

TIDEWAY – HOLDCO GROUP INVESTOR REPORT H1 2023/24

November 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 30 September 2023 with some information as of 30 October 2023 or as indicated. It covers business, regulatory and financing developments. This Investor Report should be read in conjunction with the Semi-annual Report and Accounts for the 6 months ended 30 September 2023.

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Overview

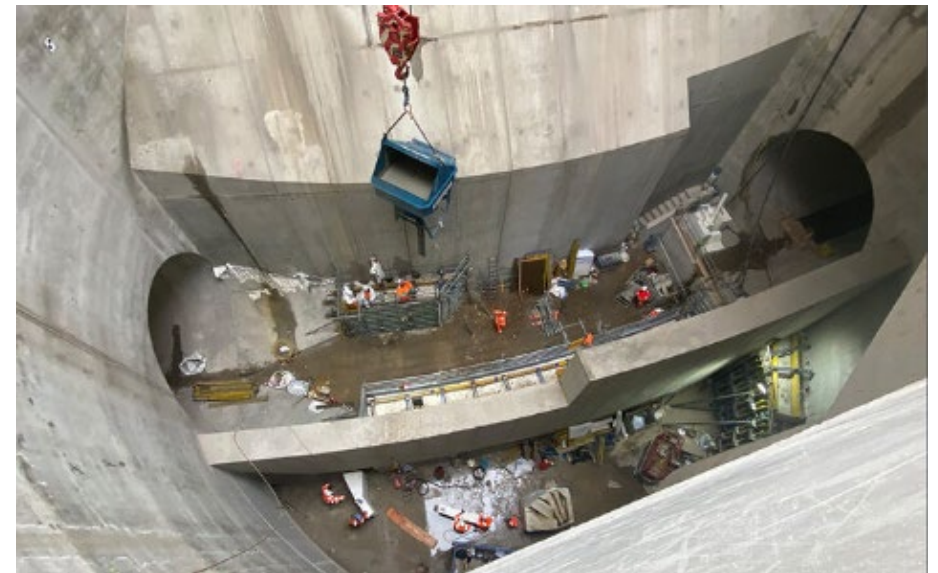
H1 2023/24 Highlights:

- Construction is progressing with the project now over 90% complete as at September 2023, in line with the Business Plan, this includes:
 - Secondary lining works were completed in the period, ahead of plan.
 - All 21 shafts on the project are fully excavated and secondary lined.
 - Other civils work is at 95% complete and architecture and landscaping at 49% complete.
 - Site Acceptance Testing continues for the individual worksites where equipment has been installed at 13 of the 21 worksites and two are fully integrated into the off-site control system.
- The Estimate at Completion (EAC) remains at £4.5bn as reported in the Annual Report and previous Investor Report published at the end of August 2023 although there has been a marginal increase of £25m over the last six months.
- The annual bill impact for Thames Water customers remains well within the pre-licence award estimate of £20-25 per household (2014/15 prices).
- The project remains on track for System Commissioning commencement in 2024 with Handover in 2025.
- We have continued to hand back areas on completion of construction. During the period, we marked completion of work at two sites, with the opening of the new public realm at Putney Embankment and the unveiling of a new artwork and giant bug hotel, housed in the mechanical and electrical kiosk at Barn Elms.



Overview (continued)

- We are exceeding our 85% target for live Legacy commitments with 91% on track.
- Tideway remains committed to completing the programme with zero fatalities or serious injuries on or off site.
- Accident frequency rates (AFR), which measure lost-time injuries over a rolling 12-month period, have fluctuated during the period.
- There has been a marginal increase in AFR1 – injuries which have resulted in one working day lost time, the AFR3 and AFR7 (injuries resulting in over three days and over seven days absence) have reduced.
- During the period Tideway secured £250m of additional funding from a green private placement which closed and settled in October 2023.
- The Borrower continues to have a strong liquidity position with total committed debt funding of £3,417m as at September 2023. This level of liquidity is sufficient to cover anticipated construction costs until Handover in 2025 with the additional funds received in October providing additional liquidity for the post-Handover phase.
- Gearing remains at 68.2%, below the covenant level. The interest coverage ratio stands at 9.24x, well above the covenant.
- 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.
- No distributions were paid in the six months to 30 September 2023 and £50.7 million was capitalised, taking the overall shareholder loan balance to £886.8 million.



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.
- AFR which measure lost-time injuries over a rolling 12-month period, have fluctuated during the period. There has been a marginal increase in AFR1 – injuries which have resulted in one working day lost time, the AFR3 and AFR7 (injuries resulting in over three days and over seven days absence) have reduced.
- During the first six months of 2023/24, 2.26 million hours were worked and there were eight lost time injuries (LTI) three of which resulted in +7-days lost time with the remainder +1-day lost time.
- Health, Safety & Wellbeing (HSW) improvement strategies and action plans remain in place for each contract to address any trends emerging from incident occurrences and subsequent investigations, to consider the forthcoming works' risk profile and to continually improve HSW performance. These are monitored each period to assess their continued suitability and effectiveness.
- With the commencement of the transition to Mechanical, Electrical, Instrumentation, Control and Automation (MEICA) activities, worksite testing and commissioning, a number of dedicated working groups have been established to ensure collaboration and ensure safe and effective management of these works. The working groups include: Safety in Commissioning; Safe Asset Access; and Security and Marine Logistics.
- Supporting the health and wellbeing of the workforce continues to be a major driver for the project and our journey has been supported with the Mates in Mind charitable programme and our Occupational Health Service provider. To complement this, a further working group has been established to focus specifically on Stress Management as we move to the latter phases of the project.

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

Business Update – Vision, Legacy, and Reputation

- Our proactive engagement and communications strategy with our stakeholders has continued, with the aim of building positive relationships and a positive environment for the delivery of the project.
- As we get closer to completion, we have taken opportunities to showcase the underground infrastructure to a wide variety of stakeholders, highlight the project legacy, and talk about Tideway's innovative delivery model. Over a period of nearly three weeks in the summer Tideway welcomed more than 600 visitors underground into the new tunnel as part of the 'Loo Gardens' campaign. This attracted widespread national media coverage and enabled us to reach more people with our messages about the benefits of the project.
- Our legacy programme, underpinned by 54 measurable commitments, remains on track with a total of 91% of our live legacy commitments on track against a target of 85%.
- 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.
- We marked the completion of two Tideway sites, with an opening event for the new public realm at Putney Embankment – a first for the project – and an event at Barn Elms with two local schools getting up close to the giant bug hotel which is housed by the mechanical and electrical kiosk structure. We also unveiled the project's first completed public artwork at Hammersmith Pumping Station, 'Smart Queen Caroline' by Sarah Staton.



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.
- Thames Water submitted its PR24 business plan to Ofwat by the 2 October deadline. Tideway has contributed to the development of relevant areas of the plan, including the costs of commissioning, operating and maintaining the tunnel that are borne by Thames Water, and the incentives intended to align Thames Water's interests more closely with those of the TTT project. We will be engaging further with Ofwat over the coming months as it reviews the plan, ahead of its draft determinations due in May/June 2024.



Regulatory Update

- During the 2022/23 financial 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, due to the availability of its then auditor KPMG. 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 Tideway. The undertaking covered the provision of draft information to Ofwat by 15 July 2023 and final audited information by 22 September 2023. Additional information is available on the Ofwat website.*
- Tideway has provided all required information in line with the above undertaking. The company's Annual Report and Sustainability Report were published on 25 August and the Annual Performance Report on 8 September 2023. Ofwat wrote to Tideway on 25 September confirming that the company had complied with the undertaking.

* <https://www.ofwat.gov.uk/tideway-undertaking-under-section-19-for-breach-of-licence/>



Investment Programme (I)

- Construction is progressing with the project now over 90% complete as at September 2023, in line with the Business Plan.
- In September, the last shutter pour in Main Tunnel D was completed, bringing to an end the secondary lining works on the project - a huge milestone for the East tunnelling team. The secondary lining works were completed ahead of plan.
- All shafts are fully excavated and secondary lined.
- Other civils work is at 95% complete and architecture and landscaping at 49% complete.
- The key Business Plan project dates:
 - Handover – Second half of 2025
 - Planned System Acceptance Date – August 2027
- The project remains on track for System Commissioning Commencement in 2024 with Handover in 2025.
- Site Acceptance Testing continues for the individual worksites where equipment has been installed at 13 of the 21 worksites and two are fully integrated into the off-site control system.
- We have continued to handback areas on completion of construction. During the period, we opened our first two public realm sites at Putney and Barn Elms.



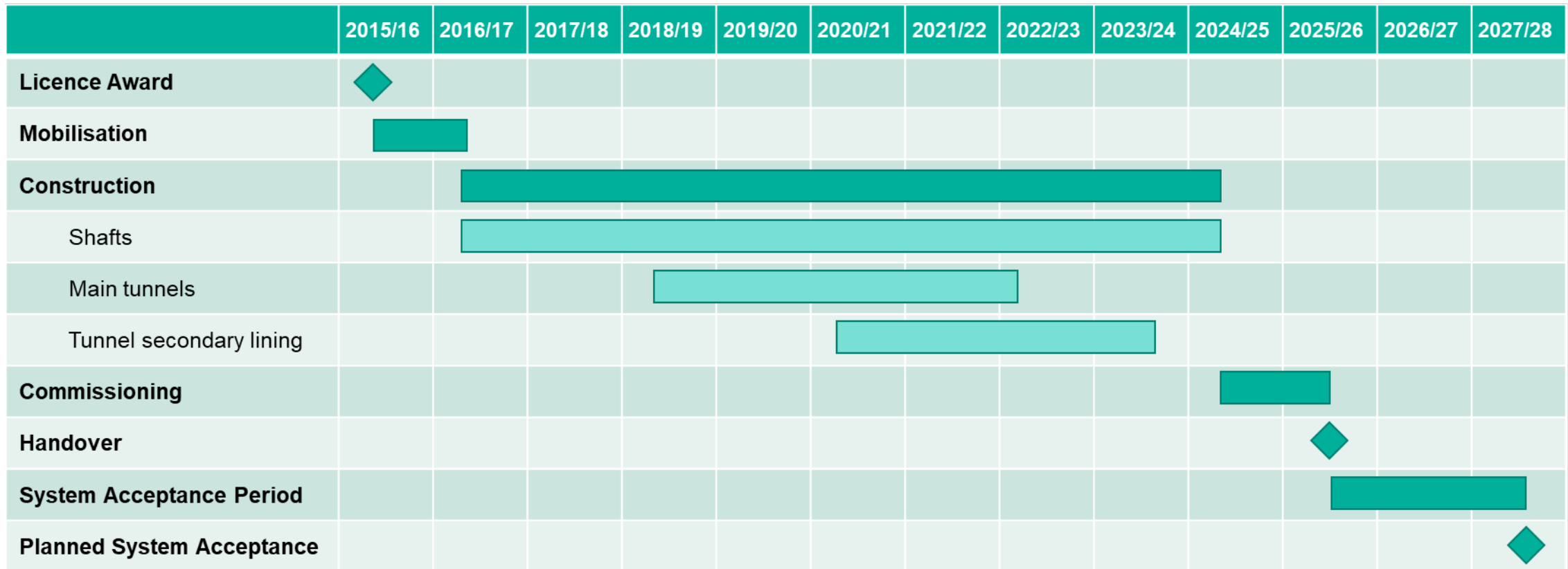
Investment Programme (II)

- Total project costs incurred for the six-month period were £330.2m, taking the total capitalised costs incurred at 30 September 2023 to £5,163.4m.
- The estimate at completion remains at £4.5bn (vs £3.5bn regulatory baseline). Within this estimate there has been a marginal increase of £25m over the last six months primarily associated with river works and related consents in the central contract and the conclusion of commercial discussions with the east contractor.
- Tideway has continued to progress the implementation of commercial agreements with the MWCs and the System Integrator resolving historical commercial issues, aligning their schedules with the Tideway Business Plan whilst ensuring objectives remain aligned through effective cost and schedule incentives. Tideway is continuing to progress further agreements where required to ensure schedule and cost objectives remain aligned and without distraction.
- Together with our MWCs, Thames Water are an integral part of the ongoing T-26 reviews that will validate the methodology and programme ahead of System Commissioning Commencement. Agreement in principle has been reached with Thames Water on a 'Strategic Intent' that includes optimising the approach through to System Acceptance.
- A robust asset quality certification process is in place across the programme with particularly good progress recorded on the west and central contracts in support of System Commissioning commencement. Both West and Central contracts are forecasting to achieve their incentive milestones associated with certification by the end of 2023 and in advance of commissioning commencement. Achieving similar certification performance on the east contract will be critical to supporting the early commencement of commissioning. Water ingress through the completed secondary lining into the Greenwich Connection Tunnel and Main Tunnel D in the East is currently greater than anticipated and remedial injection works are being undertaken to improve the situation.

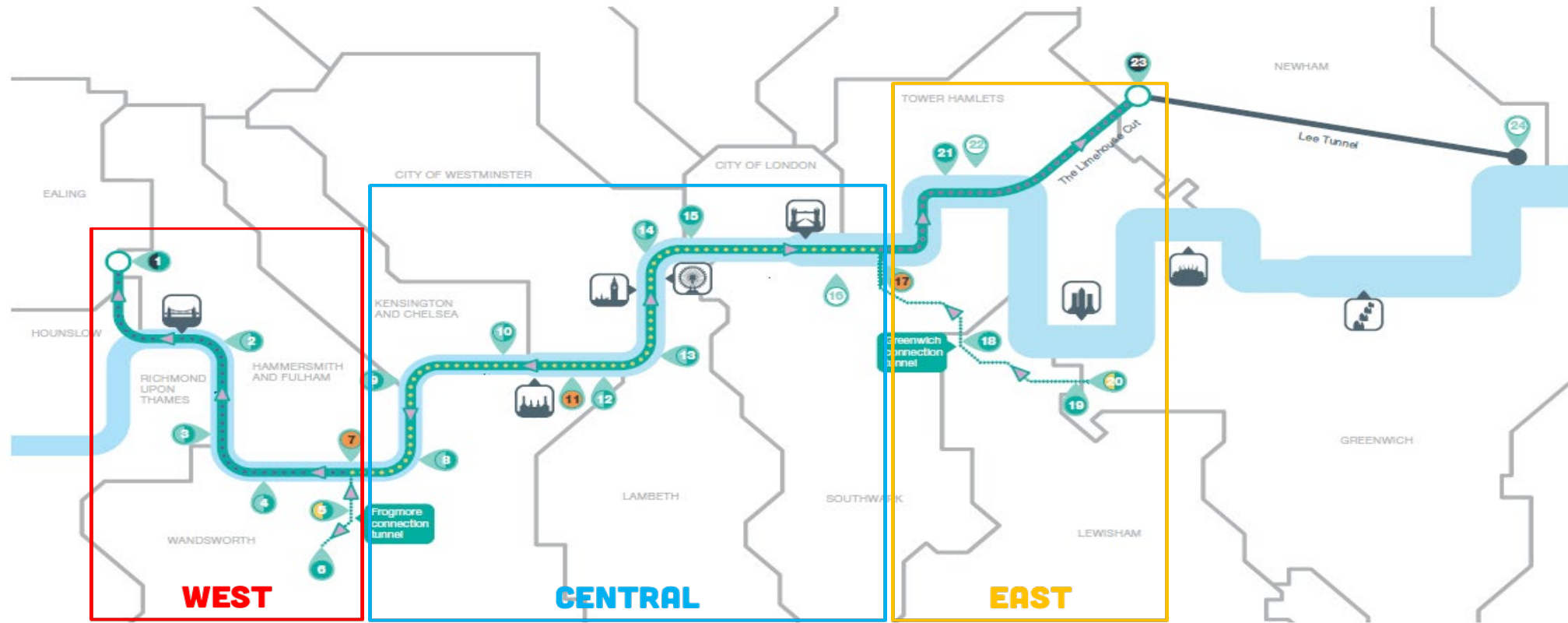
Investment Programme – Project Schedule Update

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

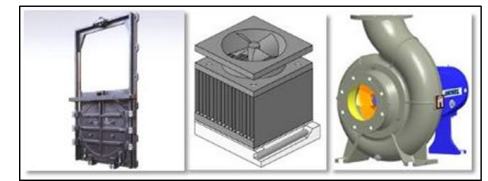
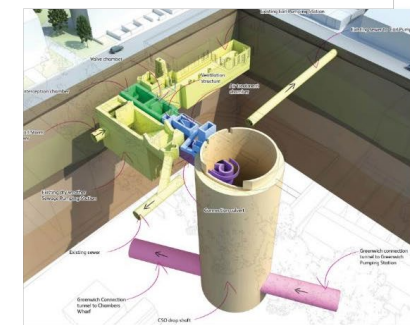
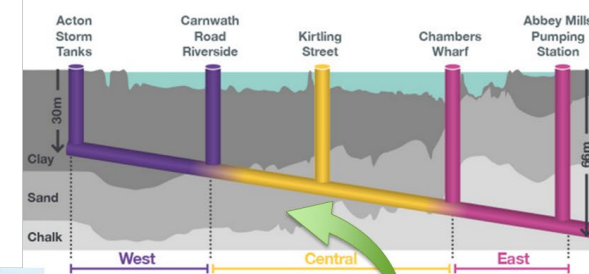


Map key

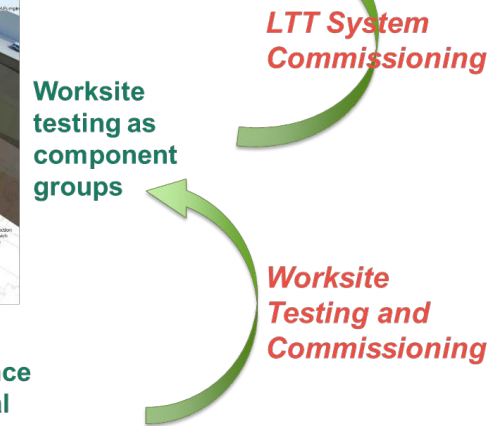
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|------------------------------------|---------------------------------|-------------------------------|----------------------------------|--|
| Main tunnel drive site | Main tunnel | 1 Acton Storm Tanks | 9 Cremorne Wharf Depot | 17 Chambers Wharf |
| Main tunnel reception site | Long connection tunnel | 2 Hammersmith Pumping Station | 10 Chelsea Embankment Foreshore | 18 Earl Pumping Station |
| CSO site | Lee Tunnel (under construction) | 3 Barn Elms | 11 Kirtling Street | 19 Deptford Church Street |
| Short connection tunnel drive site | Proposed drive direction | 4 Putney Embankment Foreshore | 12 Heathwall Pumping Station | 20 Greenwich Pumping Station |
| Long connection tunnel drive site | West works site | 5 Dormay Street | 13 Albert Embankment Foreshore | 21 King Edward Memorial Park Foreshore |
| System modifications | Central works sites | 6 King George's Park | 14 Victoria Embankment Foreshore | 22 Bekesbourne Street |
| | East works site | 7 Carnwath Road Riverside | 15 Blackfriars Bridge Foreshore | 23 Abbey Mills Pumping Station |
| | | 8 Falconbrook Pumping Station | 16 Shad Thames Pumping Station | 24 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, the NEC Supervisor, 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. Equipment installation and site acceptance testing is progressing well and is now either complete or underway at most of the Main Works Contractors' sites. The testing of worksites back to SCADA has now been successfully commenced.



Factory acceptance tests of individual assets and packages



- The System Commissioning Plan (SCP) is a set of 84 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. The majority of comments are now closed out and an updated version of the SCP has been shared with the Alliance stakeholders. The plan is to finalise these plans and formally issue in January 2024. Formal signoff of the comprehensive System Commissioning Plan by Thames Water is anticipated in March 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 of storm sewage 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 £3.0bn of long-term debt as at 30th September 2023.
- In June 2023 Tideway secured £250m of additional nominal debt which settled in October 2023 and took the long-term debt balance to £3.3bn.

Debt £M	RCF	EIB	RPI loan	RPI bonds	CPI bonds	Nominal	Total
Drawn		700	100	932	350	925	3007
Undrawn	160					250	410
Total	160	700	100	932	350	1175	3417

- This represents 100% of Tideway's long-term funding needs to cover anticipated construction costs to Handover (2025) with the additional funds received in October providing additional liquidity for the post-Handover phase.
- On 30 September 2023, total liquidity stood at £657.2m, comprising £247.2m of unrestricted cash, the £160m undrawn RCF and the £250m from the latest borrowing transaction.
- 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 30 September 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. No distributions were paid in the period and £50.7m was capitalized and added to the shareholder loans taking the overall balance to £886.8m.
- 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

£3.3bn 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

Sep 2023
55.7%

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

Sep 2023
Net debt/
RCV
68.2%

Index Linked debt as % of total debt

Sep 2023
75.9%

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

Sep 2023
ICR
9.24x

Financing Activity – Sustainable Finance

- Tideway has 18 green bonds totalling £1.8bn listed in the London Stock Exchange Sustainable Bond Market, two green PPs for £75m and £250m and a £160m Sustainability-Linked Revolving Credit Facility.
- Our total sustainable financing to date stands at £2.3bn.
- Our green issuance is covered by a Second Party Opinion from S&P Global Ratings which has awarded Tideway Dark Green status with an Excellent governance score. The opinion was updated in September 2023.
- 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 annual Sustainability Report was published in August 2023. It 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 six-month period ended 30 September 2023, the Group reported a gain of £47.3m (2022: £172.6m gain). This is a result of fair value movements on the Company's derivative financial instruments. The tunnel asset under construction totalled £5,163.4m at 30 September 2023 (2022/23: £4,434.9m).

Allowable Costs

Allowable Costs of £193.3m (2022/23: £232.9m) include £158.7m of Direct costs and £34.6m 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 2022/23 as secondary lining has now been completed

Indirect Costs

The largest indirect costs are resource costs of £22.9m. This represents the cost to employ an average of 236.5 Full Time Equivalents (FTEs) across the six-month period (2022/23 c258 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 increased compared with 2022, largely because of Insurance & GSP costs in the period.

Excluded Costs

Excluded costs for the six-month period to 30 September 2023 were £136.9m (2022: £185.1m). These comprise £135.3m of net interest expense (including shareholder loan interest of £34.4m) and £1.5m of costs which mainly related to financing activities. These costs have decreased in the period compared with 2022 as falling inflation indices have decreased our index linked debt interest costs along with higher interest income earned on cash balances and short-term cash deposits.

Analysis of Project Costs and the equivalent Net Cash Outflows (£m)	6 months ended 30 September 2023			6 months ended 30 September 2022		
	Costs	Timing Differences	Cash Outflow	Costs	Timing Differences	Cash Outflow
Direct Costs	158.7	8.4	167.1	201.4	17.6	219.0
Indirect Costs	34.6	(4.6)	30.0	31.5	1.1	32.6
Total Allowable	193.3	3.8	197.1	232.9	18.7	251.6
Excluded Costs	136.9	(139.5)	(2.6)	185.1	(161.4)	23.7
Total	330.2	(135.7)	194.5	418.0	(142.7)	275.3

Analysis of Capitalised Costs (£m)	6 months ended 30 September 2023	6 months ended 30 September 2022
Direct Costs	158.7	201.4
Indirect Costs	34.6	31.5
Total Allowable	193.3	232.9
Excluded costs	136.9	185.1
Total Capitalised Costs	330.2	418.0

Historical Financial Performance (continued)

Cash Flow and Cash

Net cash flows from operating activities of £57.0m in the 6 months ended 30 September (2022: £22.9m) 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 £30.2m (2022: £332.0m) 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 £64.7m (2022: £322.2m) relate to the final deferred bonds draw down in the period.

External Debt

Net debt at 30 September 2023 was £3,333.7m, which was £437.1m higher than the £2,896.6.0m net debt at 30 September 2022.

At 30 September 2023, the Company's total borrowings were £4,441.1m being £886.8m of shareholder loans and £3,554.3m of other borrowings which include third party borrowings and intra group debt. In June 2023 the Company secured £250m of additional funding in the form of green fixed rate notes with the transaction closing and funding in October 2023. 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 23.

Cash Flow (£m)	6 months ended 30 September 2023	6 months ended 30 September 2022
Cash generated from operations before changes in working capital	-	-
Decrease in trade and other receivables	26.4	8.3
Increase in trade and other payables	(21.4)	(32.2)
Increase in advance payment liability	52.0	46.8
Net cash from operating activities	57.0	22.9
Construction of infrastructure asset	(190.2)	(252.0)
Transfers from/(to) short-term deposits	160.0	(80.0)
Net cash used in investing activities	(30.2)	(332.0)
Proceeds from new borrowings	65.7	323.2
Repayment of lease liabilities	(1.0)	(1.0)
Net cash from financing activities	64.7	322.2
Net increase in cash and cash equivalents during the period	91.5	13.1
Cash and cash equivalents at the start of the period	129.4	354.5
Cash and cash equivalents at the end of the period	220.9	367.6

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 six-month period ended 30 September 2023, there was a fair value gain of £47.3m on the index-linked swaps, which is seen in the Income Statement.

Tax

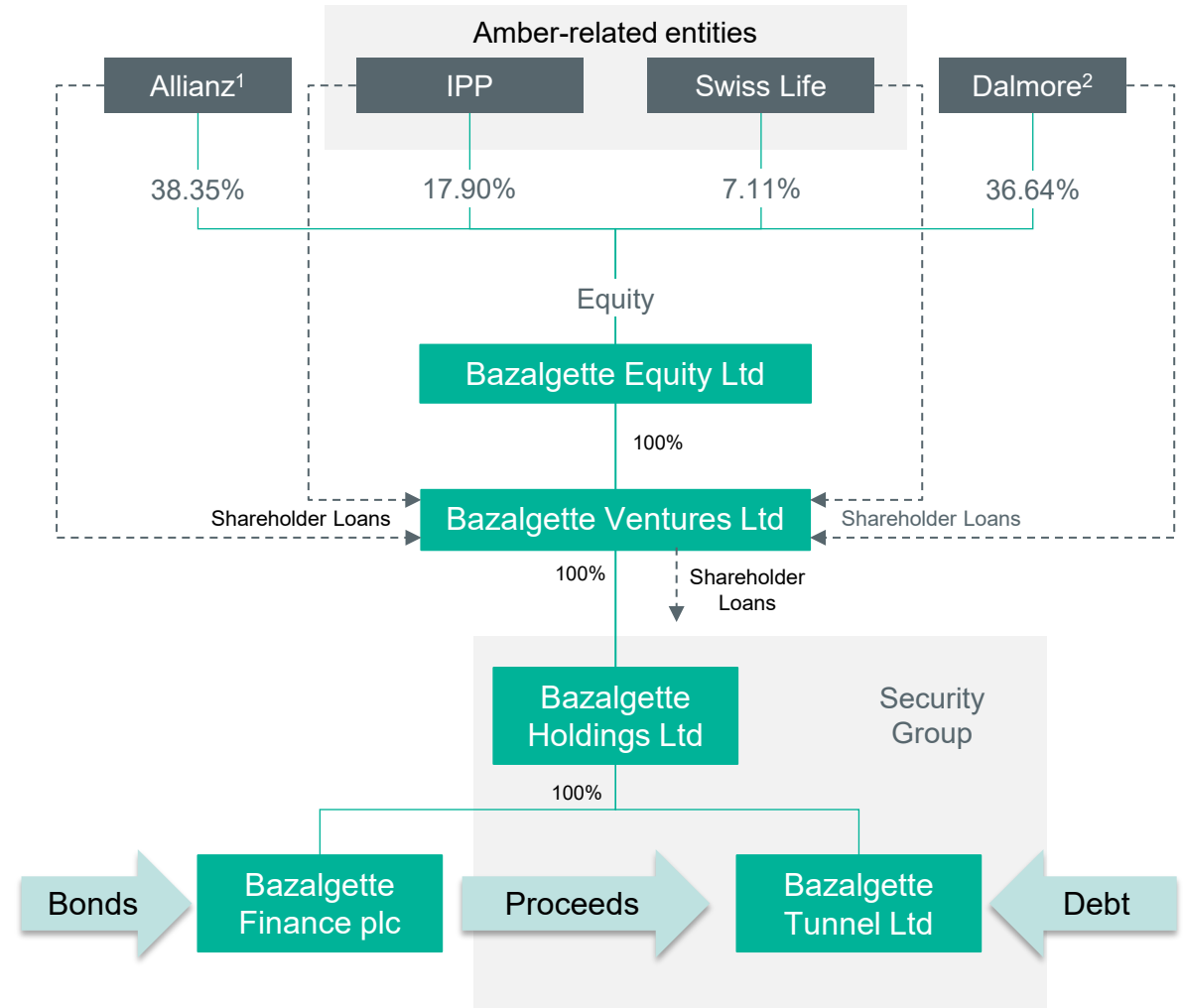
We have made a 'disregard election' to HMRC effective 1 April 2016, which means that any gains or losses arising from the movement in the fair value will be disregarded for current tax purposes.

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.

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

Debt Portfolio – September 2023

BTL Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£80m Tranche 1	108	EIB loan	Jul-18	2051
£80m Tranche 2	106	EIB loan	Jan-19	2051
£80m Tranche 3	105	EIB loan	Jul-19	2051
£80m Tranche 4	103	EIB loan	Jan-20	2051
£80m Tranche 5	103	EIB loan	Jul-20	2051
£80m Tranche 6	102	EIB loan	Jan-21	2051
£80m Tranche 7	102	EIB loan	Mar-21	2051
£60m Tranche 8	75	EIB loan	Jul-21	2051
£40m Tranche 9	48	EIB loan	Jan-22	2051
£40m Tranche 10	45	EIB loan	Jul-22	2051
Subtotal EIB Loan	896			
£300m 2.86%	327	USPP Loan Note	Sep-17	2032
£75m 2.418%	75	Green USPP Loan Note	Sep-21	2041
Subtotal Nominal	402			
£100m RPI + 0.01%	129	Loan	Sep-19	2049
Subtotal RPI Loan	129			
TOTAL	1427			
RCF	160	Sustainability-linked Revolver	N/A	2028
Debt £m	Drawn	Undrawn	Total	
RCF		160	160	Drawn facilities
RPI	2,287		2,287	Undrawn facilities
CPI	407		407	
Nominal	855	250*	1,105	
Lease	0.3		0.3	
Total	3,549	410	3,959	
Cash	247			
Net Debt £m	3,302			

* £250m from the latest green private placement received post quarter end on 11th October 2023.
Note: Cash excludes £33.7m of restricted cash.

BFP Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£75m CPI + 0.828%	96	Green Bond	Aug-17	2047
£200m CPI+ 0.74%	227	Green Bond	Nov-17	2042
£75m CPI + 0.949%	84	Green Bond	May-22	2052
Subtotal CPI	407			
£100m RPI + 0.688%	134	Green Bond	Jun-18	2050
£100m RPI + 0.249%	132	Green Bond	Dec-18	2040
£100m RPI + 0.755%	131	Green Bond	Jun-19	2051
£125m RPI + 0.192%	173	Green Bond	Jul-19	2049
£25m RPI + 1.035%	32	Green Bond	Jun-20	2048
£50m RPI + 0.787%	64	Green Bond	Jun-20	2052
£25m RPI + 0.951%	32	Green Bond	Jun-20	2054
£25m RPI + 1.042%	31	Green Bond	Jul-21	2048
£25m RPI + 0.954%	31	Green Bond	Jul-21	2054
£75m RPI + 0.01%**	94	Green Bond	Aug-21	2036
£150m RPI + 0.01%*	176	Green Bond	Apr-22	2032
£50m RPI + 0.074%	67	Green Bond	May-22	2049
£50m RPI + 0.174%	67	Green Bond	May-23	2049
Subtotal RPI	1165			
£250m 2.375%	250	Green Bond	Nov-17	2027
£300m 2.75%	300	Green Bond	Mar-22	2034
Subtotal Nominal	550			
Total	2122			

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

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

Financial Ratios

We confirm that in respect of this Investor Report as of 30 September 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 68.2%
- b) The FFO ICR⁽²⁾ in respect of the relevant Test Period is equal to 9.24x
- c) The average FFO ICR in respect of the relevant Test Period is equal to 9.48x

(together ***the Ratios***)

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

Other Reportable Matters

Significant management and board changes H1 2023/24

- There have been no significant management or board changes in the period.
- In September 2023, Tideway announced the resignation of KPMG Audit LLC as its external auditor and the appointment, with immediate effect, of PricewaterhouseCoopers LLP as external auditor.

Acquisitions and disposals H1 2023/24

- 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 – September 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

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