Bazalgette Ventures Limited

Annual report and financial statements

For the year ended 31 March 2022

Registered number 09553461

Contents

Directors and advisors

Directors holding office

Andrew Cox

Javier Falero

Christopher Morgan

Alistair Ray

Sebastian Schwengber

Margaret Weir

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 2022.

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 £nil result for the year (2021: £nil). The Company had net assets of £509.7m as at 31 March 2022 (2021: £509.7m).

The Company's investment in its subsidiary Bazalgette Holdings Limited remained at £509.7m (2021: £509.7m).

During the year £59.5m (2021: £57.7m) of shareholder loan interest was accrued on the shareholder loan notes. At 31 March 2022, £29.7m (2021: £nil) of the accrued shareholder loan interest had been re-paid and £79.1m (2021: £nil) unpaid interest was capitalised back into shareholder loan principal.

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.

For more details on the above-mentioned risks, refer to the principal risks section of the Bazalgette Equity Limited Annual Report. The Group's annual report is available at www.tideway.london.

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 2022 and signed on its behalf by:

Valmai Barclay

Valmai Barclay
Company Secretary
21 June 2022

Directors' report

The Directors present their report and the audited financial statements for Bazalgette Ventures Limited ("the Company") for the year ended 31 March 2022. The Company is domiciled in the United Kingdom and the registered company number is 09553461. The Company's registered address is Cottons Centre, Cottons Lane, London, SE1 2QG.

Dividends

The Company did not pay a dividend in the year (2021: £nil).

Directors

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

Nicholas Axam (Resigned 28 January 2022)

Andrew Cox

Javier Falero

Scott McGregor (Resigned 6 June 2022)

Christopher Morgan (Appointed 30 September 2021)

Alistair Ray

Sebastian Schwengber (Appointed 6 June 2022)

Gavin Tait (Resigned 30 September 2021)

Margaret Weir (Appointed 28 January 2022)

Amanda Woods

Employees

The Company does not employ any staff directly (2021: none).

Directors' indemnities

Subject to the conditions set out in Section 234 of the Companies Act 2006, the Company has made qualifying third-party indemnity provisions for the benefit of its Directors, the Company Secretary and the General Counsel and these remain in force at the date of this report. The Bazalgette Equity group of which the Company is a subsidiary operates a directors and officers insurance.

Going concern

The Directors believe, after due and careful enquiry, that the Company has sufficient resources to continue in operational existence for at least one year after the financial statements were authorised for issue. Therefore, it is considered to be appropriate to adopt the going concern basis in preparing the 31 March 2022 financial statements. For more information see the basis of preparation in Note 1 to the financial statements.

Financial risk management

The Company acts as an intermediate holding company in the Bazalgette Equity group of companies and its exposure to price risk, credit risk, liquidity risk and cash flow risk is considered to be low. More details on the credit risk exposure which arises as a result of its intra-group lending can be found in the Strategic Report in the 'Principal risks and uncertainties' section.

Charitable and political donations

The Company made no political or charitable donations nor incurred any political expenditure during the year (2021: £nil).

Events occurring after the reporting period

Details of any events occurring after the reporting date are included in note 13 of the financial statements.

Directors’ report (continued)

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.

This Director’s Report was approved by the board of Directors on 21 June 2022 and signed on its behalf by:

Valmai Barclay
Company Secretary
21 June 2022

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

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report 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.

This Responsibility Statement was approved by the board of Directors on 21 June 2022 and signed on its behalf by

Valmai Barclay
Company Secretary

21 June 2022

Independent Auditor's Report to the members of Bazalgette Ventures Limited

1 Our opinion is unmodified

We have audited the financial statements of Bazalgette Ventures Limited ("the Company") for the year ended 31 March 2022 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of changes in Equity, Cash Flow Statement 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 Company's affairs as at 31 March 2022 and of its result for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We were first appointed as auditor by the shareholders on 19 August 2015. The period of total uninterrupted engagement is for the seven financial years ended 31 March 2022. 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 public interest entities. No non-audit services prohibited by that standard were provided.

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

Key audit matters are those matters that, in our professional judgement, 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 unchanged from 2021, 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 intra-group receivables balance from Bazalgette Holdings Limited ('subsidiary') (£799.5m; 2021: £720.4m) *Refer to page 17 (accounting policy) and note 7 (financial disclosures).*	**Low risk, high value** The carrying amount of the intra-group debtor balance represents 61% of the Company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Company's financial statements, this is considered to be the area that had the greatest effect on our audit strategy and allocation of resources in planning and completing our audit	We performed the test below rather than seeking to rely on any of the company's controls because the nature of the balance meant that detailed testing is inherently the most effective means of obtaining audit evidence. Our procedures included: **Tests of detail:** Assessing 100% of intra-group debtors to identify, with reference to the relevant debtor's draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed. **Assessing Bazalgette Holdings Limited's ability to repay the receivable:** Assessing the ability of Bazalgette Holdings Limited to obtain liquid funds and therefore the ability to fund the repayment of the receivable through reviewing Bazalgette Tunnel Limited's ability to generate returns through its licence

		agreement and considering sensitivity analysis on cost overruns on the regulatory capital value (RCV). **Our results** We consider the Company's assessment of the recoverability of intra-group receivables balance in the Company's balance sheet to be acceptable (2021: acceptable).
Recoverability of investment in subsidiary (£509.7m; 2021: £509.7m) *Refer to note 6 (financial disclosures).*	**Low risk, high value** The carrying amount of the Company's investments in subsidiary represents 39% 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 Company financial statements, this is considered to be the area that had the greatest effect on our audit strategy and allocation of resources in planning and completing our audit.	We performed the test below rather than seeking to rely on any of the company's controls because the nature of the balance meant that detailed testing is inherently the most effective means of obtaining audit evidence. Our procedures included: **Tests of detail:** Comparing the carrying amount of 100% of investments representing 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 generate returns. **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 results** We consider the assessment of the recoverability of the investment in subsidiary to be acceptable (2021: acceptable).

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

Materiality for the financial statements as a whole was set at £13m (2021: £7.0m), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 0.5%). The benchmark has not changed from prior year. Total assets continue to be the relevant benchmark given it indicates the activity in the period.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £9.75m (2021: £5.3m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £0.65m (2021: £0.35m), 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 performed by a single audit team.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- Adequacy of funding available to the subsidiary including its ability to generate funds to repay the amount owed to the Company; and
- Recoverability of investment in subsidiary.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, regulatory capital and liquidity. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

6 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.

7 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 6, 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.

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

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

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

Income Statement
For the year ended 31 March 2022

	Note	2022 £m	2021 £m
Net operating costs	*2,3*	-	-
Operating result		-	-
Finance income	*4*	59.5	57.7
Finance costs	*4*	(59.5)	(57.7)
Result for the year before tax		-	-
Taxation	*5*	-	-
Result for the year		-	-

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

	2022 £m	2021 £m
Result for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-

Notes 1 to 12 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2022

	Note	2022 £m	2021 £m
Non-Current assets			
Investments in subsidiary undertakings	*6*	509.7	509.7
Other receivables	*7*	799.5	720.4
		1,309.2	**1,230.1**
Current assets			
Other receivables	*7*	8.4	57.7
		8.4	57.7
Total assets		**1,317.6**	**1,287.8**
Current liabilities			
Other payables	*8*	(8.4)	(57.7)
		(8.4)	**(57.7)**
Non-current liabilities			
Borrowings	*9*	(799.5)	(720.4)
		(799.5)	(720.4)
Total liabilities		**(807.9)**	**(778.1)**
Net assets		**509.7**	**509.7**
Equity			
Share capital	*10*	509.7	509.7
Total equity		**509.7**	**509.7**

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

Andrew Cox

Andrew Cox
Director

Company registered number: 09553461

Notes 1 to 12 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital £m	Total equity £m
Balance at 1 April 2020	509.7	509.7
Transactions with owners, recorded directly in equity		
Issue of shares	-	-
Total contributions by and distributions to owners	**-**	**-**
Balance at 31 March 2021	**509.7**	**509.7**
Balance at 1 April 2021	509.7	509.7
Total comprehensive income for the period	**-**	**-**
Total contributions by and distributions to owners	**-**	**-**
Balance at 31 March 2022	**509.7**	**509.7**

Notes 1 to 12 form an integral part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities before working capital movements		**-**	**-**
Changes in working capital			
Increase in other receivables	*7*	(29.8)	(57.7)
Increase in other payables	*8,9*	29.8	57.7
Cash flows used in operations		**-**	**-**
Net cash used in operating activities		**-**	**-**
Cash flows from investing activities			
Interest received		29.7	-
Net cash from investing activities		**29.7**	-
Cash flows used in financing activities			
Interest paid		(29.7)	-
Net cash used in/from financing activities		-	**-**
Net increase/(decrease) in cash and cash equivalents during the period		**-**	**-**
Cash and cash equivalents at the beginning of the year		**-**	**-**
Cash and cash equivalents at the end of the year		**-**	**-**

Notes 1 to 12 form an integral part of these financial statements.

Notes to the financial statements (continued)

Notes to the financial statements

1 Accounting policies

Basis of preparation

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

The Company financial statements have been prepared in accordance with international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). 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.

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 online at www.tideway.london or from the address disclosed in note 12.

Measurement convention

The financial statements are prepared in accordance with the historical cost accounting convention unless otherwise stated in the below accounting policies.

Judgements and Estimates

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.

Going concern

The Directors have undertaken a detailed review to assess whether the Company has sufficient resources to continue in operational existence for at least 12 months from the date of signing these financial statements. The key considerations are as follows:

The Company has no cash balance, however the only outstanding liabilities in the Company are the shareholder loan funding and related interest payable balance. At the balance sheet date, the outstanding loan was £799.5m and the interest outstanding was £8.4m.

Interest repayments on the loan are met via cash payments from the Company's subsidiary Bazalgette Holdings Limited which has an identical loan on the same economic terms with its subsidiary, Bazalgette Tunnel Limited. Consequently, the Company has an interest receivable balance that mirrors the payable. Bazalgette Tunnel Limited is the regulated operating entity in the Bazalgette Equity Group of companies and has significant liquidity.

Over the going concern period, interest will continue to accrue on this debt at 8% of the outstanding balance. If the full cost of interest payable is not met via the level of cash payments from Bazalgette Tunnel Limited (via Bazalgette Holdings Limited), the shareholder loan agreement allows for the Company to capitalise outstanding interest into the loan. The shareholder loan matures in 2064 and thus is a liability requiring settlement beyond 12 months from the signing of the financial statements.

Therefore, the Directors are satisfied that the Company has sufficient resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing these financial statements.

Notes to the financial statements (continued)

New accounting standards and future developments

The Company has adopted the following accounting standard amendment during the financial year:

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

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

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

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

Financial Instruments

The Company determines the classification of financial instruments at initial recognition and re-evaluates this designation at each financial year end. The initial and subsequent measurement of financial instruments depends on their classification as follows:

Trade and other receivables

Trade and other receivables that do not have a significant financing component are classified as amortised cost under IFRS 9; initially recognised at their transaction price, rather than at fair value. Subsequent to initial recognition they are measured at amortised cost and any expected credit loss impairments or reversals are recognised through profit or loss.

Trade and other payables

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

Cash and cash equivalents

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

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

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.

Notes to the financial statements (continued)

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.

2 Auditors' remuneration

The auditor's remuneration for the audit of these financial statements was £4,480 (2021: £4,350). 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 (2021: £nil).

4 Finance income and expense

	2022 **£m**	**2021** **£m**
Finance income		
Interest on loans to subsidiary undertakings	59.5	57.7
Finance costs		
Interest expense on borrowings	(59.5)	(57.7)
Net finance costs	**-**	**-**

5 Taxation

Recognised in the profit and loss

The tax charge for the year was £nil (2021: £nil).

Reconciliation of effective tax rate

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

The Company did not have any unrecognised deferred tax assets as at the Statement of Financial Position date (2021: £nil).

Effective 1 April 2023, the main rate of UK corporation tax will increase from 19% to 25%. The increase in corporation tax is not expected to have a material effect on the company.

Notes to the financial statements (continued)

6 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2022	Ownership 2021
Company				
Bazalgette Holdings Limited	UK	Ordinary	100%	100%

Bazalgette Holdings Limited is the immediate holding company of Bazalgette Tunnel Limited, which has the same year end and the same registered address as Bazalgette Ventures Limited, which is Cottons Centre, Cottons Lane, London, SE1 2QG

7 Other receivables

	2022 £m	2021 £m
Borrowings owed by group undertakings	799.5	720.4
Interest receivable from group undertakings	8.4	57.7
Total	**807.9**	**778.1**
Non-current assets	**799.5**	**720.4**
Current assets	**8.4**	**57.7**

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 9.

Interest receivable from group undertakings represents interest owed by the Company's immediate subsidiary on the above-mentioned intercompany loan.

8 Other payables

	2022 £m	2021 £m
Interest payable on intra-group loans	8.4	57.7
	8.4	**57.7**
Non-current liabilities	**-**	**-**
Current liabilities	**8.4**	**57.7**

Notes to the financial statements (continued)

9 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 2022 £m	Carrying value 2021 £m
Borrowings measured at amortised cost					
Shareholder loan notes	GBP	8%	2064	799.5	720.4

During the year £79.1m (2021: £nil) of shareholder loan interest was capitalised as shareholder loan note principal.

As at the balance sheet date the loan notes of £799.5m exceeded the £764.5m cap, being the original loan principal value in the shareholder loan agreement. As a result the loans could not be listed, however the funds remained available to the Company. On 21 June, the shareholders signed a deed of amendment to the shareholder loan agreement allowing the company to issue loan notes in amounts which exceed the original loan principal and as a result the bonds can now be relisted.

10 Capital and reserves

Called-up share capital

Allotted, called-up and fully paid Ordinary shares of £1 each	Ordinary shares 2022 No.	Ordinary shares 2021 No.
At the beginning and end of year	509,672,601	509,672,601

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.

11 Related party transactions

At 31 March 2022, the Company has a loan for £799.5m (2021: £720.4m) and £8.4m interest receivable outstanding (2021: £57.7m) with its direct subsidiary Bazalgette Holdings Limited which is disclosed in note 7. During the year £29.7m (2021: £nil) of interest was received from the subsidiary and £nil of loan principal was repaid (2021: £nil repaid).

During the year ended 31 March 2021, Bazalgette Holdings Limited deferred all outstanding interest receivable on the intercompany loan owed to the Company. This was the result of recognising the uncertainties caused by the Covid-19 disruption and delays and uncertainty as to the regulatory response during the previous financial year.

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

Notes to the financial statements (continued)

12 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 viewed at www.tideway.london.

13 Subsequent events occurring after the reporting date

As at the balance sheet date the loan notes of £799.5m exceeded the £764.5m cap, being the original loan principal value in the shareholder loan agreement. As a result the loans could not be listed, however the funds remained available to the Company. On 21 June, the shareholders signed a deed of amendment to the shareholder loan agreement allowing the company to issue loan notes in amounts which exceed the original loan principal and as a result the bonds can now be relisted.

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