expected tax credit/(charge) using UK corporation tax rate of 19% (2020: 19%)	2.1	(1.1)
Items not taxable[1]	(2.1)	1.1
Total Income Statement tax expense	-	-

1 – Items not taxable solely relate to fair value movements on the Company's derivative liabilities which are disregarded for current tax purposes

Unrecognised deferred tax assets

As at the Statement of Financial Position date, unrecognised deferred tax assets of £160m (2021: £82.4m) have been calculated with regards to the Group's tax position based on the future tax rate of 25%. These deferred tax assets have not been recognised due to uncertainty around the timing of the recoverability of these losses against future taxable profits. 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.

Factors affecting future tax charge:

The UK corporation tax rate will increase from 19% to 25% effective from 1 April 2023 as the UK government's Finance Bill 2021 was enacted on 24 May 2021. This future increase in the UK corporation tax rate has been reflected in the value of unrecognised deferred tax assets.

Notes to the financial statements (continued)

6 Property, plant and equipment

Group property, plant and equipment comprised the following at 31 March 2022:

	Right-of-use assets (ROU) £m	Asset under construction £m	Total £m
Cost			
At 1 April 2021	9.3	3,231.1	3,240.4
Additions	-	785.8	785.8
Re-measurement of ROU asset	0.4	-	0.4
Balance at 31 March 2022	9.7	4,016.9	4.026.6
Accumulated depreciation			
At 1 April 2021	(3.9)	-	(3.9)
Depreciation charge	(2.0)	-	(2.0)
Balance at 31 March 2022	(5.9)	-	(5.9)
Net book value at 31 March 2022	**3.8**	**4,016.9**	**4,020.7**
Net book value at 31 March 2021	5.4	3,231.1	3,236.5

Asset under construction

During the construction phase of the project which commenced in 2015 and which will be completed at System Acceptance, all expenditure which is directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use will be capitalised. All expenditure, excluding fair value movements in the Income Statement, is considered to have met this requirement in the year ended 31 March 2022. The amount of net borrowing costs capitalised during the year was £197m (2021: £90.1m) with a capitalisation rate of 100%.

Right-of-use Assets

There were no new leases entered into during the period. The re-measurement above represents the net impact of a property lease extension as the Company exercised its option to extend into future periods.

The right-to-use assets are being depreciated over the remaining lease terms on the Group’s existing property leases under IFRS 16. There were no new leases entered into during the year.

Notes to the financial statements (continued)

7 Investments in subsidiaries

The Company has held the following investments in subsidiaries in the current year and prior period:

	Nature of entity	Country of Incorporation	Class of shares held	Direct ownership 2022	Indirect ownership 2022	Direct ownership 2021	Indirect ownership 2021
Direct subsidiaries							
Bazalgette Ventures Limited	Holding	UK	Ordinary	100%	-	100%	-
Indirect subsidiaries							
Bazalgette Holdings Limited	Holding	UK	Ordinary	-	100%	-	100%
Bazalgette Tunnel Limited	Operating	UK	Ordinary	-	100%	-	100%
Bazalgette Finance plc	Financing	UK	Ordinary	-	100%	-	100%

All subsidiaries have the same year end as the Company. All subsidiaries have the same registered address as the Company which is Cottons Centre, Cottons Lane, London, SE1 2QG.

8 Trade and other receivables

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Trade receivables	13.2	5.0	-	-
Accrued Income	17.0	19.9	-	-
Other receivables	9.5	8.3	-	-
Prepayments	41.7	47.1	-	-
	81.4	**80.3**	**-**	**-**
Non-current assets	**33.2**	**37.7**	**-**	**-**
Current assets	**48.2**	**42.6**	**-**	**-**

Accrued income of £17.0m (2021: £19.9m) relates to cumulative revenue earned on the project to date that has not been invoiced to Thames Water as at the Statement of Financial Position date.

Prepayments include £17.0m (2021: £20.2m) in relation to the Government Support Package and £5.9m (2021: £7.7m) in relation to insurance contracts and £18.1m (2021: £18.6m) financing related costs.

The Group's non-current assets represent £33.2m (2021: £37.7m) of prepayments at 31 March 2022. The table below analyse both the Group and Company's non-current assets at 31 March 2022 into recovery maturity groupings based on the remaining periods up to their expected future recovered date.

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Between one and two years	-	-	-	-
Between two and five years	19.1	3.1	-	-
After more than 5 years	14.1	34.6	-	-
Total	**33.2**	**37.7**	-	-

Notes to the financial statements (continued)

9 Cash and cash equivalents

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Cash and bank balances	26.0	27.7	-	-
Cash equivalents	328.5	315.0	-	-
Cash and cash equivalents per cash flow statement	**354.5**	**342.7**	**-**	**-**

Cash equivalents comprise deposits and investments in money market funds with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates their fair value.

Short-term deposits with a maturity of greater than 3 months are shown separately on the Statement of Financial Position. At the Statement of Financial Position date these totalled £145.0m (2021: £55.0m).

Restricted Cash

The Group holds Debt Service Reserve Accounts to maintain committed liquidity facilities with regards to the prospective financing cost payments for a period of 12 months from the Statement of Financial Position date. The restricted cash value in Debt Service Reserve Accounts was £23.5m at 31 March 2022 (2021: £15.7m) which is sufficient to cover the next 12 months of financing costs payments.

10 Trade and other payables

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Trade payables	57.4	45.6	-	-
Contract retentions payable	47.8	34.6	-	-
Accrued expenses	67.1	87.9	-	-
Deferred income	27.9	24.0	-	-
Advance payment liability	291.3	218.4	-	-
	491.5	**410.5**	**-**	**-**
Non-current liabilities	**345.2**	**260.6**	**-**	**-**
Current liabilities	**146.3**	**149.9**	**-**	**-**

The advance payment liability represents deferred revenue that has been invoiced to and settled by Thames Water. This revenue is deferred until System Acceptance as the services associated with the revenue will not be delivered until this time. The deferred income of £27.9m (2021: £24.0m) represents the cumulative balance on the project to date of revenue accrued and revenue invoiced to Thames Water, less the revenue that has been settled by Thames Water at the Statement of Financial Position date.

The Trade payables balance at 31 March 2022 mainly represents invoices payable to the Company's main works contractors totalling £56.1m (2021: £44.0m).

Notes to the financial statements (continued)

10 Trade and other payables (continued)

The table below analyse both the Group and Company's non-current liabilities at 31 March 2022 into relevant maturity groupings based on the remaining periods up to their future payable date.

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Between one and two years	3.0	1.5	-	-
Between two and five years	50.9	3.9	-	-
After more than 5 years	291.3	255.2	-	-
Total	**345.2**	**260.6**	-	-

11 Borrowings

The Group raises finance under a multi-currency financing platform in both a loan and bond format.

Some of the finance raised by the Group is in a deferred format which means that the proceeds from the borrowing are not received until a future settlement date so as to align when funds are raised with the construction expenditure profile of the project.

Where bonds are issued with deferred draw dates, the proceeds from these bonds are only received from the bond purchaser on the future settlement dates. This note provides information about the Group's borrowings, which are measured at amortised cost.

	2022 £m	2021 £m
Third party borrowings		
£250m 2.375% fixed-rate bond 2027	248.3	248.0
£75m 0.828% index-linked bond 2047 [a, b]	84.1	79.4
£200m 0.740% index-linked bond 2042 [a, c]	216.3	209.9
£100m 0.688% index-linked bond 2050 [a]	114.1	106.0
£100m 0.755% index-linked bond 2051 [a, d]	110.8	103.0
£100m 0.249% index-linked bond 2040 [a, d]	111.9	104.2
£125m 0.192% index-linked bond 2049 [a, e]	147.0	136.4
£25m 1.035% index-linked bond 2048 [a, f]	27.2	25.3
£25m 0.951% index-linked bond 2054 [a, g]	27.2	25.3
£50m 0.787% index-linked bond 2052 [a]	54.5	50.7
£300m 2.860% fixed-rate loan 2032 [h]	311.7	305.9
£660m Libor+0.360% floating-rate loan 2051 [i]	719.6	572.7
£100m 0.010% index-linked loan 2049 [a]	109.8	101.8
£25m 1.042% index-linked bond 2048 [a, i]	26.6	-
£25m 0.954% index-linked bond 2054 [a]	26.6	-
£75m 0.010% index linked bond 2036 [a]	87.9	-
£300m 2.750% index linked bonds 2034 [a]	298.7	-
£75m 2.418% fixed-rate loan 2041	75.0	-
Intra-group borrowings		
Shareholder loan notes 8.000 % fixed rate 2064 [h]	799.5	720.4
Total borrowings	**3,596.8**	**2,789.0**
Current liabilities	-	-
Non-current liabilities	**3,596.8**	**2,789.0**

Notes to the financial statements (continued)

11 Borrowings (continued)

a) The value of the capital and interest elements of these index-linked bonds and loans are linked to movements in either the Consumer Price Index (CPI) or Retail Price Index (RPI)

b) This debt amortises (requires repayment of debt accretion) from 2038

c) This debt amortises from 2033 and contains a collar mechanism that limits total accretion repayment within a predetermined range

d) This debt amortises from 2036

e) This debt amortises from 2045

f) This debt amortises from 2043

g) This debt amortises from 2049

h) The Company has entered into swap agreements that convert £70.0m of this debt into index-linked debt

i) The Company has entered into swap agreements that convert £620.0m of this debt into index-linked debt

j) Borrowing from the Company's immediate parent Bazalgette Ventures Limited

Deferred loans

The Group raised no loans with a deferred period during the year (2021: £nil).

As at 31 March 2022, a total of £40.0m (2021: £215.0m) of third-party loans are still deferred. The loan proceeds will be received over the next 12 months with a loan maturity date of 2051. Proceeds of £175.0m (2021: £240m) from deferred loans were received during the period.

Deferred purchase bonds

The Group placed and received £300m of purchase bonds with no deferral period during the year ended 31 March 2022 (2021: £nil).

As at 31 March 2022, a total of £325.0m (2021: £450.0m) of bonds are still deferred. The bond proceeds will be received over the 18 months and these bonds have maturities of 2032 to 2052. Proceeds of £125.0m (2021: £100.0m) from deferred bonds were received during the period.

12 Financial Instruments

The carrying values of the financial assets and liabilities of the Group and Company are as follows:

Financial Assets

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Financial assets:				
Trade and other receivables	39.7	33.2	-	-
Cash and cash equivalents	354.5	342.7	-	-
Short-term deposits	145.0	55.0	-	-
Total	**539.2**	**430.9**	-	-

Trade and other receivables above exclude prepayments. Trade and other receivables are classified and measured at amortised cost under IFRS 9. Impairment of these assets as assessed under the simplified expected credit loss model was immaterial at 31 March 2022 and therefore not recognised within the period.

Notes to the financial statements (continued)

12 Financial Instruments (continued)

Financial Liabilities

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Liabilities at fair value through profit and loss:				
Derivative financial instruments	93.9	83.0	-	-
Other financial liabilities:	491.5	410.5		
Trade and other payables	3.4	5.1	-	-
Lease Liabilities	3,596.8	2,789.0	-	-
Borrowings			-	-
Total	4,185.6	3,287.6	-	-

Fair value measurements

The Fair value of financial instruments represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date.

The fair values of financial instruments and a comparison to their carrying value is shown in the table on the following page. The Group has not disclosed the fair values for cash and cash equivalents, short-term deposits, trade receivables and trade payables as their carrying amounts are a reasonable approximation of the fair value.

	31 March 2022 Book value £m	31 March 2022 Fair value £m	31 March 2021 Book value £m	31 March 2021 Fair value £m
Financial liabilities at amortised cost				
Non-current				
Borrowings – fixed-rate sterling loans	1,186.3	1,216.8	1,026.3	1,110.3
Borrowings – fixed-rate sterling bonds	547.0	546.7	248.0	265.9
Borrowings – index-linked sterling bonds and loans	1,143.9	1,605.5	942.0	1,303.5
Borrowings – floating-rate loans	719.6	662.2	572.7	531.0
Financial liabilities at fair value through profit and loss				
Non-current				
Derivatives - index-linked swaps	93.9	93.9	83.0	83.0
Total	**3,690.7**	**4,125.1**	**2,872.0**	**3,293.7**

Financial liabilities at amortised cost

Borrowings include index-linked bonds, fixed-rate bonds, floating-rate loans and fixed-rate loans. The fair value of borrowings is determined using observable quoted market prices where this is available or by discounting the expected future cashflows using appropriate available market data and a credit risk adjustment representative of the Group.

Financial instruments at fair value through profit and loss

The Group's index-linked swaps are measured at fair value through profit and loss. Where an active market exists, swaps are recorded at fair value using quoted market prices. Otherwise, they are valued using a net present value model. As there is no quoted market price, the fair value of each swap is calculated as the net present value of the expected future cash flow associated with each leg of the swap,

Notes to the financial statements (continued)

12 Financial Instruments (continued)

discounted to the reporting date using market rates and adjusted for the credit risk of the Group. Estimates of future cash flows are based on well-defined and traded market references.

The valuation techniques for determining the fair values of financial instruments are classified under the hierarchy defined in IFRS 13 which categorises inputs to valuation techniques into Levels 1-3 based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included for Level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability are categorised across different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group considers all its derivative financial instruments to fall within level 2 as the calculation of the estimated fair value is based on market data inputs which are observable directly or indirectly. The calculation does include unobservable inputs with regards to the determination of credit risk for the Group but these are not considered significant to the valuation. The table below sets out the valuation basis of financial instruments held at fair value at 31 March 2022:

	2022 Level 2 £m	2021 Level 2 £m
Financial instruments at fair value		
Derivative financial liabilities:		
- Index-linked swaps	93.9	83.0
	93.9	**83.0**

The carrying value of the derivative financial instruments is equal to the fair value.

Capital risk management

The Group's principal objectives in managing capital are:

- To finance the Group while minimising risk. The Group will adopt a low risk financing strategy and maintain at all times a robust investment grade credit rating;
- Minimise financing risk through pre-funding, management of maturities and interest rate risk;
- Financing will be a mix of some or all of commercial bank debt, bonds (public and private), EIB loans, lease financing and other instruments. Financing could be raised on a real and/or nominal basis;
- The Group's weighted average cost of capital will be minimised by reducing risk, including interest rate, inflation, credit spread, maturity risk, liquidity and currency risk;
- Hedging and pre-financing may be used to reduce risk. The Group will not engage in speculative treasury activity; and
- The Group will manage its financing activities in compliance with the constraints imposed by the Government Support Package, financing documents and the Group's Licence.

The Group seeks to maintain a low risk financing position by preserving the investment grade Baa1 (Moody's)/BBB+ (Fitch) credit ratings. These credit ratings were unchanged in the year Moody's changed the Group's outlook from negative to stable; Fitch maintained a stable outlook. The Group monitors gearing targets on a regular basis, taking into consideration risk, financing, legal and regulatory constraints and optimal level of execution within the capital structure.

Notes to the financial statements (continued)

12 Financial Instruments (continued)

The Group's revolving credit facility (RCF) was extended by one year during the period, with the facility now maturing in 2027. This £160m RCF facility remained undrawn at the Statement of Financial position date (2020: £nil draw down).

The Group's subsidiary Bazalgette Finance plc issued £300m of bonds during the year (2021: £nil) and the total bond issuance stands at £1.8bn (2021: £1.5bn). The bond issuance includes deferred purchase bonds where bond proceeds will be received over the next 14 months.

Management of financial risk

The Treasury team, which reports directly to the CFO, substantially manages the Company's financing, including debt, cash management and interest costs for the Company on a day to day basis. The Audit and Finance Committee, which is chaired by a non-executive director (see Corporate Governance report) reviews and reports to the Board on the Company's treasury policy, treasury strategies and financing strategy. The Company also has an executive level Funding and Financing Committee, chaired by the CFO, which considers financial, treasury, compliance, tax and regulatory matters in detail on a monthly basis.

The Group also has an executive level Funding and Financing Committee, chaired by the CFO, which considers financial, treasury. Compliance, tax and regulatory matters in detail on a monthly basis.

The Group's management of specific financial risks is dealt with as follows:

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fund on a timely basis its capital expenditure programme or service its debt. At 31 March 2022, the Group had total liquidity in excess of £1.0bn, comprising £476m of unrestricted cash and short-term deposits, the £160m undrawn RCF, the £40m undrawn EIB loan, £325m of deferred purchase bonds. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12-month target, including all liquidity required to handover.

For deferred purchase bonds the Group receives these proceeds at a future settlement date. The Group is therefore exposed indirectly to the counterparties to these deferred bonds on whom it relies to provide funds on the pre-agreed dates. The Group's subsidiary Bazalgette Finance plc evaluates counterparty risk prior to entering into such transactions and manages concentration risk in respect of deferred funding commitments. As part of its risk management, Bazalgette Finance plc has agreed information requirements and covenants with the Deferred Bond Purchasers, and monitors on an ongoing basis the Deferred Bond Purchasers' ability to honour their obligations, allowing it to assess any potential liquidity exposure in advance of settlement dates and to make alternative funding arrangements if necessary. This risk has reduced substantially as a significant amount of the Company's deferred bond funding has already been received.

The Secretary of State for Environment, Food and Rural Affairs, through the Government Support Package, has committed to provide certain contingent financial support during the construction period.

Such support is available in exceptional circumstances and includes the Market Disruption Facility providing the Company with a debt facility of up to £500m, for use where it is unable to issue debt in the debt capital markets as a result of market disruption.

The tables below analyse the Group's interest-bearing borrowings and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the Statement of Financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest payable.

Notes to the financial statements (continued)

12 Financial Instruments (continued)

	2022 £m	2021 £m
Borrowings		
Within one year	(112.6)	(140.3)
Between one and two years	(116.5)	(84.0)
Between two and five years	(338.9)	(260.1)
After more than 5 years	(7,309.6)	(6,241.8)
Total	**(7,877.6)**	**(6,726.2)**
Derivative financial instruments		
Within one year	23.3	10.2
Between one and two years	27.2	12.2
Between two and five years	55.5	41.0
After more than 5 years	(220.9)	(147.7)
Total	**(114.9)**	**(84.3)**

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk for the Group principally arises from trading (the supply of services) and treasury activities (the depositing of cash).

The Group's exposure to trading risk is predominantly with Thames Water which is the Group's only significant trading counterparty and who constitute the full outstanding balance of trade receivables at the Statement of Financial Position date. As part of its licenced activities, the Group generates an annual revenue return on its RCV, which it subsequently invoices to Thames Water periodically through the financial year. At any time the outstanding trade receivable balance is approximately one month's revenue collection and represents amounts already collected by Thames Water from its customers so the risk of default is considered low.

Placements of cash on deposit expose the Group to credit risk against the counterparties concerned. A treasury policy on investment management strategy provides clear instrument limits for money market funds and money market deposits. The policy sets counterparty concentration and tenor limits through minimum credit rating requirements (as measured by reputable credit agencies). At the Statement of Financial Position date there were no significant concentrations of credit risk.

The Group's maximum exposure to credit risk is the carrying amount of financial assets and therefore the maximum exposure at 31 March 2022 was £539.2m (2021: £430.9m). Analysis of this amount can be found in the financial assets section of this note.

Market risk - Interest rate risks

The Group's finance strategy defines long term objectives for the management of interest rate risk, in addition to compliance with the hedging policies contained in the Government Support Package, financing documentation and the Licence. These include, amongst other things, restrictions on over hedging and requirements as to the amount of the Group's debt which bears a fixed, floating or an index-linked rate of interest.

At the start of the financial year, the Group had LIBOR (London Interbank Offered Rate) exposures on various financial instruments that required transitioning to SONIA (Sterling Overnight Index Average) following the confirmed discontinuation of LIBOR from 1 January 2022.

Notes to the financial statements (continued)

12 Financial Instruments (continued)

The Group's main LIBOR exposures related to the following:

- £620m floating-rate sterling loans (EIB loan tranches 1-8);
- Index-linked Swaps (linked to £620m EIB Loan tranches 1-8); and
- £160m undrawn RCF.

The Group has finalised the process of amending the relevant contractual terms in the EIB loan agreement and the RCF agreement to incorporate the transition to SONIA from January 2022.

The Group has also adhered to the ISDA 2020 IBOR Fallbacks Protocol which automatically transitioned the Company's above swaps from LIBOR to SONIA as at 1 January 2022 adopting the ISDA LIBOR fallback methodology and this was agreed and confirmed with all swap counterparties.

The Group's deferred revenue and operating cash flows are substantially independent of changes in market interest rates. All drawn debt at 31 March 2022 is either borrowed or hedged via swaps at fixed or index-linked rates. A sensitivity analysis has not been disclosed as the impact from interest rate movements is considered immaterial.

The finance costs of the Group's index-linked debt instruments and derivatives vary with changes in RPI and CPI rather than interest rates. These financial instruments form an economic hedge with the Group's revenues and RCV, which are also linked to RPI changes. The financing strategy has involved issuing RPI and CPI linked debt to ensure that reductions in revenue due to low inflation will be partially offset by reductions in interest costs.

The Group continues to recognize the expected transition from RPI to CPIH from the next regulatory period starting in 2030 as the underlying measure of inflation for price control periods. HM Treasury and the UK Statistic Authority have confirmed that RPI will be aligned with CPIH from February 2030, which aligns well with Ofwat's transition.

Inflation risk is monitored and reported monthly to the Funding and Financing Committee and subsequently to the Treasury Committee.

The table below summarises the sensitivity at 31 March 2022 of the Group's profit and equity to changes in RPI for the Group's index-linked derivatives only. Due to the adopted accounting policy of capitalising borrowing costs that are directly attributable to the construction of the TTT, the sensitivity analysis excludes the Group's index-linked borrowings. This analysis also excludes any RPI impact on the Group's revenues and RCV. The fair value of the Group's index-linked derivatives is based on estimated future cash flows, discounted to the reporting date and these fair values will be impacted by an increase or decrease in RPI as shown in the table below. This analysis assumes all other variables remain constant.

	2022 £m +1%	**2022 £m -1%**	**2021 £m +1%**	**2021 £m -1%**
(Loss)/profit	(67.4)	62.8	(58.9)	64.4
Equity	(67.4)	62.8	(58.9)	64.4

13 Capital and reserves

Called-up share capital - Group and Parent Company

Allotted, called-up and fully paid ordinary shares of £1 each	**Ordinary shares 2022 No.**	**Ordinary shares 2022 No.**
At the beginning of the year	507,366,749	507,366,749
Issued for cash	-	-
At the end of the year	**507,366,749**	**507,366,749**

Notes to the financial statements (continued)

13 Capital and reserves (continued)

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 Group's Governance section of the Annual report.

Share premium was unchanged in the year at £2.3m (2021: £2.3m).

Retained earnings	**Group 2022 £m**	**Group 2021 £m**	**Company 2022 £m**	**Company 2021 £m**
At the beginning of the year	(82.8)	(88.6)	-	-
Loss/(profit) for the year	(10.9)	6.0	-	-
Total	**(93.7)**	**(82.8)**	**-**	**-**

14 Contingent liabilities

There are a number of uncertainties surrounding the Group including potential claims, which may affect the financial performance of the Group. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Consolidated Statement of Financial Position but are monitored to ensure that should a possible obligation become probable and a transfer of economic benefits to settle an obligation can be reliably measured, then a provision for the obligation is made. There were no material contingent liabilities at the Statement of Financial Position date.

15 Contingent Assets

As at 31 March 2022 there were ongoing commercial negotiations arising in the ordinary course of business under the NEC3 Engineering and Construction Contract. At present the Directors consider an inflow of economic benefit is possible from one or more of the Main Works Contractors. However, the outcome is contingent on the conclusion of the negotiations and more certainty of the total contract values as the project nears completion. The Company has taken the option under paragraph 92 of IAS 37 for non-disclosure of certain information in the extremely rare case where this can be expected to seriously prejudice the entity in a dispute with other parties.

16 Related parties

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.
The Group's related party transactions throughout the current financial year were made on terms equivalent to those that prevail in arm's length transactions.

Key management personnel

Key management personnel comprise the directors of the Group. The aggregate remuneration of key management personnel to the Group was as follows:

	2022 £m	**2021 £m**
Short-term benefits	2.0	2.6
Long-term benefits	0.3	-
	2.3	**2.6**

Notes to the financial statements (continued)

16 Related parties (continued)

Short-term benefits represent the amount of base salary and fees, taxable benefits and annual bonus received by the directors during the year.

Long-term benefits represent the value of long-term incentive plan (LTIP) schemes that have been awarded to directors in the year based on the performance conditions.

Included in the above aggregate remuneration value are contributions made under the Group's defined contribution pension plan totalling £27k (2021: £8k). The number of Directors for whom pension contributions were made totalled four (2021: two).

The aggregate remuneration of key management personnel disclosed above include the following amounts to the highest paid director within the Group:

	2022 £m	2021 £m
Remuneration for qualifying services	0.9	0.9
	0.9	**0.9**

Further information can be found in the Remuneration report of Bazalgette Tunnel Limited's Annual Report which is available at www.tideway.london.

The prior period overpayments (2021: £349k) made to directors were due to an administrative error was fully recovered by the Group by 31 March 2021. No overpayments occurred in the current financial year ending 31 March 2022.

Company

The directors of the Company are considered to be key management personnel. They did not receive and payment for their services during the year ended 31 March 2022 (2021: £nil).

17 Ultimate parent company and parent company of larger group

The Company has no ultimate controlling party. The Company is indirectly owned by Allianz Infrastructure Luxembourg I S.a.r.l, Dalmore Capital 14 GP Limited, IPP (Bazalgette) Limited, Bazalgette (Investments) Limited and DIF Bid Co Limited (UK).

Copies of the consolidated financial statements for the Bazalgette Equity Group are available at www.tideway.london.

18 Subsequent events occurring after the reporting date

On 1 June 2022, DIF Capital Partners announced its intention to divest its 10.66% stake in Tideway, on a broadly pro rata basis, to the other existing shareholders in the company, their affiliates or related entities.

No other material events have occurred between the year end date and the signing of these financial statements that would require the Company to adjust the financial statements or require disclosure in these financial statements.