Bazalgette Ventures Limited

Annual report and financial statements

For the year ended 31 March 2018

Registered number 09553461

Contents

Directors and advisors

Directors holding office

Andrew Cox

Scott McGregor

Joseph Philipsz

Alistair Ray

Angela Roshier

Gavin Tait

Amanda Woods

Company Secretary

Valmai Barclay

Registered office

Cottons Centre

Cottons Lane

London

SE1 2QG

Independent auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Strategic report

The directors present their Strategic report for Bazalgette Ventures Limited ("the Company") for the year ended 31 March 2018.

Business review

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

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

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

Results and performance

The Company recorded a net £nil profit for the year (2017: £nil). The Company had net assets of £509.7m as at 31 March 2018 (2017: £370.4m).

The Company increased its investment in its subsidiary Bazalgette Holdings Limited by £139.3m to a total investment of £509.7m (2017: £370.4m)

During the year £51.6m (2017: £29.3m) of shareholder loan interest was accrued on the shareholder loan notes. At 31 March 2018, £51.6m (2017: £29.3m) of the accrued shareholder loan interest had been paid and £nil (2017: £nil) rolled up within the outstanding shareholder loans.

Principal risks and uncertainties

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

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

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

The Group's annual report can be obtained from the Company Secretary at the address found on page 20.

Future outlook

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

This Strategic report was approved by the board of directors on 21 June 2018 and signed on its behalf by:

By order of the board

Valmai Barclay
Company Secretary

Directors' report

The directors present their report and the audited financial statements for Bazalgette Ventures Limited for the year ended 31 March 2018.

The registered company number is 09553461.

Dividends

The Company did not pay a dividend in the year (2017: £nil).

Directors

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

Andrew Cox	
Jaroslava Korpancova	(resigned 23 March 2018)
Scott McGregor	(appointed 23 March 2018)
Joseph Philipsz	(appointed 19 February 2018)
Alistair Ray	
Angela Roshier	
Michael Ryan	(resigned 19 February 2018)
Gavin Tait	
Amanda Woods	

Employees

The Company does not employ any staff directly (2017: none).

Charitable and political donations

The Company made no political or charitable donations nor incurred any political expenditure during the year (2017: £nil).

Events occurring after the reporting period

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

Disclosure of information to auditor

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

Auditor

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

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing the Company financial statements, the directors are required to:

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

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

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

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer together with a description of the principal risks and uncertainties that it faces.

Valmai Barclay
Company Secretary

Cottons Centre
Cottons Lane
London
SE1 2QG

21 June 2018

Independent auditor's report

to the members of Bazalgette Ventures Limited only

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Bazalgette Ventures Limited ("the Company") for the year ended 31 March 2018 which comprise the Company Income Statement, Company Statement of Comprehensive Income, Company Statement of Changes in Equity, Company Balance Sheet, Company Statement of Cash Flows, and the related Notes including the accounting policies in Note 1.

In our opinion:

— the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its results for the year then ended;

— the company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2. 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders 16 May 2018. The period of total uninterrupted engagement is for the 8 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by the standard were provided.

Overview	
Materiality: company financial statements	£5.2m (2017: £3.0m) 0.42% (2017: 0.57%) of total assets
Coverage	100% (2017:100%) of total assets

Risks of material misstatement		vs 2017
Recurring risks	Recoverability of investment in subsidiary	►

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of parent company's investment in subsidiary £509.7 million; (2017: £370.4 million) *Refer to page 18 (financial disclosures).*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 41.6% (2016: 41.17%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: **Tests of detail:** Comparing the carrying amount of 100% of investments representing 100% (2016: 100%) of the total investment balance with the relevant subsidiary's draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making or if they have potential to recover any obligations. **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team and considering the results of that work, on the subsidiary's profits and net assets. **Our sector experience:** Comparing the carrying amount of the investment with the expected value of BTL based on future cash flow projections for the next 8 years. **Findings:** We found the assessment of the recoverability of the investment in subsidiary to be acceptable.

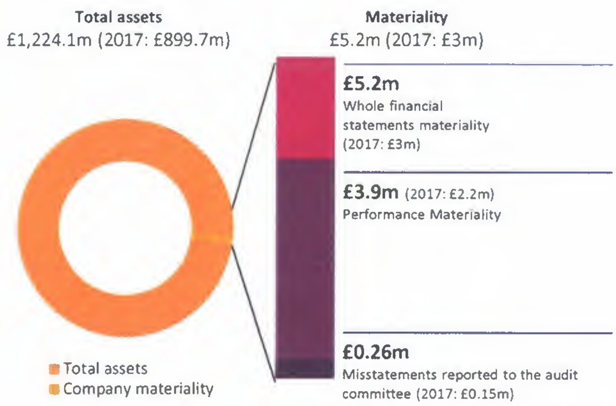
3. Our application of materiality and an overview of the scope of our audit

Materiality for the company financial statements was set at £5.2m (2017: £3m), determined with reference to a benchmark of total assets in the year, of which it represents 0.42% (2017: 0.57%).

We consider total assets to be the most appropriate benchmark as the company is a subsidiary within a Group and is acting as a shareholder loan financing company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £260,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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



4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG

Corporate governance disclosures

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

We are also required to report to you if a corporate governance statement has not been prepared by the company. We have nothing to report in these respects.

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

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

- adequate accounting records have not been kept by the 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

KPMG

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of 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 company's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

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

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations, as these may involve collusion, forgery.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

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

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Luke

John Luke (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
21 June 2018

KPMG

Income Statement
For the year ended 31 March 2018

	Note	2018 £m	2017 £m
Net operating costs	2,3	-	-
Operating result		-	-
Finance income	4	51.6	29.3
Finance costs	4	(51.6)	(29.3)
Result for the year before tax		-	-
Taxation	5	-	-
Result for the year		-	-

Statement of Other Comprehensive Income
For the year ended 31 March 2018

	2018 £m	2017 £m
Result for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-

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

Statement of Financial Position
As at 31 March 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investments in subsidiary undertakings	6	509.7	370.4
Other receivables	7	714.4	529.3
Total assets		**1,224.1**	**899.7**
Non-current liabilities			
Borrowings	8	(714.4)	(529.3)
Total liabilities		**(714.4)**	**(529.3)**
Net assets		**509.7**	**370.4**
Equity			
Share capital	9	509.7	370.4
Total equity		**509.7**	**370.4**

These financial statements were approved by the board of directors on 21 June 2018 and were signed on its behalf by:

Gavin Tait
Director

Company registered number: 09553461

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

Statement of Changes in Equity

	Share capital £m	Total equity £m
Balance at 1 April 2016	138.3	138.3
Result	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	**-**	**-**
Transactions with owners, recorded directly in equity		
Issue of shares	232.1	232.1
Total contributions by and distributions to owners	**232.1**	**232.1**
Balance at 31 March 2017	**370.4**	**370.4**
Balance at 1 April 2017	370.4	370.4
Result	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	**-**	**-**
Transactions with owners, recorded directly in equity		
Issue of shares	139.3	139.3
Total contributions by and distributions to owners	**139.3**	**139.3**
Balance at 31 March 2018	**509.7**	**509.7**

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

Cash Flow Statement

For the year ended 31 March 2018

	Note	2018 £m	2017 £m
Cash flows from operating activities before working capital movements		-	-
Changes in working capital			
Increase in other receivables	7	(185.1)	(323.2)
Cash flows used in operations		**(185.1)**	**(323.2)**
Net cash used in operating activities		**(185.1)**	**(323.2)**
Cash flows used in investing activities			
Investment in subsidiary undertaking	6	(139.3)	(232.1)
Net cash used in investing activities		**(139.3)**	**(232.1)**
Cash flows from financing activities			
Proceeds from the issue of share capital	9	139.3	232.1
Proceeds from borrowings	8	185.1	305.3
Net cash from financing activities		**324.4**	**537.4**
Net increase/(decrease) in cash and cash equivalents during the period		**-**	**(17.9)**
Cash and cash equivalents at the beginning of the year		-	17.9
Cash and cash equivalents at the end of the year		**-**	**-**

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

Notes to the financial statements

1 Accounting policies

Basis of preparation

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

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

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

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

Measurement convention

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

Going concern

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

Notes to the financial statements (continued)

Financial Instruments

Financial assets and liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") are classified as non-derivative financial instruments. Derivative financial instruments comprise financial liabilities designated at fair value through profit or loss. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The company determines the classification of financial instruments at initial recognition and re-valuates 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 are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.

Trade and other payables

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

Cash and cash equivalents

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

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

Borrowings

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

Taxation

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

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

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

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

Notes to the financial statements (continued)

Recently issued accounting standards

At the date of authorisation of these financial statements, the Company has not applied the following new or revised IFRS's that have been issued but are not yet effective for the Company as at 31 March 2018 and in some cases are subject still to endorsement by the EU.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contract with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 Long-term Interests in Associates and Joint Ventures
- IAS 40 Transfers of Investment Property
- IFRS 2 Classification and Measurement of Share-based Payment Transactions
- IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 Prepayment Features with Negative Compensation
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Improvements to IFRSs (2014–2016)
- Improvements to IFRSs (2015–2017)

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

The Company has completed the impact assessment of the adoption of IFRS 9 and has concluded that on adoption of the new standard, impairment losses against financial assets under the twelve-month expected credit loss model would be immaterial and there would not be a material change to the treatment of assets under the new IFRS 9 classifications. Therefore, the impact of adoption of the new standard is not likely to be significant.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

The Company has assessed the impact of applying the five-step model under IFRS 15 and concluded that it will have no material impact on the company's financial statements when it is adopted.

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

The Company has completed its initial assessment of the impact of applying the single recognition model for lessees and concluded there would be no material impact as the Company does not currently have any operating leases. The Company will continue to assess the impact of this standard as it approaches the adoption date.

2 Auditors' remuneration

The auditor's remuneration for the audit of these financial statements was £4,000 (2017: £2,000). These costs are being wholly borne by Bazalgette Tunnel Limited.

3 Remuneration of directors

The directors of the Company did not receive any payments in respect of their services as directors of the Company as they did not perform any qualifying services (2017: £nil).

Notes to the financial statements (continued)

4 Finance income and expense

	2018 £m	2017 £m
Finance income		
Interest on loans to subsidiary undertakings	51.6	29.3
Finance Costs		
Interest expense on borrowings	(51.6)	(29.3)
Net finance costs	-	-

5 Taxation

Recognised in the profit and loss

The tax charge for the year was £nil (2017: £nil).

Reconciliation of effective tax rate

In the year ended 31 March 2018 there were no reconciling items between the tax charge for the year and the tax charge using the UK corporation tax rate of 19% (2017: tax rate 20%; no reconciling items).

6 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
Company				
Bazalgette Holdings Limited	UK	Ordinary	100%	100%

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

During the year the Company increased its investment in its subsidiary Bazalgette Holdings Limited by £139.3m to a total investment of £509.7m (2017: £370.4m).

Notes to the financial statements (continued)

7 Other receivables

	2018 £m	2017 £m
Amounts owed by group undertakings	714.4	529.3
Due after one year	**714.4**	**529.3**

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

8 Borrowings

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

Terms and debt repayment schedule

The principal economic terms and conditions of outstanding borrowings are:

	Currency	Nominal interest rate	Maturity dates	Carrying value 2018 £m	Carrying value 2017 £m
Borrowings measured at amortised cost					
Shareholder loan notes	GBP	8%	2064	714.4	529.3

9 Capital and reserves

Called-up share capital

	Ordinary shares 2018	Ordinary shares 2017
Allotted, called-up and fully paid Ordinary shares of £1 each		
At the beginning of the year	370,407,648	138,258,754
Issued for cash	139,264,953	232,148,894
At the end of the year	**509,672,601**	**370,407,648**

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

10 Related party transactions

The Company has a loan for £714.4m (2017: 529.3m) with its direct subsidiary Bazalgette Holdings Limited which is disclosed in note 7.

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

Notes to the financial statements (continued)

11 Ultimate parent company and parent company of a larger group

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

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