Tideway - Holdco Group

Investor Report H2 2017/18

July 2018

Notice

IMPORTANT NOTICE

This Investor Report is being distributed by Bazalgette Tunnel Limited (“BTL” 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 2018.

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

Contents

Overview

This Investor Report provides an update of Tideway's activities for the period to 31 March 2018. It covers business, regulatory and financing developments. This Investor Report should be read in conjunction with the Annual Report for year ended 31 March 2018.

2017/18 Highlights:

- We continue to develop our approach to transformational health, safety and wellbeing, with no major injuries
- We remain on track to deliver the project to both time and our regulatory baseline cost
- Mobilised 20 of 21 sites, with preparations for the start of tunnelling progressing well
- Three tunnel boring machines (TBMs) on site, ready for tunnelling to start later in 2018
  - Post period end, both TBMs in the Central Contract were lowered to the bottom of the shaft in Kirtling Street main drive site
- Approximately 20,000 heavy goods vehicle loads removed from our roads due to use of our "More by River" programme
- Recognised by Business in the Community as one of '50 workplaces in a class of their own striving for gender equality', and won the Evening Standard Good Citizen award
- Regulatory Capital Value of £1,043.4m in outturn prices, as at 31 March 2018
- Sufficient long term financing locked in to fund the Company's activities beyond System Acceptance, with £1.05bn total issued during the year:
  - Diversified our investor base with a £300m US private placement
  - ~3x over-subscribed £250m debut public green bond issue
  - A £200m green CPI-linked private placement
- Post period end, Tideway has issued additional £325m deferred index-linked green bonds
- We are the largest corporate sterling issuer of green bonds with a total of £775m issued to date, as well as the largest UK CPI-linked issuer with £350m of CPI-linked debt raised

Business Update

Health, Safety and Wellbeing

- There were no major injuries recorded during the year, which was a significant achievement, although we did have four lost time incidents, including one AFR-7(1) . We are committed to continuing to find ways to do things safer, healthier and better in the years to come
- We recognise the importance of measuring ourselves against others and were pleased to achieve second place for a "medium sized" organisation in the new entrant category for Vitality's Britain's Healthiest Workplace 2017 competition.
- To date, over 12,000 employees and contractors have attended the Employer Project Induction Centre programme, including approximately 4,900 in 2017/18. This includes people working on Tideway and from other interested companies

Vision, Legacy and Reputation

- Seventy-nine per cent of our live legacy commitments were on track by year end, with plans in place to address the lagging commitments. This exceeded our target of 75 per cent.
- Tideway staff continued to raise considerable amounts for London charities. Tideway staff raised a total of £43,303 for charity through organised and individual events and Tideway itself gave a total of £40,062 in charitable donations in 2017/18.
- We have launched of our new augmented reality tunnelling application, which provides teachers, students, and the wider community with an interactive way to learn about the project online. This marks a new direction for our educational resources that provide teachers with the flexible resources they need for a modern classroom environment.
- Tideway supply chain spend to date has reached 1,029 companies in the UK, across all 12 UK regions and 25 London boroughs, which demonstrated our commitment to supporting the London and UK economy

Company and People

- Tideway was being named in The Times Top 50 Employers for Women 2018, with Chief Executive Officer Andy Mitchell a Finalist in the Gender Champion Award category
- Overall it was a successful year, with a variety of people initiatives delivering benefits. This was reflected in our 2017 employee survey, where employee engagement increased from 63 per cent to 64 per cent and enablement from 67 per cent to 71 per cent, indicating that we are improving and that our people feel valued and empowered
- We introduced innovative ways of working, both physically and virtually, and we continue to promote flexible working arrangements to improve wellness and employee satisfaction

(1) Accident Frequency Rate. AFR-7: *12-month rolling average, per 100,000 hours worked, of injuries which occurred as a result of work activities and resulted in more than seven days lost time for the individual involved*

Investment Programme

General

- The last year has built a solid foundation on which we can continue to deliver the project, ensuring we are in line with our regulatory cost of £3.5bn (outturn prices) and handover by Q1 2024
- At the end of the year we were mobilised on 20 of 21 sites, with three tunnel boring machines (TBMs) on site and ready to start tunnelling later in 2018. Post period end, both TBMs in the Central contract were lowered to the bottom of the shaft in Kirtling Street main drive site
- We made scope changes under the three Main Works Contracts to reflect our “More by River” initiative and changes at Blackfriars due to reassessment of our interaction with other utilities. This has resulted in an increase to each of the Main Works Contractors’ target prices. This increase in value has been covered by allocating contingency included in the original budget
- Over 75% of contractor’s designs are complete now, and over 60% of consents necessary to allow mobilisation and start of construction have been secured

West

- All seven sites have now been mobilised
- At Carnwath Road drive site, we have constructed an acoustic shed and begun excavating the shaft
- One TBM has been delivered to Carnwath Road Riverside site, and the second TBM is scheduled to arrive at Dormay Street later in the year

Central

- All eight sites are successfully mobilised, and both TBMs have been successfully delivered
- At the Kirtling Street main drive site, we have completed the shaft excavation and constructed the launch tunnels for the TBMs. An acoustic enclosure has been constructed to protect our neighbours from noise arising from the works inside. Post period end, both TBMs in the Central Contract have been lowered to the bottom of the shaft

East

- Five of the six sites are successfully mobilised, with Abbey Mills Pumping Station target mobilisation date in 2019
- Chambers Wharf diaphragm walling has been completed and all reinforcement cages for the walls were delivered. The site is now preparing to begin archaeology undertakings, shaft excavation and the installation of the acoustic enclosure
- Design and manufacture of the two TBMs are currently underway

TBM “Rachel” assembly at Carnwath Road

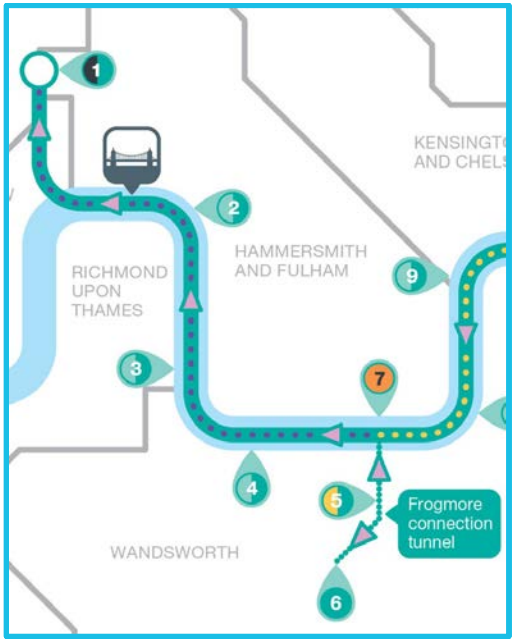
Kirtling Street Horizontal Excavation

Diaphragm wall works at Chambers Wharf

Investment Programme – West contract

- **Acton Storm Tanks –** This was the final of the seven sites to mobilise in November 2017. Site set up has begun, together with initial enabling works.
- **Hammersmith Pumping Station –** We completed all piling works and have begun modifications to the Inlet Works, new pumping station, shaft and culvert excavation.
- **Barn Elms –** Construction of the new changing rooms started and they are scheduled to be open in Autumn 2018.
- **Putney Embankment Foreshore –** The year began with completion of the temporary slipway, which opened for public use in June 2017. The main works design and construction methodology were changed at the Putney site, so they are safer and offer significant potential savings and a shorter construction programme than the original solution. Both the temporary and permanent works piling are planned to be completed by the end of 2018, as well as starting construction of the shaft. In March 2018, the Heads of the River Race and the University Boat Race both used the site safely and successfully. Our team ensured that the University Boat Race Slipway, which is within our site, would be used to start the races.
- **Dormay Street –** Our contractor BMB started in June 2017, with the welfare facilities and office opening in November 2017 on Causeway Island. We installed a 30m footbridge over the Bell Lane Creek, to allow safe access for workers and increase efficiency between the two sections of the site. River wall strengthening works are ongoing prior to shaft construction, with shaft piling in May 2018. Charlotte, the second TBM for the West contract, is currently being refurbished and will arrive at Dormay Street later in the year. Charlotte will construct the Frogmore Connection Tunnel from King George's Park in Wandsworth to Carnwath Road Riverside.
- **King George's Park –** This site was handed over to BMB by Thames Water in November 2017. One of the key activities was completing the temporary footpath through the site, which was handed over and opened by the London Borough of Wandsworth Parks Team in December 2017. In addition, we built a bridge to protect the existing sewer, allowing vehicles and plant to access the entire site
- **Carnwath Road Riverside –** We have started excavating a shaft from which we will launch the TBM. We have built an acoustic enclosure to reduce the impact on local residents, which includes two gantry cranes and a concrete batching plant to support the shaft construction and tunnelling. We have also installed around 500 piles to support the site structures and strengthen the river wall, allowing us to move materials by river. Rachel, our first TBM to arrive on the project, was delivered on 1 December 2017 and has now been assembled at the site.

West area map

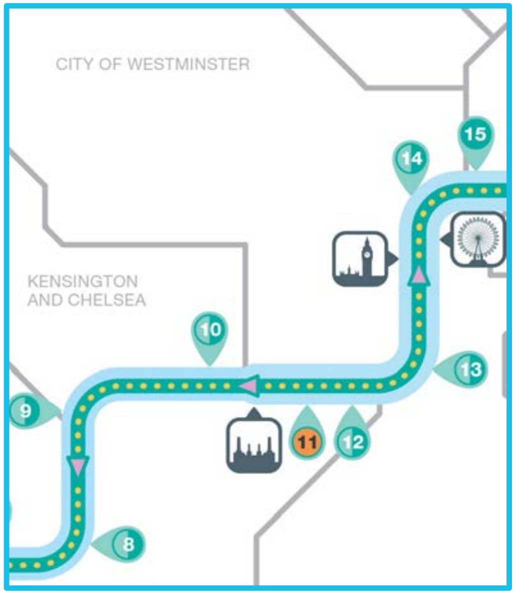


1 Acton Storm Tanks
2 Hammersmith Pumping Station
3 Barn Elms
4 Putney Embankment Foreshore
5 Dormay Street
6 King George's Park
7 Carnwath Road Riverside

Investment Programme – Central contract

- **Falconbrook Pumping Station –** Works to set up the site have continued, with Thames Water handing over the site to our contractor FLO who are setting up site hoarding and preparing for main works
- **Cremorne Wharf –** The Central team has worked with Thames Water to support its works around the Counter's Creek Flood Alleviation Scheme. We are now working to set up the site at Cremorne Wharf, carrying out a range of works in the existing sewer network and on the site to prepare for main works construction
- **Chelsea Embankment Foreshore –** This site has provided a unique challenge, with the site team working hard to accommodate the specific needs of the annual Chelsea Flower Show alongside our works. With piling started, the team is engaging well with the Royal Hospital Chelsea to protect its vital income streams during the main works construction
- **Kirtling Street –** We completed the shaft excavation, following the completion of the diaphragm walls forming the sides of the shaft. The site now has a shaft more than 50m deep and more than 30m in diameter. Above ground, the site team has constructed an acoustic enclosure to protect our neighbours from noise arising from the works inside. Post period end, both TBMs, Millicent and Ursula, were lowered to the bottom of the shaft
- **Heathwall Pumping Station –** We have set up Heathwall pumping station, close to Kirtling Street, with the installation of cabins and the completion of enabling works to protect utilities running close to the worksite
- **Albert Embankment –** We have completed works to install protective noise insulation, providing the mitigation required for businesses next to the site. This was followed by the construction of a sheet piled cofferdam and works to divert
- **Victoria Embankment –** We have continued site works to drive a sheet pile cofferdam, providing a strong wall in the river foreshore behind which we can begin construction of the drop shaft and associated structures
- **Blackfriars –** The team has worked hard to overcome some significant engineering challenges caused by the project's reassessment of the tunnel's proximity to two large Victorian gas mains. We have had to ensure that the mains are not damaged by our works and we have been working very closely with Cadent, City of London and TfL to come up with a solution. This has required us to alter our method of construction and, during this year, we will explore innovative ways to complete the scheme at this complex site. The team has done an excellent job and we have started construction of a cofferdam, in line with our programme

Central area map



8 Falconbrook Pumping Station
9 Cremorne Wharf Depot
10 Chelsea Embankment Foreshore
11 Kirtling Street
12 Heathwall Pumping Station
13 Albert Embankment Foreshore
14 Victoria Embankment Foreshore
15 Blackfriars Bridge Foreshore

Investment Programme – East contract

- **Chambers Wharf –** We have successfully completed the cofferdam, which increased the size of the site by 40%. The existing jetty was then removed and the team has now completed the diaphragm walls of the shaft using an innovative electrically powered hydrofraise. This reduces noise and shows our commitment to mitigating the impact on our neighbours and other local stakeholders. The works saw 35,000 tonnes of material being excavated, all of which was removed from site by barge in line with Tideway's More by River commitment. Similarly, all reinforcement cages for the walls were delivered to site by barge. We have successfully completed fissure grouting at the site with the creation of a grout block of 17,000m^3, to reduce the permeability of the chalk at the tunnel apertures. The site is now preparing to begin archaeology undertakings, shaft excavation and the installation of the acoustic enclosure.
- **Earl Pumping Station –** Work continues with site preparation.
- **Deptford Church Street –** The offices are now fully installed and the team is getting ready for the start of diaphragm walling.
- **Greenwich Pumping Station –** Excellent progress continues at Greenwich pumping station, where the team has worked closely with key stakeholders. A significant incident in the sewers at Greenwich led Thames Water to revise its sewer entry conditions across all of its assets and Tideway is working closely with Thames Water to embed these arrangements. Close collaborative working with Thames Water, Network Rail and Docklands Light Railway was instrumental in ensuring that diaphragm walling started on time and recent progress has been ahead of our regulatory baseline
- **King Edward Memorial Park Foreshore –** We have opened the new permanent playground. This leaves a lasting legacy for the community in Tower Hamlets and has been well received locally. Completion of the cofferdam is taking longer than planned, due to unexpected ground conditions which require the team to install some additional piles. During the installation of the cofferdam at King Edward Memorial Park, a jack-up barge became unstable and as a precaution, we evacuated the neighbouring flats. This obviously caused concern and disruption to our neighbours and we have taken their feedback in refining our incident management plans. Diaphragm walling is now planned to start in 2019.
- **Abbey Mills Pumping Station –** This is the only site that has not been mobilised yet. Target mobilisation date is 2019.

East area map

16 Shad Thames Pumping Station *
17 Chambers Wharf
18 Earl Pumping Station
19 Deptford Church Street
20 Greenwich Pumping Station
21 King Edward Memorial Park Foreshore
22 Bekesbourne Street *
23 Abbey Mills Pumping Station

* Thames Water site

Financing Activity

During the six month period ended 31 March 2018, we raised £450m of new term debt and we have continued to de-risk our financing plan, further increasing our liquidity position and locking-in financing costs:

- In October 2017 we entered into £70m inflation linked swaps to partly hedge the US Private Placement Notes
- A £250m green nominal public bond with a maturity date in 2027 was issued in November 2017
- A £200m green CPI-linked private placement bond with a maturity date in 2042 was issued in November 2017. This transaction won an mtn-i Deal of the Year award, as it was both an index-linked bond with an inflation floor and ceiling and a green bond
- As a result of these successes, an amount of £250m was cancelled from our Revolving Credit Facility (RCF) in March 2018

As at March 2018, the balance of equity was £509.7m and shareholder loans were £714.4m, which includes the injection of £19.9m in equity and £29.7m drawdown of the shareholder loan as well as £9.6m repayment of principal in the six month period. The funds committed by our shareholders at Licence Award are now fully injected. Over the period a Restricted Payment of £37.85m was made, which included payment of interest and repayment of principal of the shareholder loan.

As at 31 March 2018, we had total liquidity of £3bn, comprising £0.9bn of cash, £750m of undrawn RCF, the £700m EIB loan, £575m of bonds and a £100m loan. This, combined with expected revenue collection, provides liquidity significantly in excess of our 18-month target, including all debt requirements to System Acceptance.

Post year-end, we have raised a total of £325m through further issuance of green bonds, including another £150m inflation linked green bond issued in April 2018 and three green bond issuances totalling £175m, also linked to inflation, in May 2018.

Tideway is now the largest corporate sterling issuer of green bonds with a total of £775m issued to date, as well as the largest UK CPI-linked corporate issuer with £350m of CPI-linked debt raised.

Also post-year end we drew the first of our deferred purchase bonds, the £100m 0.688% index-linked bond maturing in 2050.

Historical Financial Performance

During the year ended 31 March 2018, Tideway reported a profit of £9.5m (2016/17: £34.2m loss), with no dividends paid or proposed (2016/17: £nil)

We do not consider that the reported profit in the period reflects our business performance, as it results from the movement in fair value in the Group's financial instruments.

Allowable Costs

For the year ended 31 March 2018, our Allowable Project Spend [1] is marginally lower than the allowable costs[2], as our allowable costs include the timing of accruals and unwinding of prepayments of items, including insurance contracts and the GSP. At 31 March 2018, costs of £1,154.9m were capitalised within the asset under construction in the Statement of Financial Position. This represents £609.0m costs during the year and £545.9m for the prior periods to 31 March 2017.

Direct Costs

The direct costs incurred in the year have increased significantly (c70%) compared with 2016/17, reflecting the increased level of construction over the year.

Indirect Costs

Indirect costs have increased by c16% compared with 2016/17, largely driven by the growth in resources required to support the increased level of construction.

Excluded Costs

The excluded costs for the year ended 31 March 2018 were £66.3m. These comprise £61.5m of interest payable (including shareholder loans), £7.1m of costs which mainly relate to financing, partly offset by £2.3m interest receivable.

The excluded cash[3] outflows are significantly higher than the excluded costs. This is mainly due to the £23.8m (2016/17: £24.1m) repayment of shareholder loans and £9.8m (2016/17: £12.1m) timing of VAT payments, which are not included within excluded costs

Analysis of costs and cash outflows, 12 months ended 31 March 2018, £m	Costs	Timing difference	Cash outflows
Total allowable costs	542.7	(24.5)	518.2
Total excluded costs	66.3	45.4	111.7
Total	**609.0**	**20.9**	**629.9**
B/Fwd 31 Mar 2017	**545.9**	**-**	**-**
Capitalised costs*	**1,154.9**	**-**	**-**

Allowable costs, 12 months ended 31 March 2018, £m	FY18	FY17
Direct costs	**443.2**	**262.6**
Resources	68.4	60.3
Other indirect costs	31.1	25.1
Indirect costs	**99.5**	**85.4**
Total	**542.7**	**348.0**

(1) Allowable Project Spend - Allowable Project Spend (on a cash basis) is added to our RCV
(2) Allowable costs - Costs stated on an accruals basis, which form part of the Allowable Project Spend (and are added to our RCV) when the underlying assets or liabilities are cash settled
(3) Excluded costs – Costs stated on an accruals basis which will be Excluded Project Spend (and not added to our RCV) when the underlying assets or liabilities are cash settled

* Capitalised Costs is the GAAP measure and aligns to note 6 of the audited annual financial statements

Historical Financial Performance (cont.)

Cash Flow and Cash

The Holdco Group closed the year with £838.3m cash (£895.8m including short-term deposits), an increase of £522.4m from the closing balance for 2016/17. This increase was driven by cash inflows of £1,152m and cash outflows of £629.9m

Total cash inflow is largely driven by the financing activities which include proceeds of £208.9m shareholder loans and £139.3m from shareholder equity, and £822.1m proceeds from new borrowings.

Cash from operations of £40.8m include £32.1m of regulated revenue received from Thames Water and £7.4m of other inflows, including interest and payment for other services provided to Thames Water, partially offset by working capital movements of £1.3m.

Cash outflows include investment in the construction of the tunnel of £607.4m partial repayment of £23.8m of shareholders loans, and transfer of £57.5m to short term deposits.

External Debt and Net Cash

For the first time, the Holdco Group drew a number of facilities and as at 31 March 2018, the Holdco Group held external borrowings of £823.7m. During the year net cash reduced by c£300m.

In addition the Holdco Group had the following undrawn debt facilities: £750m Revolving Credit Facility (RCF), £700m Loan with the EIB, and £675m of deferred bonds/loans.

Cash and Net Cash, 12 months ended 31 Mar 2018, £m	FY18	FY17
Opening cash and cash eq.	**315.9**	**112.9**
Net cash from operations	40.8	13.9
Net cash used in investment activities	(664.9)	(367.2)
– Construction of the tunnel	*(607.4)*	*(384.7)*
– Transfer to/from short term deposits	*(57.5)*	*17.5*
Net cash from financing activities	1,146.5	556.3
- Proceeds from shareholder loans	*208.9*	*348.3*
- Proceeds from equity	*139.3*	*232.1*
- Proceeds from new borrowings	*822.1*	*315.9*
- Repayment of shareholder loans	*(23.8)*	*(24.1)*
Net increase in cash and cash eq.	**522.4**	**203.0**
Closing cash and cash eq.	**838.3 (*)**	**315.9**
External borrowings	**(823.7)**	**-**
Net Cash	**14.6**	**315.9**

** Excludes short term deposits of £57.5m.*

Historical Financial Performance (cont.)

Fair value measurements and valuation

BTL 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. During the year, BTL entered into £70m inflation linked swaps to partly hedge the US Private Placement notes. The swaps fix finance costs for BTL's regulatory period in a cost-effective manner and ensure that we benefit from low-cost financing. The movement in fair value of these financial instruments is recognised in the Income Statement because, under IAS 23, these do not represent current borrowing costs incurred for financing the project and so, unlike our other expenditure, cannot be capitalised. During the year, there was a positive movement of £9.5m in the fair market value (2017/18: £24.7m) of the index-linked swaps; this was primarily driven by lower RPI expectations implied by the real and nominal GILT curves.

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 (2016/17: £nil) and therefore have no corporation tax charges (2016/17: £nil).

** Cash exclude short term deposits of £57.5m.*

Liquidity and Debt Portfolio – March 2018

- As at Q4 FY17/18 close, Tideway had total liquidity of £3.03bn, comprising £2.13bn committed and undrawn debt and £0.9bn of cash (includes £20.4m held in the Debt Service Reserve Accounts)
- In the period, Tideway cancelled £250m of its Revolving Credit Facility
- Tideway's debt portfolio totals £2.95bn comprising a £0.75bn RCF, £0.7bn EIB term loan, £0.95bn index linked bonds/loan, £0.3bn USPP loan notes and a £0.25bn nominal bond
- Post period end, Tideway has issued additional £325m deferred index-linked green bonds. These bonds are not accounted for in the tables as they were not issued in the period
- Funding raised to date provides Tideway with liquidity through construction

**The £700m EIB loan consists of ten tranches; eight of which will be drawn in floating rate format and have been synthetically swapped with third parties (details in swap portfolio in appendix) while the remaining two tranches will be drawn in RPI linked format directly from the EIB at RPI + 0.01%.*

Liquidity

Facility	Amount (£m)
Cash	904
Committed and undrawn debt	2,125
Total	**3,029**

Debt Portfolio

Facility	Nominal amount	Type	Drawdown date	Maturity (CY)
RCF	750	Revolver	N/A	2025
EIB*	700	Loan	*Various 2018-2022*	2051
£25m RPI + 1.035%	25	Bond	Jun 2020	2048
£25m RPI + 1.042%	25	Bond	Jun 2021	2048
£25m RPI + 0.951%	25	Bond	Jun 2020	2054
£25m RPI + 0.954%	25	Bond	Jun 2021	2054
£100m RPI + 0.688%	100	Bond	Jun 2018	2050
£100m RPI + 0.755%	100	Bond	Jun 2019	2051
£50m RPI + 0.787%	50	Bond	Jun 2020	2052
£100m RPI + 0.249%	100	Bond	Dec 2018	2040
£100m RPI + 0.01%	100	Loan	Sep 2019	2049
£125m RPI + 0.192%	125	Bond	Jul 2019	2049
Committed and undrawn	**2,125**			
£300m 2.86%	300	USPP Loan Note	Sep 2017	2032
£75m CPI + 0.828%	75	Bond	Aug 2017	2047
£250m 2.375%	250	Green Bond	Nov 2017	2027
£200m CPI+0.74%	200	Green Bond	Nov 2017	2042
Drawn	**825**			
Total	**2,950**			

Ratios

We confirm that in respect of this Investor Report dated 31 March 2018, 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 0%; this is below the 5% threshold set out in the CTA and therefore we are not required to report FFO ICR[(2)] and Average FFO ICR

We confirm that the above Ratio has 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.

Description of ratios
(1) Senior RAR measures at a test date, the ratio of Senior Net Indebtedness to RCV
(2) FFO ICR measures in respect of a test period, the ratio of Net Cash Flow to Senior Debt Interest

Other Reportable Matters

Significant management and board changes H2 2017/18

- In November 2017 Mark Corben, the Chief Financial Officer, announced that he will step down in 2018.
- In March 2018 Jaroslava Korpanec resigned as an Allianz Director of the following companies of the Holdco Group: Bazalgette Holdings Limited, Bazalgette Tunnel Limited and Bazalgette Finance plc. Andrew Cox was appointed as director of Bazalgette Tunnel Limited and Bazalgette Finance plc, and Scott McGregor was appointed as director Bazalgette Holdings Limited.
- Additionally Joseph Philipsz replaced Michael Ryan as a director of Bazalgette Holdings Limited, with effect from 19 February 2018.

There have not been any other board or relevant management changes in the period.

Acquisitions and disposals H2 2017/18

There have not been any acquisitions and disposals in the period.

Current Hedging Position

The current swap portfolio can be found on slide 20 in the appendix.

BTL entered into hedging transactions of £70m, partially hedging the USPP transaction.

Confirmation

We confirm that:

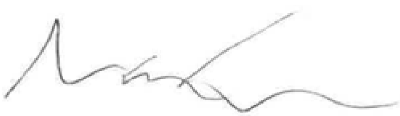
a) no Default or Trigger Event has occurred and is continuing;

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.

Mark Corben,



Chief Financial Officer

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

APPENDICES

Reference to the CTA

The table below summarises the requirements of the Investor Report and references in this document

Requirement	Reference
General overview	Page 4, Overview
Regulatory and business update	Page 5, Business Update Page 6-9, Investment Programme
Capital Expenditure	Pages 11-12 Historical Financial Performance
Financing	Page 7, Financing Activity Appendix
Acquisitions or Disposals	Page 16, Other Reportable Matters
Current Hedging Position	Page 16, Other Reportable Matters Appendix
Ratios	Page 15, Ratios

Swap Portfolio – March 2018

- During FY16/17 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 scheduled to change to CPIH from RPI

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%