

Bazalgette Finance plc

Annual report and financial statements

For the year ended 31 March 2024

Registered number 09698014

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Directors and advisors

Directors holding office

Andrew Cox

Christopher Morgan

Alistair Ray

Company Secretary

Celia Carlisle

Registered office

6th Floor

Blue Fin Building

110 Southwark Street

London

SE1 0SU

Independent auditors

PricewaterhouseCoopers LLP

3 Forbury Place

23 Forbury Road

Reading

RG1 3JH

Strategic report

The Directors present their Strategic report for Bazalgette Finance plc for the year ended 31 March 2024.

Business review

Bazalgette Finance plc (“the Company”) operates for the sole purpose of raising finance through a multi-currency bond platform on behalf of the Company's sister company, Bazalgette Tunnel Limited, for the purposes of Bazalgette Tunnel Limited's licenced activities as the infrastructure provider for the design, construction, operation and maintenance of the Thames Tideway Tunnel (“TTT”).

The Company is a wholly owned subsidiary of Bazalgette Holdings Limited. As at 31 March 2024, the Bazalgette Holdings Group (“the Group”) comprised the Company, Bazalgette Tunnel Limited and Bazalgette Holdings Limited.

The proceeds from bonds issued under the multi-currency bond platform are on-lent to Bazalgette Tunnel Limited through a series of back to back loans which have the same economic terms and effectively pass the financing arrangements of the external debt held by the Company to Bazalgette Tunnel Limited.

Some of the bonds issued by the Company were in a deferred format which means that the proceeds from the bond were not received from the bond purchaser until a future settlement date so as to align when funds are raised with the construction expenditure profile of the TTT project. The remaining deferred purchase bonds were received in May 2023 with maturities of 2049.

The financing is innovative in applying the deferred purchase structure to a regulated utility company in the sterling market. This structure enables the Group to de-risk its finance plan and secure attractive borrowing terms, by locking in committed debt funding at current market rates and managing negative carry costs associated with pre-funding.

At 31 March 2024, the overall total of bonds issued by the Company to date totalled £1,800.0m (2023: £1,800.0m). As at 31 March 2024, a total of £1,840.7m of bond proceeds had been settled by bond purchasers (2023: £1,775.0m).

At 31 March 2024, the Company's deferred ‘Green Bond’ issuances stood at £nil (2023: £50.0m) with a drawdown of nominal £50.0m during the course of the year (2023: £275.0m). All eleven green bonds issued to date are listed on the London Stock Exchange Green segment. Green bonds are debt instruments whose proceeds are used to fund projects with environmental benefits, such as the Thames Tideway Tunnel. The Green Bond Framework, which is aligned with the International Capital Markets Association (ICMA) Green Bond Principles, the Loan Market Association Green Loan Principles, as well as with the Loan Market Association Sustainability Linked Loan Principles, was published in 2017/18 and is available to view at www.tideway.london. We have aligned our legacy commitments to the UN Sustainable Development Goals (SDG). Fees and costs associated with the issue of the bonds were borne by Bazalgette Tunnel Limited.

As the Company acts solely for the purpose of raising finance 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 (“the Project”) can be found in the Bazalgette Tunnel Limited Annual Report (available at 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.

Results and performance

The Company has recorded a £0.5m loss for the year ended 31 March 2024 (2023: £0.5m loss). The Company's net liabilities were £1.4m (2023: £0.9m).

Principal risks and uncertainties

The Company acts with the sole purpose of raising finance under a multi-currency bond programme and then on-lends the proceeds to Bazalgette Tunnel Limited. The execution of this strategy exposes the Company to a number of risks, the principal risks being credit risk, liquidity risk and inflation risk.

Strategic report (continued)

Credit risk

Credit risk exists in relation to the Company's financing activities. The Company has entered into a number of agreements with Deferred Bond Purchasers, under which there were long deferral periods for the purchase dates. The Company was therefore exposed to the credit risk of such counterparties on whom it relied on to provide funds on the pre-agreed dates. This risk has now diminished given we have fully drawn down on the deferred bonds during the course of the current financial year. The Company evaluates counterparty risk prior to entering such transactions and manages concentration risk in respect of deferred funding commitments. As part of its risk management, the Company has agreed information requirements and covenants with the Deferred Bond Purchasers, and the Company monitors on an ongoing basis the Deferred Bond Purchasers' ability to honour their obligations, allowing it to assess any potential liquidity exposure in advance of settlement dates, and to make alternative funding arrangements if necessary.

Liquidity risk

As part of its financing arrangements to on-lend the proceeds of the deferred bonds, the Company has entered into back to back loans with Bazalgette Tunnel Limited. The Company's obligations to repay principal and interest on its borrowings are intended to be met primarily from the payment of principal and interest by Bazalgette Tunnel Limited under these loans. The Company therefore has liquidity risk with regards to not being able to service the debt commitments to the Bond Purchasers should Bazalgette Tunnel Limited fail to honour its obligations under the loans. The Company has limited capitalisation and is therefore reliant on the support of the Group to meet any liabilities as they fall due. The risk is partially mitigated by the Company's requirement to hold sufficient liquidity to cover its financial obligations for a 12-month period into a designated debt service reserve account.

Inflation risk

The finance costs of the Company's index-linked debt instruments vary with changes in RPI (Retail Price Index) and CPI (Consumer Price Index) rather than interest rates. The principal aim of funding under index-linked rates is to appropriately address the economic risks in Bazalgette Tunnel Limited, whose Regulatory Capital Value (RCV) and revenues are exposed to RPI fluctuations. The Group's financing strategy has involved issuing RPI and CPI linked debt to ensure that reductions in revenue due to low inflation will be partially offset by reductions in interest costs.

The Company continues to recognise the expected transition from RPI to CPIH from the next regulatory period starting in 2030 as the underlying measure of inflation for price control periods. It also understands the risk that CPI could diverge from RPI in a way that the correlation between RCV and nominal debt weakens. As a result, the Company continues to issue long date index-linked bonds in both formats.

Inflation risk is monitored and reported monthly to the Executive Funding and Financing Committee and subsequently to the Group's Audit and Finance Committee. Given the proceeds from bonds are on-lent to Bazalgette Tunnel Limited through a series of back to back loans which have the same economic terms this effectively passes on the associated inflation risk of the debt held by the Company to Bazalgette Tunnel Limited.

Economic risk

During the year the Company has continued to meet its debt obligations with third parties. The impact of the current high inflationary environment is not expected to significantly impact the ability to access and raise debt finance or meet debt obligations in the future, please see Bazalgette Tunnel Limited Annual Report for further details.

Future outlook

The Company is expected to continue to act on behalf of the Company's sister company Bazalgette Tunnel Limited for the purpose of providing finance.

Strategic report (continued)

Section 172(1) Statement

The Directors have assessed the financial position of the Company, its cash flows, liquidity position and borrowing. Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its members as a whole. In doing this Section 172, requires a Director to have regards among other matters to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the company.

As sole purpose finance vehicle company within the Group, and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company must also have regard to the overall strategy of the Group. The Directors give careful consideration to the factors set out above in discharging their duties under Section 172. As part of the Group stakeholder engagement is carried out on a group wide basis to help the directors to understand the views of stakeholders.

The board considers any decisions from the perspective of the Company ensuring that decisions are taken with regard to the interests of stakeholders as well as having regard to the long-term sustainable success of the Group as a whole. The stakeholders we consider in this regard are our employees, the Alliance members (Bazalgette Tunnel Limited, Thames Water, Jacobs, the Programme Manager for the Project, the Main Works Contractors (more particularly described in the Bazalgette Tunnel Limited annual report) and Amey OWR Ltd, the System Integrator for the Project), the environment and our shareholders. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with the Group's long-term vision, purpose and values described in the Group annual report and operate the business in a sustainable way.

This Strategic report was approved by the board of Directors on 20 June 2024 and signed on its behalf by:



Celia Carlisle
Company Secretary
20 June 2024

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2024.

The registered company number is 09698014.

Results and dividend

During the year ended 31 March 2024 the Company reported a £0.5m loss (2023: £0.5m loss). The Company did not pay any dividends in the year (2023: £nil).

Directors

The Directors serving during the year, and thereafter, are as follows:

Andrew Cox

Christopher Morgan

Alistair Ray

Celia Carlisle – Company Secretary

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 Holdings Group of which the Company is a subsidiary operates a director's and officer's insurance.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's fellow subsidiary company, Bazalgette Tunnel Limited. Further the directors note that there is no reason to believe that Bazalgette Tunnel Limited cannot honour its commitments to Bazalgette Finance plc under its lending agreements. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

At the date of approval of these financial statements, the Company obtained a letter of support from Bazalgette Tunnel limited confirming continuation of financial support.

Therefore, it is considered to be appropriate to adopt the going concern basis in preparing the 31 March 2024 financial statements.

Employees

The Company has no employees (2023: none). Employees of Bazalgette Tunnel Limited carry out all the activities of the Company and there is no specific recharge to the Company.

Financial risk management

Credit risk, Liquidity risk and Inflation risk are considered to be the principal financial risks the Company is exposed to. Details and management of these risks can be found in the Strategic Report in the 'Principal risks and uncertainties' section.

Charitable and political contributions

The Company made no charitable donations during the year (2023: £nil). The Company made no political donations nor incurred any political expenditure during the year (2023: £nil).

Directors' report (continued)

Events occurring after the reporting period

No 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.

Disclosure of information to auditors

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 auditors are 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.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the Independent Auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP continue in office.

This Director's Report has been approved and is signed by order of the Board by:



Celia Carlisle
Company Secretary

Blue Fin Building
Southwark Street
London
SE1 0SU
20 June 2024

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, 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 the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 the financial statements comply with the Companies Act 2006.

Directors' confirmations

Each of the directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This responsibility statement has been approved and is signed by order of the Board by:



Celia Carlisle
Company Secretary

Blue Fin Building
Southwark Street
London
SE1 0SU
20 June 2024

Independent auditors' report to the members of Bazalgette Finance plc

Report on the audit of the financial statements

Opinion

In our opinion, Bazalgette Finance plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its loss and cash flows 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.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2024; the Income Statement, the Statement of Other Comprehensive Income, the Statement of Cashflows, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Finance Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where directors made subjective judgments, for example in respect of significant accounting estimates that involved

making assumptions and considering future events that are inherently uncertain. As in all our audits we also addressed the risk of management override of internal controls, including evaluation whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

- Risk of impairment in intercompany balances

Materiality

- Overall materiality: 21,753,900 based on 1% of total assets.
- Performance materiality: 10,876,900.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Risk of impairment in intercompany balances</i></p> <p>Intercompany receivables at March 2024 is £2,153.2m (2023: £2,014.7m) and is required to be assessed annually for impairment.</p> <p>The recoverability of the receivable is a normal level of risk of misstatement, however due the size of the receivables balance in the context of the company financial statements, it is considered to be an area of focus.</p> <p>Refer to note 6 of the financial statements.</p>	<p>We obtained an understanding and addressed the design and implementation of financial controls relating to the recoverability of intercompany receivables.</p> <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • We reviewed management's IFRS 9 workings • Audited and challenged the reasonableness of management assumptions; and • Recalculated the expected credit loss (ECL) provision using verified rates, the ECL provision is immaterial in BEL group entities. <p>From the testing performed we concur with the company's assessment of the recoverability of the intra group receivables.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of the audit to ensure we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which operates.

The entity consists of one operational segment and is managed from a single location in the United Kingdom.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£21,753,900
<i>How we determined it</i>	1% of total assets
<i>Rationale for benchmark applied</i>	The entity functions to service the group financing requirements therefore using a total assets as a benchmark is appropriate, given that the entity does not trade.

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We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% of overall materiality, amounting to 10,876,900 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit and Finance Committee that we would report to them misstatements identified during our audit above £1,087,600 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- Testing the mathematical integrity of the cash flow forecasts and the models supporting the forecasts used by management to support their going concern assumption and reconciling these to Board approved budgets
- Evaluating management’s models used in going concern assessment including how these models capture events and conditions that may cast doubt on ability to continue as a going concern;
- Reviewing and challenging management’s estimates and assumptions including within the forecast, assessing these for reasonableness including confirmation that no debt is maturing in the going concern assessment period;
- Assessing the plausible but severe downside scenarios;
- Performed sensitivity analysis on management’s forecast cash flows;
- Obtaining covenant compliance certificates, confirming that all the key covenants that impact the continued access to finance have been considered over the relevant time periods and verifying the mathematical accuracy, and testing inputs back to either the year end financial numbers or for forecasted information to the Board approved budget
- Performing a comparison of budget versus actual for the year ended 31 March 2024 and understanding where variances had arisen. Through this testing we obtained reasonable assurance over management’s ability to forecast accurately

- Evaluated the adequacy of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, Strategic report, the Directors' report and the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, Tax legislation and Employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of journal entries to manipulate the financial results in the year including journals to decrease the value of the asset under construction and journals that credit the profit and loss. Audit procedures performed by the engagement team included:

- Discussions and enquiries of management, the internal audit function and legal, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions made by management in determining significant accounting estimates and judgments. We have tested significant accounting estimates and judgements to supporting documentation, considering alternative information where available along with considering the appropriateness of the related disclosures in the financial statements;
- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-determined fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance and reviewing internal audit reports; and
- Performing unpredictable procedures including testing for manipulation of key inputs related to covenant compliance, understatement of costs in the year and consideration of unexpected users who may have posted journals during the year.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Finance Committee, we were appointed by the members on 8 September 2023 to audit the financial statements for the year ended 31 March 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.



Andy Grimby (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

20 June 2024

Income Statement

For the year ended 31 March

	Notes	2024 £m	2023 £m
Net operating costs	2,3	-	-
Operating result		-	-
Interest income	4	95.4	167.2
Interest expense	4	(95.9)	(167.7)
Loss before tax		(0.5)	(0.5)
Taxation	5	-	-
Loss for the year		(0.5)	(0.5)

Statement of Other Comprehensive Income

For the year ended 31 March

	2024 £m	2023 £m
Loss for the year	(0.5)	(0.5)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(0.5)	(0.5)

The notes 1 to 13 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March

	Notes	2024 £m	2023 £m
Non-current assets			
Loans to Intra-Group Company	6	2,148.4	2,010.1
		<u>2,148.4</u>	<u>2,010.1</u>
Current assets			
Other receivables	6	4.8	4.6
Cash and cash equivalents	7	22.2	21.9
		<u>27.0</u>	<u>26.5</u>
Total assets		<u>2,175.4</u>	<u>2,036.6</u>
Current liabilities			
Other payables	8	(28.4)	(27.4)
		<u>(28.4)</u>	<u>(27.4)</u>
Non-current liabilities			
Borrowings	9	(2,148.4)	(2,010.1)
Total liabilities		<u>(2,176.8)</u>	<u>(2,037.5)</u>
Net liabilities		<u>(1.4)</u>	<u>(0.9)</u>
Total equity			
Share capital	11	-	-
Accumulated Losses		(1.4)	(0.9)
		<u>(1.4)</u>	<u>(0.9)</u>

These financial statements on pages 15 to 29 were approved by the board of Directors on 20 June 2024 and signed on its behalf by:



Chris Morgan

Director

Company registered number: 09698014

The notes 1 to 13 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital £m	Accumulated losses £m	Total equity £m
Balance at 1 April 2022	-	(0.4)	(0.4)
Loss for the year	-	(0.5)	(0.5)
Total comprehensive loss for the year	-	(0.5)	(0.5)
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2023	-	(0.9)	(0.9)
Balance at 1 April 2023	-	(0.9)	(0.9)
Loss for the year	-	(0.5)	(0.5)
Total comprehensive loss for the year	-	(0.5)	(0.5)
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2024	-	(1.4)	(1.4)

The notes 1 to 13 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 March

	<i>Notes</i>	2024 £m	Restated¹ 2023 £m
Loss before income tax		(0.5)	(0.5)
Changes in working capital			
Increase in other receivables		(0.2)	(0.1)
Increase in other payables		0.6	0.6
		<hr/>	<hr/>
Net cash used in operating activities		(0.1)	-
		<hr/>	<hr/>
Cash flows used in investing activities			
Loans to intra-group company		(65.7)	(283.2)
Interest received		22.7	21.1
		<hr/>	<hr/>
Net cash used in investing activities		(43.0)	(262.1)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from new borrowings		65.7	283.2
Proceeds from intra-group loans		0.4	1.0
Repayment of intra-group loans		(0.8)	(0.1)
Interest paid		(21.9)	(20.9)
		<hr/>	<hr/>
Net cash from financing activities		43.4	263.2
		<hr/>	<hr/>
Net increase in cash and cash equivalents during the year		0.3	1.1
Cash and cash equivalents at the beginning of the year		21.9	20.8
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	7	22.2	21.9
		<hr/> <hr/>	<hr/> <hr/>

The notes 1 to 13 form an integral part of these financial statements.

¹ Presentational correction as to the split of proceeds from/repayments to intra-group loans.

Notes to the financial statements

1 Material accounting policy information

Basis of preparation

Bazalgette Finance plc (“the Company”) is a private company domiciled in England, UK. The Company's registered address is 6th Floor, Blue Fin Building, Southwark Street, London, SE1 0SU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

These financial statements were prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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's parent undertaking Bazalgette Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Bazalgette Holdings 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 13.

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 the financial statements.

Measurement convention

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

Going concern

Notwithstanding net liabilities of £1.4m as at 31 March 2024 and a loss for the year ended of £0.5m, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's fellow subsidiary company, Bazalgette Tunnel Limited. Further the directors note that there is no reason to believe that Bazalgette Tunnel Limited cannot honour its commitments to Bazalgette Finance plc under its lending agreements. As with any company placing reliance on other group entities for financial support, this support not to seek repayments of amounts currently due including interest payable, for at least the next twelve month from the date of approval of the financial statements, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

At the date of approval of these financial statements, the Company obtained a letter of support from Bazalgette Tunnel limited confirming continuation of financial support.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

New accounting standards and future changes

The Company has adopted the following new or amendments to accounting standards during the financial year:

- IFRS 17 Insurance Contracts;

Notes to the financial statements

1 Material accounting policy information (continued)

- 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.

The above amendments 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:

- Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a single transaction;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current; and
- Amendments to IFRS 16 – Leases.

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:

Other receivables:

Other receivables include intra-group loan receivables which represent the cumulative financing proceeds that have been on-lent to Bazalgette Tunnel Limited via back to back loans. Other receivables do not have a significant financing component are classified as amortised cost under IFRS 9; initially recognised 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.

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.

Deferred purchase bonds:

No financial asset or liability is recorded on the initial issue date. The commitment for the bond proceeds to be received from the bond purchaser on the future settlement date is accounted for as a loan commitment. As a result, there is no Income Statement impact from any movements in the fair value between the initial issue date and the deferred settlement date.

Impairment

For non-financial assets, the Company reviews the individual carrying amount of those assets to determine whether there is any indication of impairment in those assets. If any such impairment exists, the recoverable amount of the asset is calculated in order to determine the extent of any impairment loss.

Notes to the financial statements

1 Material accounting policy information(continued)

Financial assets under IFRS 9 are assessed under the forward looking 'expected loss model' at each reporting date to determine whether there are impairment losses.

Any impairment losses are recognised in the Income Statement.

Taxation

Tax on the profit or loss for the year comprises the current tax charge or credit for the year. Tax is recognised in the profit and loss account 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 year, 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 Auditor's remuneration

The auditor's remuneration for the audit of these financial statements was £8,000 (2023: £5,853) and was borne wholly by Bazalgette Tunnel Limited.

3 Remuneration of Directors

The Directors of Bazalgette Finance plc did not receive any payments for their services during the year as they have not performed any qualifying services (2023: £nil).

4 Net finance costs

	2024	2023
	£m	£m
Interest expense		
Interest on external borrowings	(21.9)	(20.2)
Intra-group interest	(1.3)	(0.6)
Other financial liabilities measured at amortised cost	<u>(72.7)</u>	<u>(146.9)</u>
	(95.9)	(167.7)
Interest income		
Intra-group interest	94.6	167.2
Bank Interest	0.8	-
	<u> </u>	<u> </u>
Net finance costs	<u>(0.5)</u>	<u>(0.5)</u>

The Company has a back to back arrangement with Bazalgette Tunnel Limited whereby all third-party borrowings are replicated via loans to Bazalgette Tunnel Limited on identical economic terms, resulting in a neutral impact in the Income Statement. The net finance costs result of £0.5m at 31 March 2024 (2023: £0.5m) represents interest expense related to the £23.4m (2023: £22.6m) intra-group borrowing from Bazalgette Tunnel Limited (see note 12).

Notes to the financial statements

4 Net finance costs (continued)

The year on year decrease in interest expense on other financial liabilities measured at amortised cost represents the accretion element of the Company's external index-linked borrowings which has decreased significantly during the current financial year as a result of changes in the inflationary environment.

5 Taxation

	2024 £m	2023 £m
Total current tax	-	-
Total Income Statement tax expense	-	-

Factors affecting tax charge for the year

The Company's effective tax rate for the year ended 31 March 2024 is 0% (2023: 0%) which is 25% lower than (2023: 19% lower than) the standard rate of corporation tax in the UK.

	2024 £m	2023 £m
Loss before tax	(0.5)	(0.5)
Expected tax credit using UK corporation tax rate of 25% (2023: 19%)	0.1	0.1
Items not taxable	(0.1)	(0.1)
Total Income Statement tax expense	-	-

The Company did not have any unrecognised deferred tax assets as at the Statement of Financial Position date (2023: £nil).

6 Other receivables

	2024 £m	2023 £m
Intra-group loans (see note 12)	2,148.4	2,010.1
Interest receivable from intra-group companies (see note 12)	4.8	4.6
	2,153.2	2,014.7
Non-current assets	2,148.4	2,010.1
Current assets	4.8	4.6

Intra-group loans represent the proceeds from borrowings that have been passed onto the Company's sister company Bazalgette Tunnel Limited via back to back loans including accretion. Intra-group loans are classified and measured at amortised cost under IFRS 9. An assessed under the simplified expected credit loss model was immaterial at 31 March 2024 and at 31 March 2023, and therefore not recognised within the year.

Interest receivable from intra-group companies represents the coupon interest on these loans payable by Bazalgette Tunnel Limited which has not yet been received. The coupon interest terms are identical to the interest terms on the Company's external borrowings.

Notes to the financial statements

7 Cash and cash equivalents

	2024 £m	2023 £m
Cash and bank balances	22.2	21.9
Cash and cash equivalents per cash flow statement	22.2	21.9

Within the Company's cash balance it holds a Debt Service Reserve Account ("DSRA") to maintain committed liquidity facilities with regards to the prospective financing cost payments for a period of 12 months from the Statement of Financial Position date. The restricted cash value in the DSRA was £22.2m at 31 March 2024 (2023: £21.8m).

8 Other payables

	2024 £m	2023 £m
Interest payable on outstanding borrowings	5.0	4.8
Intra-group borrowing (see note 12)	23.4	22.6
	28.4	27.4
Non-current liabilities	-	-
Current liabilities	28.4	27.4

9 Borrowings

The Company operates for the sole purpose of raising finance through a multi-currency bond platform on behalf of the Company's sister company, Bazalgette Tunnel Limited, for the purposes of Bazalgette Tunnel Limited's licenced activities as the infrastructure provider for the design and construction of the TTT project. The proceeds from bonds issued under this platform are on-lent to Bazalgette Tunnel Limited through a series of back to back loans which have the same economic terms and effectively pass the financing arrangements of the external debt held by the Company to Bazalgette Tunnel Limited. All deferred bonds have now been fully drawn down. This note provides information about the Company's borrowings, which are measured at amortised cost. Debt issue costs have been borne by Bazalgette Tunnel Limited.

	2024 £m	2023 £m
Third party borrowings		
£250m 2.375% fixed rate bond 2027	248.9	248.6
£75m 0.828% index-linked bond 2047 ^{a, b}	96.3	92.6
£200m 0.740% index-linked bond 2042 ^{a, c}	229.5	222.8
£100m 0.688% index-linked bond 2050 ^a	136.4	129.5
£100m 0.755% Index-linked bond 2051 ^a	132.5	125.8
£100m 0.249% index-linked bond 2040 ^{a, d}	134.0	126.6
£125m 0.192% Index-linked bond 2049 ^{a, e}	175.6	167.0
£25m 1.035% index-linked bond 2048 ^{a, f}	32.6	30.8
£25m 0.951% index-linked bond 2054 ^{a, g}	32.5	30.8
£50m 0.787% index-linked bond 2052 ^a	65.1	61.9
£25m 1.042% index-linked bond 2048 ^{a, f}	31.9	30.2
£25m 0.954% index-linked bond 2054 ^{a, g}	31.9	30.2
£75m 0.010% index linked bond 2036 ^a	101.8	97.9
£300m 2.750% fixed rate bond 2034	298.9	298.8
£150m 0.010% Index linked bond 2032 ^a	178.4	170.1
£75m 0.949% Index linked bond 2052 ^{a, h}	85.3	81.8
£50m 0.074% Index linked bond 2049 ^{a, i}	68.4	64.7

Notes to the financial statements

9 Borrowings (continued)

	2024	2023
£50m 0.174% index linked bond 2049 ^{a, i}	68.4	-
	<hr/>	<hr/>
Total borrowings	2,148.4	2,010.1
	<hr/> <hr/>	<hr/> <hr/>
Current liabilities	-	-
Non-current liabilities	2,148.4	2,010.1
	<hr/> <hr/>	<hr/> <hr/>

a) The value of the capital and interest elements of these index-linked bonds are linked to movements in either the Consumer Price Index (CPI) or Retail Price Index (RPI)

b) This debt amortises (requires repayment of debt accretion) from 2038.

c) This debt amortises from 2033 and contains a collar mechanism that limits total accretion repayment within a predetermined range.

d) This debt amortises from 2036

e) This debt amortises from 2045

f) This debt amortises from 2043

g) This debt amortises from 2049

h) This debt amortises from 2042

i) This debt amortises from 2034

Deferred purchase bonds

There were no bond issuances placed during the financial year ended 31 March 2024. In total, the Company has issued £1,800.0m (2023: £1,800.0m) of deferred bonds to a range of investors. Bond proceeds of £65.7m (2023: £283.2m) were drawn down during the period which have bond maturities of 2049.

10 Financial Instruments

The carrying values of the financial assets and liabilities of the Company are as follows:

Financial assets

	2024 £m	2023 £m
Other receivables	2,153.2	2,014.7
Cash and cash equivalents	22.2	21.9
	<hr/>	<hr/>
	2,175.4	2,036.6
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

10 Financial Instruments (continued)

Other receivables above exclude prepayments and are classified and measured at amortised cost under IFRS 9. Impairment of these assets as assessed under the 12-months expected credit loss model was immaterial and therefore not recognised within the period.

Financial liabilities

	2024 £m	2023 £m
Other payables	28.4	27.4
Borrowings	2,148.4	2,010.1
	<u>2,176.8</u>	<u>2,037.5</u>

Fair value measurements

The Fair value of financial instruments represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date.

The fair values of financial instruments and a comparison to their carrying value is shown in the subsequent table. The Company has not disclosed the fair values for cash and cash equivalents, short-term deposits, trade receivables and trade payables as their carrying amounts are a reasonable approximation of the fair value.

	31 March 2024 Book value £m	31 March 2024 Fair value £m	31 March 2023 Book value £m	31 March 2023 Fair value £m
Financial liabilities at amortised cost				
Non-current				
Borrowings - bonds	2,148.4	1,522.4	2,010.1	1,732.2
Borrowings - Intra-group loans	23.4	23.7	22.6	22.5
	<u>2,171.8</u>	<u>1,546.1</u>	<u>2,032.7</u>	<u>1,754.7</u>
Total	<u>2,171.8</u>	<u>1,546.1</u>	<u>2,032.7</u>	<u>1,754.7</u>

Financial liabilities at amortised cost

The fair value of borrowings is determined using observable quoted market prices where this is available or by discounting the expected future cashflows using appropriate available market data and a credit risk adjustment representative of the Company.

Capital risk management

The Company manages capital in line with the overall Group's objectives which are:

- Safeguard their ability to continue as a going concern;
- Maintain an optimal capital structure to reduce the cost of capital;
- To finance Bazalgette Tunnel Limited while minimising risk. The Company will adopt a low risk financing strategy and will maintain at all times a robust investment grade credit rating;
- Minimise financing risk through pre-funding, management of maturities and interest rate risk;
- Financing will be a mix of some or all of commercial bank debt, bonds (public and private), EIB loans, lease financing and other instruments. Financing could be raised on a real and/or nominal basis;

Notes to the financial statements

10 Financial Instruments (continued)

- The Group's weighted average cost of capital will be minimised by reducing risk, including interest rate, inflation, credit spread, maturity risk, liquidity and currency risk;
- Hedging and pre-financing may be used to reduce risk. The Group will not engage in speculative treasury activity; and
- The Group will manage its financing activities in compliance with the constraints imposed by the Government Support Package, financing documents and the Licence.

The Company seeks to maintain a low risk financing position by preserving its investment grade corporate family credit rating of Baa1(Moody's). The credit rating was unchanged in the year with Moody's maintaining a stable outlook.

Management of financial risk

The Treasury team, which reports directly to the CFO, substantially manages the financing, including debt, cash management and interest costs for the Company on a day to day basis. The Audit & Finance Committee which includes the Directors of the Company, meets periodically to review and report on treasury policy, treasury strategies and financing strategy. The Company also has an executive level Funding and Financing Committee, chaired by the CFO, which considers financial, treasury, compliance, tax and regulatory matters in detail on a monthly basis.

The Company's funding to date has been achieved with a mix of indexed and fixed rates to appropriately address the risks in Bazalgette Tunnel Limited.

The Company's management of specific financial risks is dealt with as follows:

Liquidity risk

Details of the nature and management of the Company's liquidity risk is provided in the Strategic report.

The table below analyses the Company's interest-bearing borrowings into relevant maturity groupings based on the remaining period at the Statement of Financial position date. The amounts disclosed in the table on the following page are the contractual undiscounted cash flows including interest payable.

	2024 £m	2023 £m
Within one year	(45.6)	(21.8)
Between one and two years	(22.4)	(22.1)
Between two and five years	(62.5)	(317.7)
After more than 5 years	(2,928.6)	(2,871.0)
Total	(3,059.1)	(3,232.6)

Credit risk

Details of the nature and management of the Company's credit risk is provided in the Strategic report.

The Company's maximum exposure to credit risk is the carrying amount of financial assets and therefore the maximum exposure at 31 March 2024 was £2,175.4m (2023: £2,036.6m). Analysis of this amount can be found in the financial assets section of this note.

As these assets relate largely to intra-group debt 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.

Notes to the financial statements

10 Financial Instruments (continued)

Market risk - Inflation risk

Details of the nature and management of the Company's inflation risk is provided in the Strategic report.

As the Company's borrowings are on-lent to Bazalgette Tunnel Limited on identical economic terms, the Company is itself not sensitive to fluctuations in inflation, as any increase in interest costs is offset by interest income on the back to back loans.

Notes to the financial statements

10 Financial Instruments (continued)

Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt for each of the periods presented:

	Notes	2024 £m	2023 £m
Cash and Cash Equivalents	7	22.2	21.9
Borrowings	9	(2,148.4)	(2,010.1)
Net Debt		(2,126.2)	(1,988.2)

	Notes	Financing Liabilities Borrowings £m	Other Assets Cash and cash equivalents £m	Total £m
Net Debt at 1 April 2022		(1,602.3)	20.8	(1,581.5)
Proceeds from new borrowings (Presented as cash flows from financing activities)		(283.2)	283.2	-
Other Changes*				
Accretion interest expense on index-linked borrowings	4	(146.0)	-	(146.0)
Intra-group payable classified as Other Payables		21.1	-	21.1
Proceeds from Intra-group payables as Other Payables		-	1.0	1.0
Bond premium/discount unwind	4	0.3	-	0.3
Cash flows from investing activities (Presented as cash flows from investing activities)		-	(262.0)	(262.0)
Proceeds from intercompany loans (Presented as cash flows used in financing activities)		-	(0.1)	(0.1)
Interest paid (Presented as cash flows used in financing activities)		-	(20.9)	(20.9)
Net Debt at 31 March 2023		(2,010.1)	21.9	(1,988.2)
Proceeds from new borrowings (Presented as cash flows from financing activities)		(65.7)	65.7	-
Other Changes*				
Accretion interest expense on index-linked borrowings	4	(72.9)	-	(72.9)
Intra-group payable classified as Other Payables		-	-	-
Proceeds from Intra-group payables as Other Payables		-	0.4	0.4
Bond premium/discount unwind	4	0.3	-	0.3
Cash flows from investing activities (Presented as cash flows from investing activities)		-	(43.0)	(43.0)
Proceeds from intercompany loans (Presented as cash flows used in financing activities)		-	(0.8)	(0.8)
Interest paid (Presented as cash flows used in financing activities)		-	(21.9)	(21.9)
Net Debt at 31 March 2024		(2,148.4)	22.2	(2,126.2)

11 Called-up share capital

Allotted, called-up and fully paid ordinary shares of £1 each	Ordinary shares 2024 No.	Ordinary shares 2023 No.
At the beginning and end of year	50,000	50,000

Each share ranks equally for voting purposes for any dividend declared and distribution rights on a winding up.

12 Related party transactions

The Company was established for the sole purpose of raising finance on behalf of the Company's sister company, Bazalgette Tunnel Limited, for the purposes of Bazalgette Tunnel Limited's licenced activities and functions as the infrastructure provider for the design and construction of the Thames Tideway Tunnel. Loans receivable from related parties represent cumulative financing proceeds that have been lent to Bazalgette Tunnel Limited.

Amounts outstanding on loans made to Bazalgette Tunnel Limited are £2,148.4m (2023: £2,010.1m) and interest outstanding of £4.8m (2023: £4.6m).

During the year ended 31 March 2024, the Company received £21.9m (2023: £20.9m) of interest income from Bazalgette Tunnel Limited with regards to interest payments under the back to back loans.

Amounts outstanding on borrowings with Bazalgette Tunnel Limited are £23.4m (2023: £22.6m). The loan carries a floating charge based on 6 month SONIA plus 78bp and a maturity of 2025. Interest payable on the loan at 31 March 2024 totalled £0.2m (2023: £nil).

Key management personnel

Key management personnel comprise the Directors of the Company. The remuneration of the Directors is disclosed in note 3.

13 Immediate and ultimate parent company of a larger group

The Company is a wholly owned subsidiary of Bazalgette Holdings Limited (incorporated in the United Kingdom) which has its registered office address at 6th Floor, Blue Fin Building, 110 Southwark Street, London, SE1 0SU.

The Directors consider Bazalgette Equity Limited, (incorporated in the United Kingdom) to be the ultimate parent company. The smallest group in which the Company is incorporated is Bazalgette Holdings Limited. The largest 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 consolidated financial statements of Bazalgette Equity Limited can be obtained at www.tideway.london.