

TIDEWAY – HOLDCO GROUP INVESTOR REPORT H2 2022/23

August 2023



Tideway



Notice

IMPORTANT NOTICE

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

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

BASIS OF PREPARATION

Investor Reports relate to the performance of the Holdco Group which includes Bazalgette Holdings Limited (“BHL” or “Holdco”), Bazalgette Finance plc (“Finco”) and BTL. This Investor Report comments on the historical financial performance of the Holdco Group for the period to 31 March 2023.

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

This Investor Report provides an update of the Holdco Group’s activities for the period to 31 March 2023 with some delivery information as of 30 June 2023 or as indicated. It covers business, regulatory and financing developments. This Investor Report should be read in conjunction with the Annual Report and Accounts for the 12 months ended 31 March 2023.

Contents

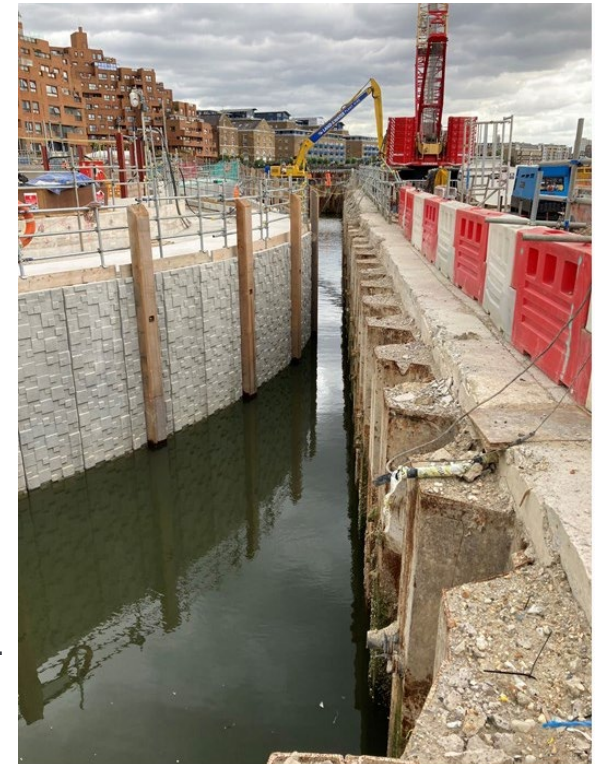
- Overview
- Business Update
 - Health, Safety, and Wellbeing
 - Vision, Legacy, and Reputation
 - Regulatory update
 - Interface with Thames Water
- Investment programme
- System integration
- Financing Activity and Sustainable Finance
- Historical Financial Performance
- Debt portfolio
- Financial ratios
- Other Reportable Matters
- Appendix – Swap Portfolio
- Appendix – CTA Confirmation



Overview

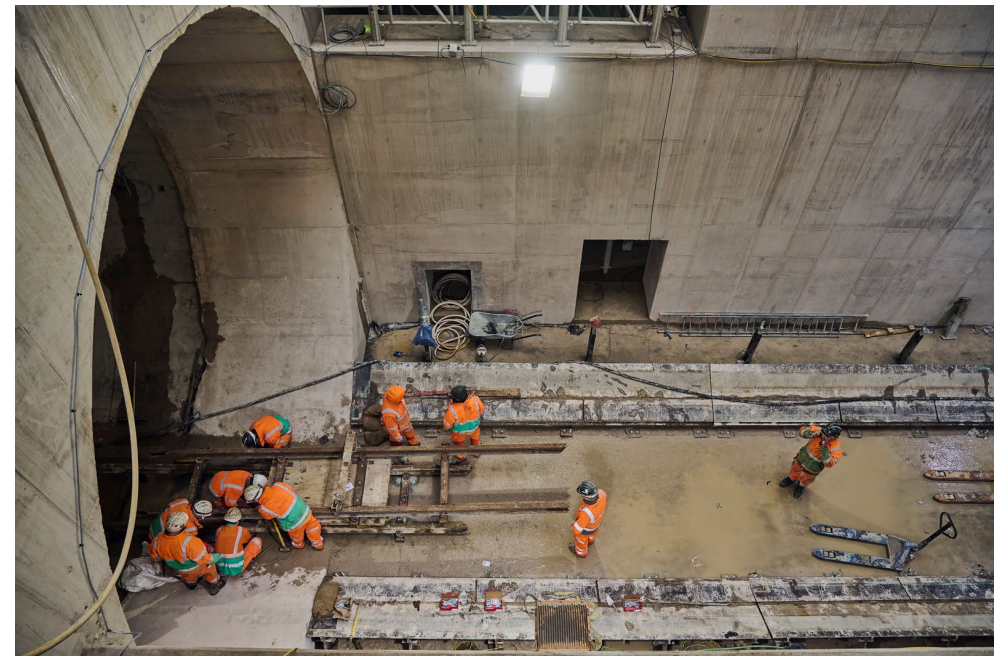
H2 2022/23 Highlights:

- Construction is progressing with the project now 87% complete as of March 2023, in line with the Business Plan, this includes:
 - The completion of all primary tunnelling - 30.7km (100%) - and 22.2km of secondary tunnel lining (72% of total)
 - Peak production of secondary lining achieved in East since April 2023
 - All 21 shafts on the project are fully excavated and have now been secondary lined.
 - Formal Acceptance Testing continues for the individual Worksites where equipment has been installed at 12 of the 21 Worksites and two are fully integrated into the off-site control system.
- The Estimate at Completion (EAC) is £4.5bn reflecting an increase of c2% since the last report. The annual bill impact for Thames Water customers remains unchanged and within £20-25 (2014/15 prices).
- The updated cost estimate takes into account the remaining work programme and the impacts of inflation.
- 'Handover' is now likely to be in the second half of 2025; it has moved from March 2025 mainly due to delays with the secondary lining in the East area causing a delay to the start of system commissioning.
- The handback of areas to Thames Water on completion of construction has continued with the successful handback of two areas in the period.
- In October, Ofwat modified Tideway's licence to move the Planned System Acceptance Date to 31 August 2027 from 28 February 2027, primarily reflecting the impact of Covid-19 on schedule.



Overview (continued)

- We are exceeding our 85% target for live Legacy commitments with 92% on track.
- There were no major injuries during construction in the year and no significant incidents as a result of our marine, Mechanical, Electrical, Instrumentation, Control and Automation (MEICA) or architecture and landscaping activities.
- The project's three-day Accident Frequency Rate (AFR-3) of 0.14 is less than half the highest level seen on the project in 2021/22 and continues to be lower than comparable projects at an equivalent stage of construction.
- The Borrower continues to have a strong liquidity position with total committed debt funding of £3,143m as at March 2023. This level of liquidity is sufficient to cover anticipated construction costs until Handover in 2025.
- Post year end the Borrower secured £250m of additional funding from a green private placement which is settling in October 2023 providing significant additional liquidity post Handover.
- Gearing remains low at 67% in line with our equity-first approach. The interest coverage ratio stands at 4.8x, well above the covenant.
- Distributions paid in the period were £3.7m while £12.9m was capitalised, taking the overall shareholder loan balance to £836.1m.
- In June 2023 Tideway's investment grade credit ratings were affirmed at Baa1 by Moody's and BBB+ by Fitch with both agencies having a stable outlook.



Business Update – Health, Safety, and Wellbeing

- Tideway remains committed to completing the programme with zero fatalities or serious injuries on or off site.
- There were no major injuries* during construction and no significant incidents as a result of our marine, MEICA or architecture and landscaping activities.
- The project's three-day Accident Frequency Rate (AFR-3**) of 0.14 for FY 2021/22 is less than half the highest level seen on the project in FY 2021/22 and continues to be lower than comparable projects at an equivalent stage of construction.
- During the year, there were 13 lost-time incidents (compared to 19 in FY 2021/22), of which five were RIDDOR specified injuries, and four high-potential near misses. Any incident classified as significant, including the above categories, are subject to thorough investigation to identify immediate and root causes, so we can implement actions to prevent recurrence and ensure lessons are shared and learned.
- Our immersive, award-winning induction programme, EPIC, has evolved to respond to the installation and commissioning phases as we continue to prioritise health, safety and wellbeing in these later stages of the project.
- Mental Health of the workforce continues to be a major driver for the project and has been supported with the Mates in Mind programme, Mental Health First Aiders, Mental Health First Aider Networks, and support from local services.
- Supporting Tideway's staff during financially difficult times is important for the overall health and stability of the organisation. In October 2022 a temporary, additional allowance for employees below the senior management team was introduced.

* 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.

Business Update – Vision, Legacy, and Reputation

- In delivering a major infrastructure project across London we continue to recognise the importance of engagement, transparency and building trust. 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.
- We have continued to promote awareness and understanding of the project through our internal and external communication channels. In July 2023 we ran the Loo Gardens campaign as an opportunity to mark being roughly a year away from the start of commissioning. The activation spoke to the environmental legacy the tunnel will have on London. It was well attended and received widespread coverage across print, broadcast and online media.
- Our legacy programme, underpinned by 54 measurable commitments, remains on track with a total of 92% of our live legacy commitments on track against a target of 85%. We closed out nine commitment during the year, taking the total number closed to 25.
- We completed a two-year journey to uncover the social impact of our Legacy programme. This social cost benefit analysis found that £1.72 of social value was created for every £1 invested and that our legacy programme created £40.3m of net benefits.
- Tideway’s environmental benefits and focus on sustainability have been highly rated by S&P Global Ratings for the third year running. Tideway was assigned an Environmental, Social and Governance (ESG) Evaluation of 77 out of 100 in May 2023, a one-point uplift from the previous assessment in 2022.



Regulatory Update

- During the year, Tideway informed Ofwat that it would not be able to comply with Ofwat's Regulatory Accounting Guidelines (RAGs) which require companies to submit an annual performance report by 15 July each year. As companies' licences require compliance with the RAGs, the company would be in breach of its licence. In lieu of enforcement, Ofwat accepted an undertaking provided by the company. The company's undertaking covered the provision of draft information to Ofwat by 15 July (achieved) and final audited information by 22 September which the company expects to comply with. Additional information is available on the Ofwat website.
- As noted in the H1 2022/23 investor report, in October 2022 Ofwat modified the Planned System Acceptance Date in Tideway's licence from 28 February 2027 to 31 August 2027, reducing the company's risk of schedule penalties. Ofwat has published a document setting out its reasons for making the change: <https://www.ofwat.gov.uk/publication/reasons-for-amending-tideways-project-licence-october-2022/>.
- In March 2023, Ofwat implemented licence changes to strengthen the ring fencing provisions of the largest undertakers, including raising the cash lock-up trigger by one notch to BBB/Baa2 with negative outlook from 2025, and introducing a licence requirement for dividends to take account of delivery for customers and the environment. Ofwat has confirmed that the changes do not apply to Tideway.
- In December 2022 Ofwat published its final methodology for PR24, including an early view of appointee wholesale WACC of 3.23% (CPIH, real) and 55% notional gearing assumption. Draft determinations are expected in June 2024 and final determinations in December 2024. PR24 does not apply to Tideway.



Interface with Thames Water

- Thames Water has a licence obligation to pass revenues to Tideway under the Revenue Agreement. A licence breach by Thames Water is enforceable by Ofwat. There has been no impact to our revenue given Thames Water's financial resilience during the year.
- As we move closer to starting commissioning in 2024, Tideway and Thames Water continue to collaborate and implement the 'Joint Approach' to deliver the earliest possible commencement of System Commissioning activities, System Activation, Handover and System Acceptance.
- Dedicated teams from Tideway and Thames Water are working together on the detailed planning for System Commissioning including, refining assumptions and mitigating risks.
- Thames Water's commitment to the schedule continues with a focus on closing out comments on the draft System Commissioning Plan ready for formal acceptance ahead of the Preliminary Commissioning Commencement Date.
- Thames Water continues to facilitate access to the Sewer Network to enable Tideway to construct the connections to the Thames Tideway Tunnel (TTT). Thames Water and Tideway are continuing the joint planning for sewer accesses required in the project's system activation phase.
- Tideway and Thames Water continue to implement robust asset protection arrangements for the Sewer Network during the carrying out of Tideway's Works.
- The Tideway and Thames Water property teams continue to jointly identify the land and rights requirements for the long-term lease which enables Thames Water to finalise land acquisition (which Thames Water has commenced).
- Thames Water and Tideway agreed and implemented a simplified revenue collection allocation process, which took effect from April 2023, with Ofwat and Defra consent. The changes reduce the risk of error and the level of monitoring required in revenue collection.
- Tideway is working with Thames Water on relevant elements of its PR24 business plan, including on incentives intended to align Thames Water's interests more closely with those of the TTT project.



Investment Programme (I)

- Tideway continues progress on construction and by the end of FY 2022/23 87% of the programme was completed (89% as of June 2023).
- All 30.7km of primary tunnelling was completed in 2022.
- As of March 2023, 72% of secondary lining was completed, or 22.2 km of the total 30.7km (28km or 91% as of June 2023).
- The key Business plan project dates:
 - Handover – Second half of 2025
 - Planned System Acceptance Date – August 2027
- Project Handover has moved from March 2025 to the second half of 2025. It has been impacted by the delays to the start of Commissioning, due to a slower than expected start to secondary lining and early production rates being low in the East area. The delay in secondary lining was partially caused by the complications with the Thames Water bulkhead in the connection tunnel between the Thames Tideway Tunnel and the Lee Tunnel at Abbey Mills Pumping Station. This required additional civil works at Abbey Mills and necessitated a re-sequencing of other activities in a number of sites in the East.
- We have seen improvements since year end in secondary lining rates in Main Tunnel D which could mitigate part of this forecast delay. This provides a higher level of confidence in achieving the forecast commissioning commencement date in 2024 and for the system to come into full operation in 2025. However, there remain uncertainties, which are typical for projects at this stage that could impact on future cost and schedule.
- All shafts are fully excavated and secondary lined.
- The level of non-conformance and re-work on the project has remained at a satisfactory level, with no critical defects being reported.
- Formal Acceptance Testing continues for the individual worksites where equipment has been installed at 12 of the 21 worksites and two are fully integrated into the off-site control system.



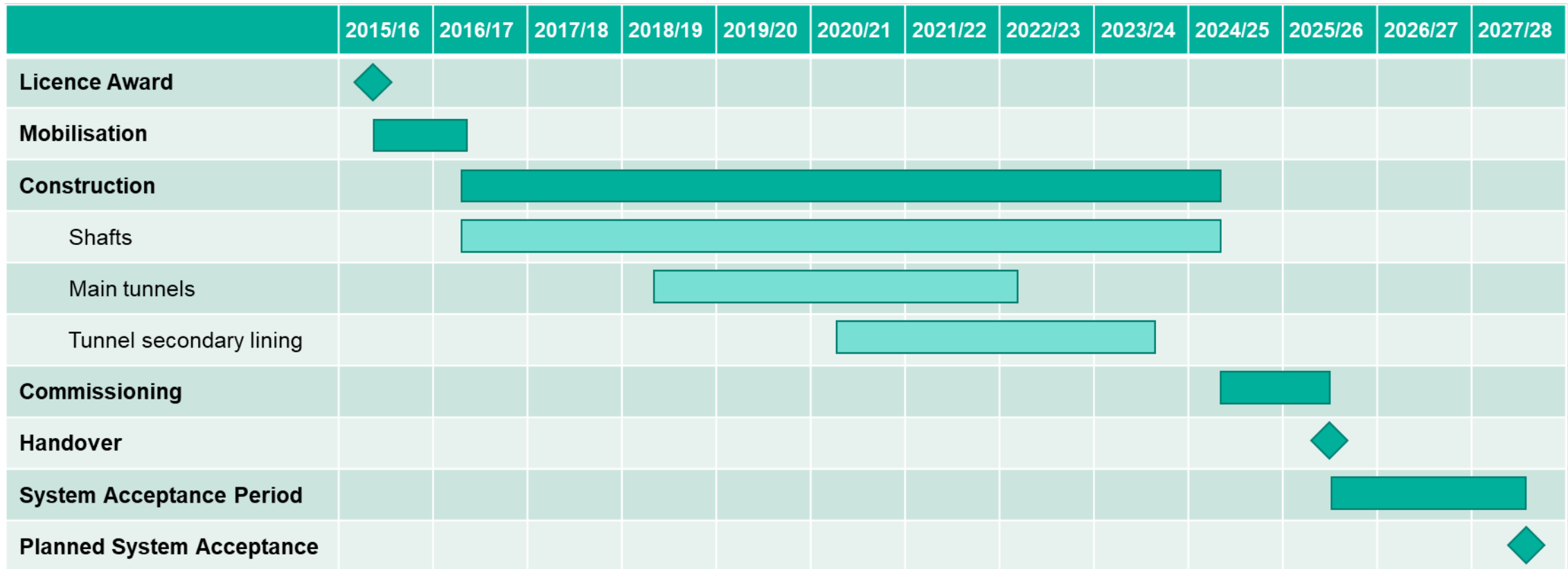
Investment Programme (II)

- Total project costs for the six-month period to March 2023 were £398m.
- The EAC as of March 2023 is £4.5bn (versus £3.5bn regulatory baseline), a £92m (2%) increase over the last six months (£4,384m in September 2022). The primary reason for the increase in outturn costs is inflation, given the continuous increase in rates over the last six months, plus higher costs being incurred by our East MWC.
- The installation and testing of the server and control room elements of the supervisory control and data acquisition - SCADA - system at Beckton was completed. It will monitor and control the whole tunnel. Individual sites are being progressively integrated into this system with the first integrated system acceptance site test completed at King George's Park.
- During the year significant progress was made in preparing for system commissioning with the completion of the initial version of the System Commissioning Plan by Tideway including contributions from all other Tideway Alliance members. The Plan was approved in principle in March 2023 in accordance with the agreed programme and is expected to be finalised and agreed formally in Q4 FY23/24. It provides the integrated approach for the Alliance to work collaboratively together for the successful achievement of System Commissioning.
- Alongside the System Commissioning Plan Tideway and Thames Water have also made significant progress in developing and agreeing a newly produced Strategic Intent that is supplemental to the original suite of project documents. The Strategic Intent is designed to increase the resilience of the programme leading to the formal Handover to Thames Water at the end of the System Commissioning period. It also contains provisions that streamline the processes which support the efficient and effective final Acceptance of the project by Thames Water in the following phase. Formal agreement of the Strategic Intent is expected by September 2023.
- The handback of land on completion of construction has continued with the successful handback of two areas to Thames Water in the six-month period since September 2022; Dormay Street, Causeway Island and the associated access road. Preparations for more handbacks in the next months are progressing, with the land within King George's Park and Barn Elms Sports Centre amongst the next areas targeted for hand back.

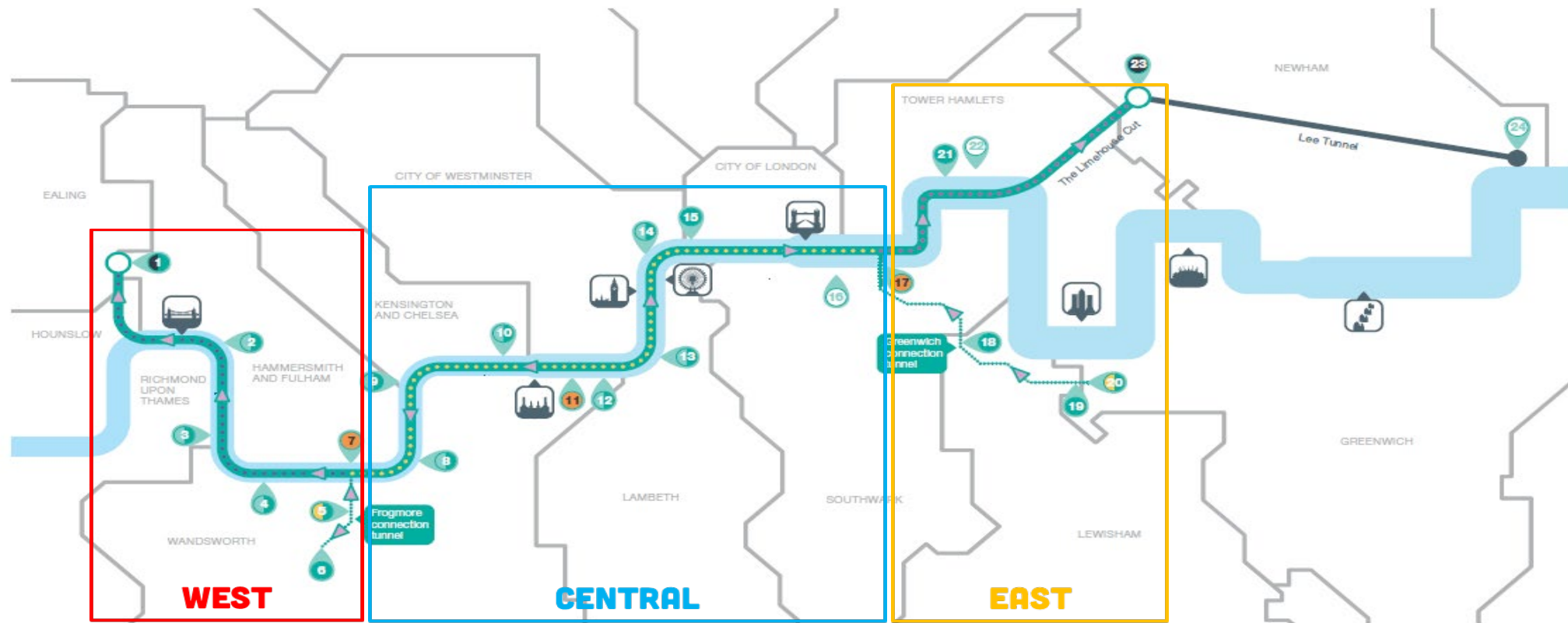
Investment Programme – Project Schedule Update

The outline schedule sets out our current view on the schedule. It reflects our latest view following significant engagement with our delivery partners.

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



Investment Programme – Route and Sites

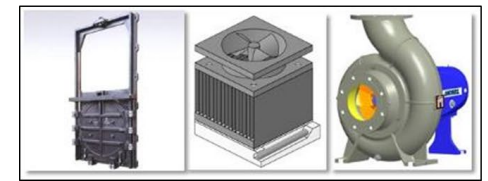
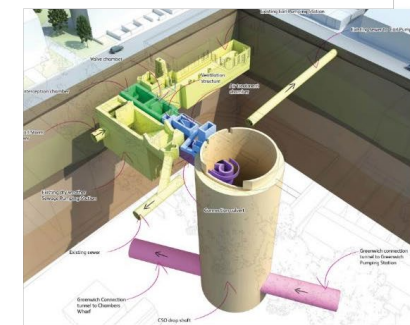
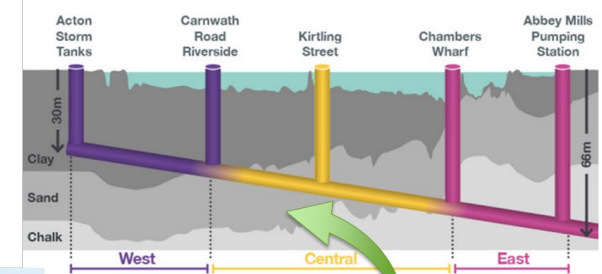


Map key

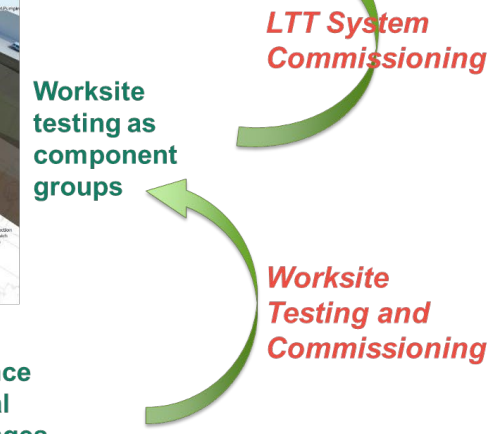
- | | | | | |
|--------------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------------|
| ● Main tunnel drive site | ▬ Main tunnel | ● Acton Storm Tanks | ● Cremorne Wharf Depot | ● Chambers Wharf |
| ● Main tunnel reception site | ▬ Long connection tunnel | ● Hammersmith Pumping Station | ● Chelsea Embankment Foreshore | ● Earl Pumping Station |
| ● CSO site | ▬ Lee Tunnel (under construction) | ● Barn Elms | ● Kirtling Street | ● Deptford Church Street |
| ● Short connection tunnel drive site | ▬ Proposed drive direction | ● Putney Embankment Foreshore | ● Heathwall Pumping Station | ● Greenwich Pumping Station |
| ● Long connection tunnel drive site | ▬ West works site | ● Dormay Street | ● King George's Park | ● King Edward Memorial Park Foreshore |
| ○ System modifications | ▬ Central works sites | ● Carnwath Road Riverside | ● Falconbrook Pumping Station | ● Shad Thames Pumping Station |
| | ▬ East works site | ● Victoria Embankment Foreshore | ● Albert Embankment Foreshore | ● Blackfriars Bridge Foreshore |
| | | ● Blackfriars Bridge Foreshore | ● Shad Thames Pumping Station | ● Abbey Mills Pumping Station |
| | | ● Shad Thames Pumping Station | ● Beckton Sewage Treatment Works | ● Beckton Sewage Treatment Works |

System Integration and System Commissioning (I)

- In addition to the major civil construction works, there are several mechanical and controls elements of work that must be undertaken to enable the tunnel to be integrated with the existing sewer network and therefore operate as a system.
- The MWCs are responsible for providing the assets and packages that make up an individual worksite and the associated testing. They are making good progress in conducting factory acceptance testing and then Site Acceptance Tests once the penstocks, flap valves, isolation gates, access covers and air treatment units are installed. Integrated Worksite Tests are now being conducted to confirm the assets can be controlled from site PLC. The suite of asset and worksite tests are witnessed by the Project Manager and the System Commissioning Manager.
- The System Integrator (Amey) covers system-wide control integration including telemetry, IT systems, control room interfaces and software. The control system hardware has been installed and core system software development has been deployed. Formal Acceptance Testing continues for the individual Worksites where equipment has been installed at 12 of the 21 Worksites and two are fully integrated into the off-site control system.



Factory acceptance tests of individual assets and packages



- The System Commissioning Plan (SCP) is a set of 83 documents that was submitted to Thames Water in October 2022 for review and acceptance. Thames Water provided Tideway an 'agreement-in-principal' for the SCP in March 2023. The SCP meanwhile is being updated to address comments and critical issues that remained outstanding. Majority of comments are to be closed out and issues resolved in summer 2023, although some must wait for final updates to the programme related documents to be issued in January 2024. Formal signoff of the comprehensive System Commissioning Plan by Thames Water is anticipated in February 2024.
- The SCP documents identify the detailed activities, roles and responsibilities in governing the commissioning process to achieve key milestones. The Phased Commissioning approach provides resilience to mitigate potential programme risks that might delay the testing and commissioning process.
- System Commissioning occurs once the Pre-System Commissioning and Worksite Testing has been completed. Commissioning brings the constructed assets into actual operation through a series of tests and activations. The Phases for Commissioning are discussed next.

System Integration and System Commissioning (II)

Commissioning Commencement

Handover

Pre System Commissioning Activities | System Commissioning Activities

Preliminary Commissioning	System Activation	Storm Testing — Half Tunnel		Storm Testing — Full Tunnel (LTT OT)		Final Inspections and Maintenance
Final Isolation Removal	Site-by-Site Activation	Storm Test 1 Extreme Wet Weather	Storm Test 2 Normal Wet Weather	Storm Test 3 Fill to capacity	Storm Test 4 Automatic operation	Prep for Handover

- The Phased Commissioning consists of the following phases:
 - Preliminary Commissioning in which the bulkhead (isolation wall) that separates the Thames Tideway Tunnel and the Lee Tunnel will be removed, resulting in the formation of the London Tideway Tunnels (LTT).
 - System Activation in which the sites, starting with Abbey Mills, are allowed to direct storm flows into the tunnel. The Tideway Tunnel sites will follow a logical, timed sequence that has been agreed with Thames Water to steadily increase flow into the tunnel.
 - Storm Testing in two phases.
 - Half-tunnel levels to ensure the integrated LTT system is performing as expected prior to introducing more volume into the tunnel
 - Full tunnel levels to test and demonstrate that the system can be operated as per the Operating Techniques and is Fit for Purpose
 - Final inspections and maintenance, including a tunnel inspection, prior to transferring maintenance from MWCs to Tideway’s maintenance contractor and achieving Handover.
- When commissioning activities have completed, documentation and records have been transferred, and the Handover Criteria are met, Thames Water will issue a Handover Certificate.
- Following Handover, System acceptance tests will be conducted by Thames Water with the support of Tideway to optimise operation and maintenance activities and to demonstrate System capacity in relation to intense storm events. When the System has been monitored over a range of climatic and operational scenarios and certain System Acceptance Criteria have been met, Thames Water will issue a System Acceptance Certificate.

Financing Activity

- Since Licence Award, Tideway has made significant progress in the implementation of its financing strategy, raising £3bn of long-term debt of which £2.9bn were drawn as at 31st March 2023.

Debt facilities £M	RCF	EIB loan	RPI Loan	RPI Bonds	CPI Bonds	Nominal debt	Total
Drawn		700	100	866	350	925	2,941
Undrawn	160			66			226
Total	160	700	100	932	350	925	3,167

- This represents 100% of long-term funding needs to cover anticipated construction costs to Handover (2025) taking into account the undrawn £160m Revolving Credit Facility.
- At 31 March 2023, total liquidity stood at £549m, comprising of £323m of unrestricted cash, the £160m undrawn RCF and the £66m undrawn index linked bond.
- In May 2023 we received £66m from the last deferred bond Series 16.
- In June 2023 Tideway secured £250m of additional nominal debt which is funding in October 2023 providing additional liquidity beyond the project Handover.
- There were no new derivative transactions in the period – our derivative portfolio continues to include the swaps hedging the first eight tranches of our £700m EIB loan and £70m of our £300m USPP 2017 notes.
- As of 31 March 2023, we had received £1,274m from our shareholders in the form of £509.7m in equity and £764.5m as shareholder loans, which was the full commitment at Licence Award. The total distributions paid in the year were £20.8m and £36.6m which were capitalized and added to the shareholder loans taking the overall balance to £836.1m.
- In June 2023, our investment grade credit ratings were affirmed at Baa1 by Moody's and BBB+ by Fitch with both agencies having a stable outlook.

Financing Activity

£3bn long term debt

£160m RCF

100% needs to Handover

Refinancing from 2025 (EIB) and 2027 (bond)

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

Index Linked debt as % of RCV

Mar 2023
55.3%

Gearing remains below the covenant trigger / default levels (70%/80%)

Mar 2023
Net debt/
RCV
67.0%

Index Linked debt as % of total debt

Mar 2023
74.8%

The interest coverage ratio remains well above the covenant trigger / default levels (1.30x / 1.10x)

Mar 2023
ICR
4.84x

Financing Activity – Sustainable Finance

- Tideway has 18 green bonds totalling £1.8bn listed in the London Stock Exchange Sustainable Bond Market, a £75m green USPP and a £160m Sustainability-Linked Revolving Credit Facility.
- In June 2023 Tideway raised £250m of green notes which will fund in October 2023. With this transaction the total sustainable financing to date stands at £2.3bn.
- Our green issuance is covered by a Green Evaluation from S&P Global Ratings.
- S&P Global Ratings completed an updated Environmental, Social and Governance Evaluation of Tideway in June 2023. Tideway achieved a score of 77/100, a one-point uplift from the previous assessment in 2022.
- The agreed KPI in the Sustainability-Linked RCF is the meeting of at least 85% of the live Legacy Commitments and as at 31 March 2023 we exceeded the target by meeting 92% of the live commitments.
- Our Sustainability 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. It includes a compliance statement, which highlights how our disclosures align with Taskforce on Climate-related Financial Disclosures (TCFD).
- The sustainable financing strategy is supported by the Sustainable Finance Framework, last updated in July 2023. 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.



Historical Financial Performance

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

During the year, Tideway reported a profit of £144.6m (2021/22: £10.9m loss). This is a result of fair value movements on the Company's derivative financial instruments. The tunnel asset under construction totalled £4,832.0m at 31 March 2023 (2021/22: £4,016.3m).

Allowable Costs

Allowable Costs of £459.6m (2021/22: £585.5m) include £401.0m of Direct costs and £58.6m of Indirect costs.

Direct Costs

Direct costs are primarily the MWCs costs and the System Integrator Contract so reflect costs directly related to the tunnelling programme such as primary tunnelling and secondary lining works and also other related construction activities such as shaft construction and marine works. The direct costs are lower than 2021/22. This is due to the construction of main tunnels been substantially completed in 2021/22.

Indirect Costs

The largest indirect cost is Resource Costs of £43.5m. This represents the cost to employ an average of c252 Full Time Equivalents (FTEs) (2021/22 c286 average FTEs) either employed or contracted by the Company. Other Indirect Costs totalled £15.1m in the year and this includes the cost of information systems, insurance, GSP, office and other running costs. Indirect costs have reduced compared with 2021/22 as the project comes closer to completion.

Excluded Costs

The Excluded costs (on an accruals basis) for the year ended 31 March 2023 were £356.1m. These comprise £364.1m of interest expense (including shareholder loan interest), £3.2m of costs which mainly relate to financing, partly offset by £11.2m interest income. Excluded costs are significantly higher than 2021/22 mainly from the impact of higher inflation on existing index linked debt.

Analysis of Project Costs and the equivalent Net Cash Outflows (£m)	Year ended 31 March 2023			Year ended 31 March 2022		
	Costs	Timing Differences	Cash Outflow	Costs	Timing Differences	Cash Outflow
Direct Costs	401.0	51.5	452.5	524.0	(48.6)	475.4
Indirect Costs	58.6	(1.4)	57.2	61.5	(6.1)	55.4
Total Allowable	459.6	50.1	509.7	585.5	(54.7)	530.8
Excluded Costs	356.1	(288.5)	67.6	200.2	(136.4)	63.8
Total	815.7	(238.4)	577.3	785.7	(191.1)	594.6

Analysis of Capitalised Costs (£m)	Year ended 31 March 2023	Year ended 31 March 2022
Direct Costs	401.0	524.0
Indirect Costs	58.6	61.5
Total Allowable	459.6	585.5
Excluded costs	356.1	200.2
Total Capitalised Costs	815.7	785.7

Historical Financial Performance (continued)

Cash Flow and Cash

Net cash flows from operating activities of £35.3m (2022: £70.5m) represent movements in working capital and are mainly driven by timing of payments to our Main Works Contractors and the receipt of regulated revenue payments from Thames Water which are deferred on the Statement of Financial Position during the construction phase of the project.

Net cash flows used in investing activities of £582.7m (2022: £673.7m) show the gross cash outflows used in constructing the Thames Tideway Tunnel as well as movements to short-term deposits which represent money market funds where cash is held on deposit.

The net cash inflows from financing activities of £321.2m (2022: £605.7m) are largely the result of £323.2m proceeds from new borrowings (£265.4m index linked bonds, and £57.8m fixed rate loans), partly offset by £2.0m repayment of lease liabilities.

External Debt

Net debt at 31 March 2023 was £3,287.0m, which was £820m higher than the £2,467.0m net debt at 31 March 2022.

At 31 March 2023, the Company's total borrowings were £4,229.2m being £836.1m of shareholder loans and £3,391.1m of other borrowings which include third party borrowings and intra group debt. In addition, the Company has secured deferred bond issuance of £50.0m which will be reflected in the financial statements when it is drawn down in the future. The Revolving Credit facility of £160.0m remained undrawn during the period.

A list of Tideway's external debt facilities can be found on page 22.

Cash Flow (£m)	Year ended 31 March 2023	Year ended 31 March 2022
Cash generated from operations before changes in working capital	-	-
(Increase) in trade and other receivables	(5.9)	(10.5)
(Decrease)/Increase in trade and other payables	(45.5)	8.1
Increase in advance payment liability	86.7	72.9
Net cash from operating activities	35.3	70.5
Construction of infrastructure asset	(507.7)	(583.7)
Transfers to short-term deposits	(75.0)	(90.0)
Net cash used in investing activities	(582.7)	(673.7)
Proceeds from new borrowings	323.2	607.8
Repayment of lease liabilities	(2.0)	(2.1)
Net cash from financing activities	321.2	605.7
Net (decrease)/increase in cash and cash equivalents during the period	(226.2)	2.5
Cash and cash equivalents at the start of the period	333.7	331.2
Cash and cash equivalents at the end of the period	107.5	333.7

Historical Financial Performance (continued)

Fair value measurements and valuation

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

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

During the year, there was a fair value gain of £144.6m on the index-linked swaps, which is seen in the Income Statement. The overall gain position is primarily due to a significant increase in the SONIA curve, which led to a higher amount to be received under the receivable leg of the EIB swaps.

Tax

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

We did not recognise any taxable profits in the period (2022/23: £nil) and the resulting corporation tax charge for the period was £nil (2022/23: £nil).

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

Debt Portfolio – March 2023

BTL Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£80m Tranche 1	103	EIB loan	Jul-18	2051
£80m Tranche 2	101	EIB loan	Jan-19	2051
£80m Tranche 3	100	EIB loan	Jul-19	2051
£80m Tranche 4	100	EIB loan	Jan-20	2051
£80m Tranche 5	99	EIB loan	Jul-20	2051
£80m Tranche 6	98	EIB loan	Jan-21	2051
£80m Tranche 7	98	EIB loan	Mar-21	2051
£60m Tranche 8	72	EIB loan	Jul-21	2051
£40m Tranche 9	46	EIB loan	Jan-22	2051
£40m Tranche 10	43	EIB loan	Jul-22	2051
Subtotal EIB Loan	861			
£300m 2.86%	323	USPP Loan Note	Sep-17	2032
£75m 2.418%	75	Green USPP Loan Note	Sep-21	2041
Subtotal Nominal	398			
£100m RPI + 0.01%	125	Loan	Sep-19	2049
RCF	160	Sustainability-linked Revolver	N/A	2027

Debt £m	Drawn	Undrawn	Total
RCF		160	160
RPI	2,135	66	2,201
CPI	397		397
Nominal	855		855
Lease	1		1
Total	3,389	226	3,615
Cash	323		
Net Debt	3,065		

BFP Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£75m CPI + 0.828%	93	Green Bond	Aug-17	2047
£200m CPI+ 0.74%	223	Green Bond	Nov-17	2042
£75m CPI + 0.949%	82	Green Bond	May-22	2052
Subtotal CPI	397			
£100m RPI + 0.688%	129.5	Green Bond	Jun-18	2050
£100m RPI + 0.249%	126.6	Green Bond	Dec-18	2040
£100m RPI + 0.755%	125.8	Green Bond	Jun-19	2051
£125m RPI + 0.192%	167	Green Bond	Jul-19	2049
£25m RPI + 1.035%	31	Green Bond	Jun-20	2048
£50m RPI + 0.787%	62	Green Bond	Jun-20	2052
£25m RPI + 0.951%	31	Green Bond	Jun-20	2054
£25m RPI + 1.042%	30	Green Bond	Jul-21	2048
£25m RPI + 0.954%	30	Green Bond	Jul-21	2054
£75m RPI + 0.01%**	90	Green Bond	Aug-21	2036
£150m RPI + 0.01%*	170	Green Bond	Apr-22	2032
£50m RPI + 0.074%	65	Green Bond	May-22	2049
£50m RPI + 0.174%	66	Green Bond	May-23	2049
Subtotal RPI	1123			
£250m 2.375%	250	Green Bond	Nov-17	2027
£300m 2.75%	300	Green Bond	Mar-22	2034
Subtotal Nominal	550			
Total	2070			

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

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

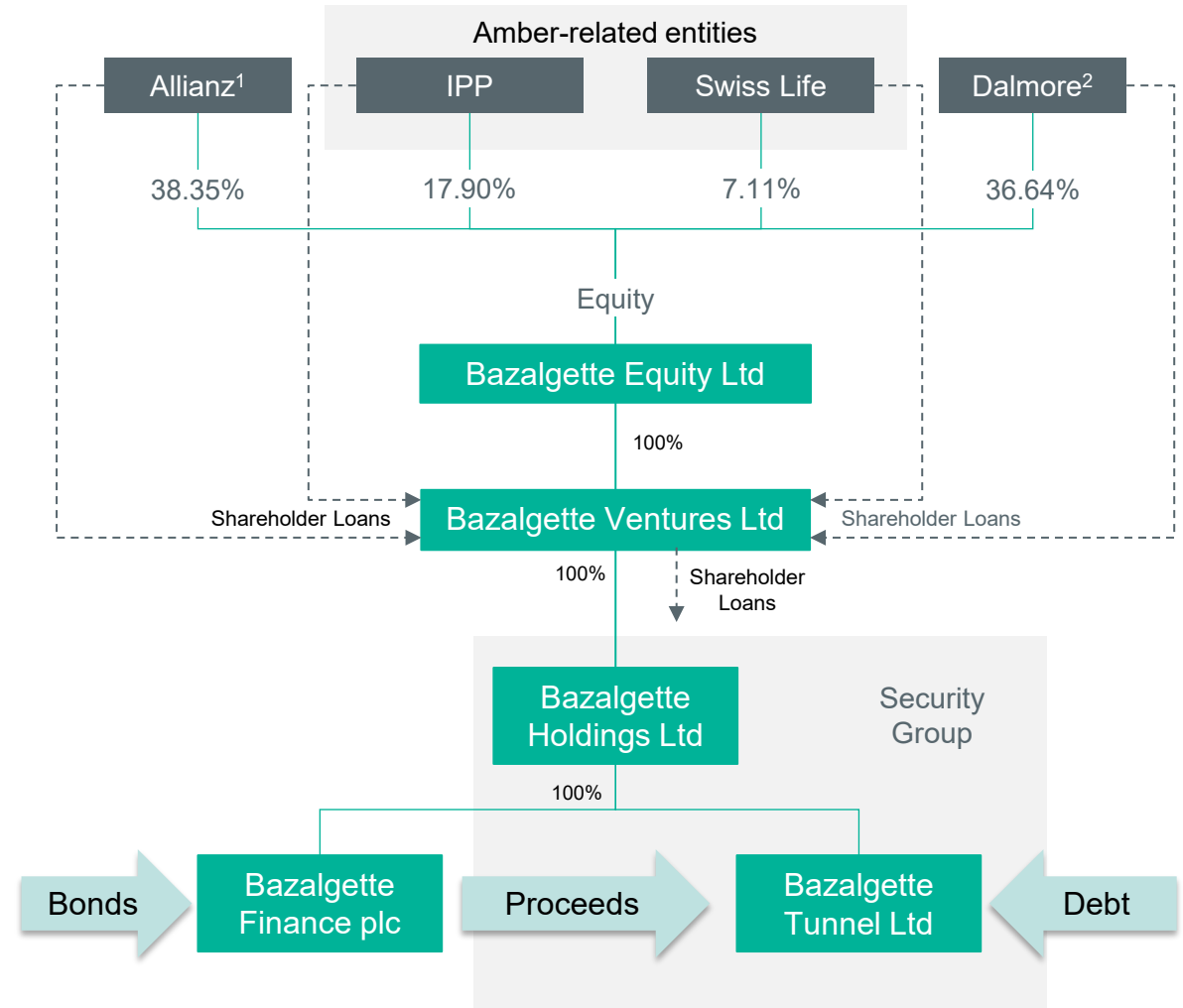
Drawn facilities

Undrawn facilities

Note: In June 2023 Tideway raised £250m green fixed rate notes funding in October 2023.

Tideway Corporate Structure

- In September 2022, DIF Capital Partners divested its 10.66% stake in Tideway.
- The stake was acquired by the company's other existing shareholders, an affiliate of Allianz Capital Partners, an affiliate of Dalmore Capital and two Amber Infrastructure-related entities (International Public Partnerships and Swiss Life Asset Managers).
- The transaction came about as one of DIF's underlying investment funds was coming to the end of its fund life.



Notes:

¹ Allianz's shareholding in Tideway is held by two funds: Allianz European Infrastructure II Acquisition Holdings S.a.r.l. & Allianz Infrastructure Luxembourg I S.a.r.l.

² Dalmore's shareholding in Tideway is held by two entities: Dalmore Capital 14 GP Ltd & Auger Bore Investments Ltd

Financial Ratios

We confirm that in respect of this Investor Report as of 31 March 2023, by reference to the most recent Financial Statements that we are obliged to deliver in accordance with paragraph 1 (Financial Statements) of Part A (Information Covenants) of Schedule 3 (Holdco Group Covenants) of the CTA:

- a) the Senior RAR⁽¹⁾ in respect of the relevant Test Period is equal to 67.0%
- b) The FFO ICR⁽²⁾ in respect of the relevant Test Period is equal to 4.84x
- c) The average FFO ICR in respect of the relevant Test Period is equal to 5.78x

(together ***the Ratios***)

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

Other Reportable Matters

Significant management and board changes H2 2022/23

- In February 2023 John Holland-Kaye informed the Tideway Board of his intention to resign at the end of FY 2022/23.
- There have been no other significant management or board changes in the period.

Acquisitions and disposals H2 2022/23

- There have been no acquisitions and disposals in the period.

Current Hedging Position

- The current swap portfolio can be found on page 27 in the appendix.

Confirmation

We confirm that:

- a) no Default or Trigger Event has occurred and is continuing;
- b) the Borrower is in compliance with the Hedging Policy;
- c) the statements set out in this Investor Report are accurate in all material respects; and
- d) the insurances are being maintained in accordance with paragraph 28 (Insurance) of Part C (General Covenants) of Schedule 3 (Holdco Group Covenants) to the CTA.



Mathew Duncan,

Chief Financial Officer

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

Swap Portfolio – March 2023

- During FY 2016/17 Tideway swapped tranches 1-8 of the EIB loan with various banks to index linked (RPI) format and agreed to draw tranches 9-10 in index linked format directly from the EIB.
- In September 2017, Tideway swapped £70m notional of the USPP.
- The swaps mature in 2030-2032 which is the beginning of Tideway's next regulatory period where the regulatory framework is expected to change to CPIH from RPI.
- There were no new hedges in the period.

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

Reference to the CTA

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

Requirement	Reference
General overview	Page 4-5, Overview
Regulatory and Business update	Page 6-9, Regulatory and Business Update Page 10-15, Investment Programme
Capital Expenditure	Pages 19-22, Historical Financial Performance
Financing	Page 16-18, Financing Activity Appendix
Acquisitions or Disposals	Page 25, Other Reportable Matters
Current Hedging Position	Page 27, Swap Portfolio
Ratios	Page 24, Ratios



Tideway

RECONNECTING LONDON WITH THE RIVER THAMES

#SuperSewer

www.tideway.london