Bazalgette Holdings Limited

Interim Report and Unaudited Consolidated Financial Statements for the six months ended 30 September 2024

Interim Operational Review

The Group

The Directors present the Interim Operational Review for Bazalgette Holdings Group (the Group) for the six months ended 30 September 2024.

The Group comprises Bazalgette Holdings Limited (BHL), Bazalgette Tunnel Limited (BTL) and Bazalgette Finance plc (BF). BTL began operating as an independent regulated infrastructure provider when it was awarded its licence by Ofwat in August 2015. The principal activity of the Group is to design, build, commission, finance and maintain the Thames Tideway Tunnel (TTT). The emphasis given to BTL, which trades under the name ‘Tideway’, throughout this report reflects its importance to the overall performance of the Group.

Overview

The Tideway project entered a new phase during the period with the Tunnel operational for the first time and now beginning to prevent sewage discharges from entering the tidal River Thames.

In May, the first vital connection was made - between the new 25km Tunnel and the existing 6.9km Lee Tunnel - to create the full ‘London Tideway Tunnel’ network. Several more connections have now been ‘activated’ as we work towards achieving full operational capacity. At the time of publication 12 of 21 connections have been achieved.

During the heavy rainfall of 23 September 589,000 m3 was captured with just the first connections activated preventing 219,000m3 from entering the Thames, with the existing Thames Water Lee Tunnel capturing 370,000m3.

The project aims to be fully operational in 2025.

With commissioning underway, Tideway continued with its commitment to maintain the highest standards for health safety and wellbeing. Accident Frequency Rates (AFR), which measure lost-time injuries (LTI) over a rolling 12-month period, reduced during the period. There has been continued strong performance over the first six months of 2024/25 with zero incidents resulting in over three days or over seven days absence.

On costs, there was a marginal increase in our estimate at completion (EAC) (by £25m) to £4.55bn. The impact on customer bills remains unchanged and well within the range set out when the project began in 2015. Tideway continues to maintain strong oversight of any cost adjustments as we move into the final phases of delivery.

Architecture and landscaping work continued above ground to create the seven new areas of riverside public space and install the new public art works. Events were held at the new Cheslea Quay with HRH The Princess Royal and at Acton Storm Tanks where new sculptures celebrate notable local figures.

Total project costs incurred for the six-month period were £212.7m (2023 £330.2m), taking the total capitalised costs incurred at 30 September 2024 to £5,615.9m (2023: £5,163.4m).

Our credit ratings were affirmed at Baa1 by Moody’s in June 2024 and BBB+ by Fitch in May 2024, both with a stable outlook.

Health, Safety and Wellbeing (HSW)

Objectives	We are targeting zero fatalities or serious injuries, off or on-site. We will achieve this by setting new standards for health, safety and wellbeing. This is the right thing to do for those involved, as well as improving productivity and reducing the chance of delays or stoppages.
Priorities	Continue to reinforce Health, Safety and Wellbeing to achieve positive improvements on previous performance. Includes safe completion of construction activities, site/marine demobilisation and safe transition to Mechanical, Electrical, Instrumentation, Control and Automation (MEICA) and commissioning activities. Implement the RightWay strategy for commissioning and review to determine effectiveness of HSW arrangements.

Tideway remains committed to completing the programme with zero fatalities or serious injuries on or off site. Accident Frequency R, which measure lost-time injuries over a rolling 12-month period, have reduced during the period. There has been continued strong performance over the first six months of 2024/25 with zero incidents resulting in over three days or over seven days absence. Subsequently AFR-3 and AFR-7 have fallen to 0.15 and 0.08 respectively.

Q4 FY 2023/24 *			Q2 FY 2024/25 **		
AFR-1	AFR-3	AFR-7	AFR-1	AFR-3	AFR-7
0.31	0.18	0.13	0.26	0.15	0.08

*AFR as measured on 15 March 2024

**AFR as measured on 13 September 2024

During the first six months of 2024/25, 1.1 million hours were worked and there were two lost time injuries which resulted in +1-day lost time.

Health, Safety & Wellbeing improvement strategies and action plans remain in place for each contract to address any trends emerging from incident occurrences and subsequent investigations, to consider the forthcoming works' risk profile and to continually improve HSW performance. These are monitored each period to assess their continued suitability and effectiveness.

With the commencement of worksite testing and commissioning, dedicated working groups have continued to ensure collaboration and safe and effective management of these works. The working groups include Safety in Commissioning and Safe Asset Access. The Marine Logistics Safety Forum has recently been reintroduced due to increased marine works required as part of site demobilisation.

Tideway continues to be supported by the Mates in Mind charity. In recognition of likely increased stress levels as we move towards the latter phases of the project, Stress Management is prominent in our health focus, identifying key risks and actions to minimise impact.

Schedule, Cost and Quality (SCQ)

Objective	We want to deliver the Thames Tideway Tunnel safely, at the right quality, and efficiently. Critical to the final year of main construction will be maintaining control and predictability so that all stakeholders' relationships and interfaces can be managed well.
Priorities	Working with the Programme Manager, all three Main Works Contractors (MWCs), the System Integrator Contractor (SIC) and Thames Water to safely deliver the most efficient schedule whilst maintaining strong oversight and control over cost for the 24/25 financial year. Maintaining Thames Water's commitment through the joint approach, to the agreed programme for Preliminary Commissioning Commencement Date (PCCD), Start of Systems Activation Commencement Date (SACD), System Commissioning Commencement Date (SCCD), Handover and Acceptance. Obtaining commitment from the Environment Agency (EA), OFWAT, Thames Water and Department for Environment, Food & Rural Affairs (DEFRA) to an approach and programme that best achieves early and successful outcomes. Ensuring that the asset being delivered is of the right quality, demonstrated by contemporaneous timely, quality certification and particularly certification to achieve Systems Activation. Commercial status of all three MWCs, SIC and Thames Water aligned to Tideway's objectives for cost and schedule which support an efficient, clean project close out. Continue to hand back areas on completion of construction (including architecture and landscaping), and / or worksite testing and commissioning (as applicable).

Tideway entered a new phase of delivery during the period, with the new Thames Tideway Tunnel becoming operational – and preventing harmful sewage discharges – for the first time.

The 'capping off' of the final shaft at the Abbey Mills Pumping Station site, near Stratford in east London, signified completion of the main construction phase of the Thames Tideway Tunnel. This not only created a single London Tideway Tunnel (LTT) system, but also marked the commencement of our commissioning phase on the programme, where Tideway moves from a civil engineering project to an operational utility.

During the period, Tideway activated several sites, to create connections to the new Tunnel and therefore prevent sewage discharges to the river for the first time. 12 out of the 21 connections had been activated by the time of publication. This is a complex programme and whilst progress is steady, it was initially slower than anticipated. However, it remains a key objective to have the vast majority of sites activated before the end of December 2024. Beyond this, we are actively working with Thames Water to agree the detailed requirements for Handover, which remains on track for the second half of calendar year 2025.

On costs, there was a marginal increase in our estimate at completion (EAC) (by £25m) to £4.55bn. The impact on customer bills remains unchanged and well within the range set out when the project began in 2015. Tideway continues to maintain strong oversight of any cost adjustments as we move into the final phases of delivery.

Acknowledging Thames Water as integral in the review and validation of the strategy for commissioning the LTT System, the collaborative approach between Tideway, the contracting organisations and Thames Water has been maintained, culminating in Tideway entering the Preliminary Commissioning phase in April 2024, followed by the commencement of System Activation in May.

Tideway continues to have strong support from Thames Water, the Environment Agency, Ofwat, and Department for Environment, Food & Rural Affairs in achieving the associated successful project outcomes.

We continue to monitor the evolving financial position of Thames Water. We remain confident that Tideway's revenues are well protected given water industry legislation and the licence obligations that apply to both Thames Water and Tideway.

Delivering the asset to the right quality, demonstrated by contemporaneous timely, quality certification and particularly certification to achieve Systems Activation is of the utmost importance to Tideway.

Whilst a robust certification process is in place across the programme, with good progress recorded on all contracts in support of System Commissioning Commencement, Tideway has supported the introduction of a more detailed Go-No Go process. This includes the appointment of Project Completion Leads, for each of the contracting organisations, who conduct regular collaborative reviews of the Go-No Go process with Thames Water to support the most optimised sequence of site activation leading to the SCCD.

Tideway has continued to progress the implementation of commercial agreements with the MWCs and the SIC resolving historical commercial issues, aligning their schedules with the Tideway Business Plan whilst ensuring objectives remain aligned through effective cost and schedule incentives. Tideway is continuing to progress further agreements where required to ensure schedule and cost objectives remain aligned and without distraction.

We have continued to open areas to the public following completion of works. In addition to the opening of public realm at Putney Embankment in 2023, 2024 has seen the re-opening of all areas of King George's Park with ongoing review of the schedule for opening other areas in West and Central.

Vision, Legacy and Reputation (VLR)

Objective	We want to maintain a supportive environment for delivering the project and develop a positive reputation with our stakeholders. We want to continue to be a responsible business in all that we do and demonstrate our Environmental, Social and Corporate Governance (ESG) credentials in order to build and retain trust and deliver a lasting legacy.
Priorities	Continue to ensure our stakeholder engagement programme supports successful completion of the project, which includes engagement with Thames Water and critical stakeholders. Communicate the benefits of Tideway within the context of the heightened public awareness of sewage pollution and growing calls for it to be tackled. Ensure that we deliver on our essential ESG commitments and sign off our legacy, sustainability and community programmes effectively.

Tideway continued to follow a proactive engagement and communications strategy highlighting the progress of the project and its benefits. We marked several milestones internally and externally, including the completion of the first connection between the existing sewer network and the new Thames Tideway Tunnel, at Abbey Mills, the completion of the removal of the large cofferdam at our Blackfriars site, and the substantial completion of work at our Acton Storm Tanks site, where we held a ceremony to unveil the new public artwork – three sculptures depicting figures with a link to the local area including Sir Joseph Bazalgette.

We launched a new ‘People Behind the Tunnel’ YouTube series to tell the stories of some of the individuals involved in delivering the project and we continued to publish a range of information, including a new video to explain how the commissioning and testing of the project works. National media coverage during the period included an extensive Sunday Times magazine feature and an interview with outgoing Chair Sir Neville Simms in the Telegraph.

We continued to engage with stakeholders with boat tours for around 400 people and 20 site visits, including with the new Secretary of State for Environment and the Mayor of London. We celebrated the new public space at Chelsea Quay with a stakeholder event officiated by HRH The Princess Royal. Post general election we reached out to all London MPs offering further briefing. The Thames Tideway Tunnel Forum, briefing together consent-granting bodies and other stakeholders, met twice in the period and will meet formally for the last time in December 2024. There was a small reduction in contacts and complaints received via Tideway’s Helpdesk during the period (581 and 155 compared with 730 and 186 during the same period last year) reflecting a reduction in construction activities across the programme.

We published our final sustainability report, which included several case studies such as our ‘More by River’ strategy (designed to reduce the number of HGVs needed for the project) and our award-winning EPIC health and safety induction programme. The report detailed the outcomes of our legacy programme – which is underpinned by 54 measurable commitments. 39 have now been closed out (including one this year to date), with 11 remaining to be closed out before or at Handover and four to be handed over to Thames Water in 2025. All are on track. Our final community investment programme provided funding for 11 charitable projects promoting activity on or near the Thames. Projects include a walking group run by the Greenwich UK Parkinson’s Support Group and six paid work experience placements for disadvantaged young people, with the Laburnum Boat Club in Hackney. Tideway continued to support STEM careers, providing 10 work experience placements for Y10 -Y13 students. We celebrated the completion of our partnership with river environment charity Thames21, which has engaged 10,000 volunteers over 10 years. Tideway CEO Andy Mitchell was appointed Chair of the board of trustees of long-standing charity partner London Youth Rowing, as a further commitment to skilled volunteering.

Company and People

Objective	Deliver effective organisation change in line with project requirements. Continue to support a high-performing, motivated and engaged workforce which will deliver better value and help us retain key skills.
Priorities	Continue to manage the capabilities of the organisation to support and encourage efficient delivery through a motivated and empowered team and deliver restructuring activities in line with project requirements. Refine our strategy for the future of the company to transition from construction to an operational organisation.

Tideway has seen good progress towards delivering this objective. Diversity and inclusion remains at the heart of what we do. Our employee network, Encompass, continues to engage and inform people with a programme of events and information that included guest speakers, workshops, and marking national awareness days such as International Women in Engineering Day and International Day Against Homophobia, Transphobia and Biphobia.

As the project reaches a conclusion and the organisation reduces in size, maintaining strong levels of internal communications and engagement remains mission critical. Our aim is to ensure everyone feels integral to what we are trying to achieve and can play their full part in the Tideway team.

We have several communication channels, including a weekly informal all-staff meeting, which is an opportunity to report on progress, business developments and staff news. Our popular weekly newsletter Tideway Talk, which has been published since 2016, continues to have consistent and strong readership (of about 70 per cent) and covers a range of topics, including educational pieces to support an inclusive and healthy culture; interviews with staff; and broader environmental and social issues that reflect the diverse interests of our people.

Our gender numbers ended the half-year at 37.0 per cent female across Tideway (including Jacobs) up from 35.9 per cent at the 2024 year-end. Our percentage of minority ethnic employees remained level at 23.4 per cent. As we work towards completion and Handover our ability to impact the actual percentages will be constrained by a reducing headcount. However, we will maintain our focus on supporting our female and minority ethnic employees to develop their careers within and beyond Tideway.

We continue to monitor, and work with employees to understand their career aspirations and development needs. We have a number of retention tools in place and these are reviewed regularly to ensure that they are helping us to retain and engage staff.

As part of the company's planned transition, Tideway announced several board changes. Independent non-executive director Michael Queen was appointed Chair (effective 1 October 2024), succeeding Sir Neville Simms after a nine-year tenure. Deputy Chair Richard Morse also stepped down from the board and independent non-executive director Ruby McGregor-Smith was appointed Deputy Chair and Chair of the Audit and Finance Committee. Shirley Campbell and Mohammed Saddiq have joined the board as independent non-executive directors in November 2024.

During the period, Matthew Parr, Tideway's Director of Strategy and Regulation, was appointed to a new role as Deputy Chief Executive with specific responsibilities to put in place a strategy and organisational structure for Tideway as it transitions next year from a construction delivery organisation to a utility asset owner.

Financing

Objective	We aim to deliver efficient sustainable financing and financial risk management, which minimises our cost of capital and supports our investment grade credit rating.
Priorities	Maintain the Company Credit rating & deliver Internal Rate of Return in line with the financing plan. Maintain EAC to approved budget. Liquidity and gearing management – continue focus on capital preservation and liquidity, ensure gearing ratios are maintained below 70 per cent and seek to optimise returns on investment activities.

Since Licence Award the Tideway group has raised £3.3bn of long-term debt all of which has been drawn. Tideway continues to benefit from strong financial resilience, where sufficient liquidity, taking into account the undrawn £160 million Revolving Credit Facility (RCF), has been secured to cover anticipated construction costs up to Handover and System Acceptance. At 30 September 2024, we had total liquidity of £473.1m, comprising £313.1m of unrestricted cash and the £160m undrawn RCF. Cash and liquidity continued to be managed effectively and prudently, in accordance with our Investment Management Strategy.

In September 2024, we entered into a £75m Liquidity Facilities Agreement aimed at covering the Liquidity Required Amount, as defined in the Master Definitions Agreement (MDA). Following this agreement, an amount of £43.6m standing to the credit of the Debt Service Reserve Accounts to satisfy the same liquidity requirement was released.

On 30 September 2024, Tideway's financial ratios remain healthy and fully compliant with covenants. The ratio of Senior Net debt to Adjusted RCV (gearing) was 68 per cent and the ratio of Net Cash Flow to Senior Debt Interest (interest cover ratio) was 9x, compared to maximum and minimum covenants of 70.0 per cent and 1.3x respectively (see the Interim Financial Performance Review section for more details on debt covenants triggers).

Our credit ratings were affirmed at Baa1 by Moody's in June 2024 and BBB+ by Fitch in May 2024, both with a stable outlook.

No distributions were paid in the six months to 30 September 2024 with £37.4m of interest being capitalised, taking the shareholder loan balance to £960.1m.

In August 2024, Amber Infrastructure Group Holdings Limited ("Amber Infrastructure") completed its previously-announced strategic combination with Boyd Watterson Asset Management. The combination creates a diversified real estate, infrastructure, and fixed income asset management business. Amber Infrastructure manages INPP's and Swiss Life's investments in Tideway.

Risk Management

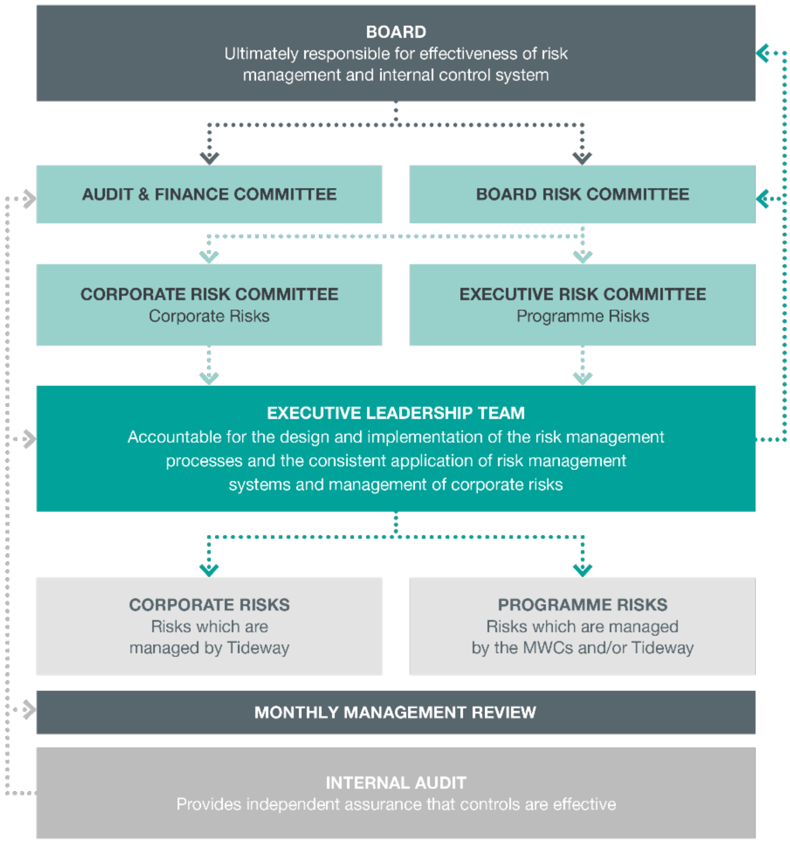
Risk management is embedded in Tideway's culture and is central to achieving its objectives. The Group has implemented a clearly defined process for identifying, analysing and controlling risk throughout the business. This includes quantification of project risks, and the potential cost and impact to the schedule. This approach allows us to challenge the effectiveness of our mitigating actions.

Tideway's principal risks are those that could have a material, adverse impact on the business, reputation and/or financial condition of the project. The principal risks are: health, safety and wellbeing; programme delivery; supply chain failure; high impact, low probability events; credit rating; inflation; reputation; the performance of Thames Water; and regulatory and political.

During the period Tideway's focus for its risks remained broadly unchanged. These principal risks are under continual review as part of the Risk Management Framework.

The identified principal risks have not changed since they were reported in the Annual Report and Financial Statements for the period ended 31 March 2024. Further detail can be found at www.tideway.london

OUR RISK MANAGEMENT FRAMEWORK



Interim Financial Performance Review

Accounting basis
Our condensed consolidated interim financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006 (UK-Adopted IFRS). The Group's accounting policies are consistent with those disclosed in the Group's Annual Report for the period ended 31 March 2024.

During the construction phase of the project, expenditure which is directly attributable to bringing the Thames Tideway Tunnel into its intended use will be capitalised as an asset under construction within the Statement of Financial Position. Similarly, during the construction phase, any regulated revenue amounts received from Thames Water, will be deferred onto the Statement of Financial Position. This is because the performance obligation for recognising these amounts as revenue in the Income Statement will not be met until the tunnel is operational and being used by Thames Water. Post System Acceptance we consider that accounting for the Thames Tideway Tunnel as a finance lease is the most appropriate accounting basis under IFRS.

Non-GAAP Measures
In our financial reporting, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP). We believe these measures are valuable to the users of the accounts in helping them understand our underlying business performance. Our principal non-GAAP measure is Allowable and Excluded Project Spend.

Under our Licence, our costs are classified as either Allowable Project Spend or Excluded Project Spend. Allowable Project Spend (on a cash basis) is added to our Regulatory Capital Value (RCV). Excluded Project Spend (on a cash basis), such as financing costs, is not added to the RCV.

Allowable costs are stated on an accruals basis, which form part of the Allowable Project Spend when the underlying assets or liabilities are cash settled. Excluded costs are costs stated on an accruals basis which will be Excluded Project Spend when the underlying assets or liabilities are cash settled.

For the purposes of calculating net debt, borrowings include all intra-group and third-party borrowings with the exclusion of shareholder loan notes.

Income Statement
During the six-month period ended 30 September 2024, the Group reported a profit of £4.0m (2023: £47.3m profit) with no dividends paid or proposed (2023: £nil). We did not recognise any taxable profits in the period (2023: £nil) and the estimated current tax charge for the period is £nil (2023: £nil).

We do not consider that the reported profit in the year reflects our business performance, as it results from the movement in the fair value in the Company's derivative financial instruments. These are long-term swaps which we entered into with commercial banks to economically hedge the interest costs of the Company's debt. The swaps fix finance costs for the Company's regulatory period 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 International Accounting Standards (IAS) 23, these do not represent current borrowing costs incurred for financing the project and so, unlike our other expenditure, cannot be capitalised.

Statement of Financial Position

The total carrying value of the tunnel asset under construction is shown in the table below.

Asset Under Construction (£m)	6 months ended 30 September 2024	6 months ended 30 September 2023
Net Book Value Brought Forward	5,403.2	4,833.2
Additions (Capitalised Costs)*	212.7	330.2
Net Book Value Carried Forward	5,615.9	5,163.4

** Capitalised Costs is the GAAP measure and aligns with the property, plant and equipment note in the financial statements*

At 30 September 2024, costs of £5,615.9m were capitalised within the asset under construction in the Statement of Financial Position. This represents £212.7m of costs during the six months and £5,403.2m for the prior periods to 31 March 2024 (refer to note 6 to the Interim Financial Statements).

The table below reflects the split of this years capitalised costs between the Direct costs, Indirect costs and Excluded costs.

Analysis of Capitalised Costs (£m)	6 months ended 30 September 2024	6 months ended 30 September 2023
Direct Costs	93.0	158.7
Indirect Costs	28.7	34.6
Total Allowable	121.7	193.3
Excluded costs	91.0	136.9
Total Capitalised Costs	212.7	330.2

For the six-month period ended 30 September 2024, total capitalised costs were £212.7m (2023: £330.2m). The decrease in capitalised costs primarily results from lower Direct costs as the project progresses. Also Excluded costs decreased largely as a result of lower accretion on our interest costs for our index linked debt versus that in the prior year.

Our Allowable Costs of £121.7m (2023: £193.3m) includes £93.0m of Direct costs and £28.7m of Indirect costs. These are explained further below.

Direct costs

Direct costs are primarily the MWCs costs and the SIC costs directly related to the programmes construction related activities such as shaft works, marine works, architecture and landscape.

Indirect costs

The largest indirect costs are resource costs of £21.4m. This represents the cost to employ an average of 204.1 Full Time Equivalents (FTEs) across the six-month period. These FTEs are either employed directly by the Group or contracted by the Group via our programme manager Jacobs. Other indirect costs include non-resource costs such as information systems, office, insurance, Government Support Package and other running costs.

Excluded costs

Excluded costs for the six-month period to 30 September 2024 were £91.0m (2023: £136.9m). These comprise mainly of £89.5m of net interest expense (including shareholder loan interest of £37.4m) and £1.5m of costs which mainly related to financing activities. These costs have decreased in the period compared with 2023 as falling inflation indices have decreased our index linked debt interest costs.

Costs and net cash outflow comparison

The table below shows both the Allowable costs and Excluded costs and the equivalent Allowable Project Spend and Excluded Project Spend for the six months ended 30 September 2024.

	6 months ended 30 September 2024			6 months ended 30 September 2023		
Analysis of Project Costs and the equivalent Net Cash Outflows (£m)	**Costs**	**Timing Differences**	**Cash Outflow**	**Costs**	**Timing Differences**	**Cash Outflow**
Direct Costs	93.0	9.8	102.8	158.7	8.4	167.1
Indirect Costs	28.7	2.6	31.3	34.6	(4.6)	30.0
Total Allowable	**121.7**	**12.4**	**134.1**	**193.3**	**3.8**	**197.1**
Excluded Costs	91.0	(50.9)	40.1	136.9	(139.5)	(2.6)
Total	**212.7**	**(38.5)**	**174.2**	**330.2**	**(135.7)**	**194.5**

The timing differences between Allowable Costs and Allowable Project Spend are mainly due to the timing of monthly payments to our three MWCs and the SIC. Timing differences between Excluded Costs and Excluded Project Spend are principally due to the accretion cost of index-linked third-party borrowings and the shareholder loan interest accrual.

Cash

Cash at 30 September 2024 was £193.1m, which was £27.8m lower than the £220.9m cash at 30 September 2023. The tables below show the movements in cash as per the IFRS Cash Flow Statement.

Cash Flow (£m)	**6 months ended 30 September 2024**	**6 months ended 30 September 2023**
Cash generated from operations before changes in working capital	-	-
Decrease in trade and other receivables	11.0	26.4
Increase in trade and other payables	(11.8)	(21.4)
Increase in advance payment liability	62.6	52.0
Net cash from operating activities	**61.8**	**57.0**
Construction of infrastructure asset	(135.8)	(190.2)
Funds placed in short-term deposits	(90.0)	(80.0)
Short term deposits matured	200.0	240.0
Net cash used in investing activities	**(25.8)**	**(30.2)**
Proceeds from new borrowings	-	65.7
Derivative Financial Instruments	(32.6)	-
Lease liabilities payments	(0.2)	(1.0)
Net cash from financing activities	**(32.8)**	**64.7**
Net increase in cash and cash equivalents during the period	**3.2**	**91.5**
Cash and cash equivalents at the start of the period	189.9	129.4
Cash and cash equivalents at the end of the period	**193.1**	**220.9**

Net cash flows from operating activities of £61.8m (2023: £57.0m) represent movements in working capital and are chiefly driven by timing of payments to our MWCs and the receipt of regulated revenue payments from Thames Water which are deferred on the Statement of Financial Position during the construction phase of the project.
Net cash flows used in investing activities of £25.8m (2023: £30.2m) show the gross cash outflows used in constructing the TTT as well as movements to and from short-term deposits

which represent money market funds where cash is held on deposit for a period longer than three months.

The net cash outflows from financing activities of £32.8m (2023: inflow £64.7m).

Financial key performance indicators (KPIs)
Under its Common Terms Agreement (CTA), Tideway must comply with a set of financial covenants including to calculate two key ratios, Senior Regulatory Asset Ratio (Senior RAR) and Funds from Interest Cover Ratio (FFO ICR) and report compliance with certain thresholds in specified circumstances. The performance of the two ratios at 30 September 2024 are provided below.

1 - Senior RAR
This ratio compares the net debt to the RCV. It is calculated as long-term senior borrowings, less cash and short-term deposits to the RCV. The Senior RAR trigger in the CTA is 70%.

			30 September	
Senior RAR			2024	2023
a	Net Debt - Per CTA		3,527.9	3,301.7
b	RCV - Per CTA [1]		5,191.0	4,839.5
c	Senior RAR	a/b	68.0%	68.2%

1 RCV is per the CTA definition not the Regulatory Accounts definition.

Reconciliation to the financial statements (£m)	2024	2023
Cash	262.6	220.9
Short term deposits	50.0	60.0
Borrowings	(3,649.4)	(3,344.8)
Accretion on Index Linked Financial Instruments	(196.0)	(209.5)
Lease liabilities	(0.5)	(0.3)
Other adjustments [1]	5.4	(28.0)
Net Debt - Per CTA	(3,527.9)	(3,301.7)

1 Adjustment for discount on £250m fixed rate bond 2027, discount on £300m fixed rate bond 2034, premium on £150m index linked bonds 2032, premium on £75m index linked bond 2036 and along with cash held in designated debt service service accounts

2 - FFO ICR
This ratio compares the level of cash interest cover compared with the funds from operations. The FFO ICR trigger in the CTA is 1.3 times. The test period is twelve months to the reporting date.

			12 months to 30 September	
FFO ICR			**2024**	**2023**
d	Net Cash Flow - per CTA		118.3	93.6
e	Debt Interest - per CTA		13.1	10.1
f	FFO ICR	d/e	9.0	9.2

Reconciliation to the financial statements (£m)	2024	2023
Increase in Advance payment liability 2024/25 1	62.6	
Increase in Advance payment liability 2023/24 [1]	54.4	52.1
Increase in Advance payment liability 2022/23 [1]		39.9
VAT adjustment per CTA	1.3	1.6
Net Cash Flow per CTA	118.3	93.6

Reconciliation to the financial statements (£m)	2024	2023
Net interest (exc. shareholder interest) paid 2024/25	1.2	
Net interest (exc. shareholder interest) paid 2023/24	11.6	(3.0)
Net interest (exc. shareholder interest) paid 2022/23		12.8
Commitment fees paid 24/25	0.2	
Commitment fees paid 23/24	0.1	0.1
Commitment fees paid 22/23		0.1
Debt Interest per CTA [2]	13.1	10.1

1 Part of "Cash from operations" within the Consolidated Cash Flow Statement

2 Part of "Construction of infrastructure asset" within the Consolidated Cash Flow Statement

Directors Responsibility Statement

The directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Bazalgette Holdings Limited are as listed in the Bazalgette Holdings Annual Report for the year ended 31 March 2024. The Bazalgette Holdings Limited Annual Report is available at www.tideway.london

For and on behalf of the Board of Directors:

Daniel Pires

Director

28 November 2024

Consolidated Income Statement

	Note	Six months ended 30 September 2024 Unaudited £m	Six months ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
Net operating costs		**-**	**-**	-
Operating result		**-**	**-**	**-**
Finance income	2	0.4	-	0.8
Finance costs		-	-	-
(Loss)/gain on financial instruments	2	(4.4)	47.3	14.5
(Loss)/profit before tax		**(4.0)**	**47.3**	**15.3**
Taxation	3	**-**	**-**	-
(Loss)/profit for the period		**(4.0)**	**47.3**	**15.3**

Consolidated Statement of Other Comprehensive Income

	Six months ended 30 September 2024 Unaudited £m	Six months ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
(Loss)/profit for the period	(4.0)	47.3	15.3
Other comprehensive income for the period	**-**	**-**	**-**
Total comprehensive (loss)/income for the period	**(4.0)**	**47.3**	**15.3**

Consolidated Statement of Financial Position

	Note	30 September 2024 Unaudited £m	30 September 2023 Unaudited Restated[1] £m	31 March 2024 Audited £m
Non-current assets				
Property, plant and equipment	4	5,616.6	5,164.2	5,404.3
Trade and other receivables	5	19.0	23.7	20.9
		5,635.6	5,187.9	5,425.2
Current assets				
Trade and other receivables	5	39.7	45.9	46.3
Cash and cash equivalents	6	193.1	220.9	189.9
Short-term cash deposits	6	120.0	60.0	230.0
		352.8	326.8	466.2
Total assets		**5,988.4**	**5,514.7**	**5,891.4**
Current liabilities				
Trade and other payables	7	(118.8)	(122.2)	(129.3)
Lease liabilities		(0.5)	(0.2)	(0.7)
Borrowings	8	(13.8)	-	-
Derivative Financial Liabilities	9	(6.1)	-	(1.5)
		(139.2)	(122.4)	(131.5)
Non-current liabilities				
Other payables	7	(10.6)	(16.8)	(11.9)
Lease liabilities		-	(0.1)	(0.1)
Advance payment liability	7	(547.1)	(430.0)	(484.5)
Borrowings	8	(4,595.7)	(4,231.6)	(4,540.9)
Derivative financial instruments	9	(123.8)	(105.8)	(146.5)
		(5,277.2)	(4,784.3)	(5,183.9)
Total liabilities		**(5,416.4)**	**(4,906.7)**	**(5,315.4)**
Net assets		**572.0**	**608.0**	**576.0**
Equity				
Share capital		509.7	509.7	509.7
Retained earnings		62.3	98.3	66.3
Total equity		**572.0**	**608.0**	**576.0**

The above condensed consolidated Statement of Financial Position should be read in conjunction with the accompanying notes on pages 19 to 26 which are an integral part of these condensed consolidated Interim Financial Statements.

[1] Refer to the prior period restatement noted in the basis of preparation section under note 1 of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2024	509.7	66.3	576.0
Loss for the period	-	(4.0)	(4.0)
Total comprehensive loss for the period	**-**	**(4.0)**	**(4.0)**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**
Balance at 30 September 2024 (unaudited)	**509.7**	**62.3**	**572.0**

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2023	509.7	51.0	560.7
Profit for the period	-	47.3	47.3
Total comprehensive income for the period	-	**47.3**	**47.3**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**
Balance at 30 September 2023 (unaudited)	**509.7**	**98.3**	**608.0**

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2023	509.7	51.0	560.7
Profit for the year	-	15.3	15.3
Total comprehensive income for the period	-	**15.3**	**15.3**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**
Balance at 31 March 2024 (audited)	**509.7**	**66.3**	**576.0**

The accompanying notes on pages 19 to 26 which are an integral part of these condensed consolidated Interim Financial Statements.

Consolidated Cash Flow Statement

	Six months ended 30 September 2024 Unaudited £m	Six months ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
Cash generated from operations before changes in working capital	-	-	-
Decrease in trade and other receivables	11.0	26.4	29.9
Decrease in trade and other payables	(11.8)	(21.4)	(18.3)
Increase in advance payment liability	62.6	52.0	106.5
Net cash from operating activities	**61.8**	**57.0**	**118.1**
Cash flows used in investing activities			
Construction of infrastructure asset	(135.8)	(190.2)	(361.8)
Funds placed in short-term deposits	(90.0)	(80.0)	(230.0)
Short term deposits matured	200.0	240.0	220.0
Net cash used in investing activities	**(25.8)**	**(30.2)**	**(371.8)**
Cash flows (used in)/from financing activities			
Proceeds from borrowings	-	65.7	315.7
Derivative Financial Instruments	(32.6)	-	-
Lease liability payments	(0.2)	(1.0)	(1.5)
Net cash (used in)/from financing activities	**(32.8)**	**64.7**	**314.2**
Net increase in cash and cash equivalents during the period	**3.2**	**91.5**	**60.5**
Cash and cash equivalents at the start of the period	189.9	129.4	129.4
Cash and cash equivalents at the end of the period	**193.1**	**220.9**	**189.9**

Construction of infrastructure asset includes capitalised interest paid of £18.4m (Six months ended September 2023: £5.2m, Year ended 31 March 2024: £25.4m) and capitalised interest received of £12.2m (Six months ended September 2023: £8.2m ,Year ended 31 March 2024: £16.7m).

The accompanying notes on pages 19 to 26 which are an integral part of these condensed consolidated Interim Financial Statements.

Notes to the condensed consolidated interim financial statements

1. Material Accounting Policy Information

Basis of preparation

The unaudited consolidated Bazalgette Holdings Limited financial statements comprise Bazalgette Holdings Limited (BHL), Bazalgette Tunnel Limited, and Bazalgette Finance plc.

These condensed interim financial statements consolidate those of BHL and its subsidiaries (together referred to as the "Group") and comprise the unaudited financial statements for the six months to 30 September 2024.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK and as issued by the International Accounting Standards Board (IASB) and the Disclosure Transparency Rules issued by the Financial Conduct Authority. These condensed consolidated financial statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and they should be read in conjunction with the Group's last audited consolidated financial statements for the year ended 31 March 2024. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

These condensed consolidated financial statements have been prepared under the historical cost convention, except in respect of certain financial instruments, and have been prepared on a basis consistent with the IFRS accounting policies as set out in the Group's Annual Report for the year ended 31 March 2024.

In preparing these condensed consolidated interim financial statements, the directors have made certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 March 2024.

After considering current financial projections and facilities available to the Group, the directors consider it appropriate to adopt the going concern basis of accounting in preparing these interim financial statements. The Group has sufficient liquidity, via its available cash balances and undrawn financing facilities, to meet its operational needs and its liabilities as they fall due and there have been no other material uncertainties identified that would impact the Group's operational ability over the going concern period from the date of approval of the financial statements.

Prior period Restatement

The prior period statement of financial position as at September 2023 has been restated to correctly reflect accrued interest and accretion relating to the derivative financial instruments in line with IAS 1 paragraph 59. There has been no change to net assets of the Group as a result of this presentational correction, for more details on this restatement please refer to the published 31 March 2024 annual report and accounts.

Notes to the condensed consolidated interim financial statements

2. Finance income and costs

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Finance income			
Interest income	(9.2)	(7.4)	(19.2)
Capitalised finance income into asset under construction	8.8	7.4	18.4
Finance income	(0.4)	-	**(0.8)**
Finance costs			
Interest expense on borrowings*	89.4	108.1	188.0
Interest expense on lease liabilities	-	-	-
Financing fees	0.9	0.9	2.0
	90.3	109.0	190.0
Capitalised finance cost into asset under construction	(90.3)	(109.0)	(190.0)
Net finance costs	-	-	-
Financial instruments through fair value on profit or loss			
Fair value loss/(gain) on index-linked swaps	4.4	(47.3)	(14.5)
Interest and accretion on Index-linked swaps	18.1	34.6	44.0
Net financial instruments at fair value through profit or loss	22.5	(12.7)	29.5
Capitalised interest and accretion on index linked swaps into asset under construction	(18.1)	(34.6)	(44.0)
Loss/(gain) on financial instruments	**4.4**	**(47.3)**	**(14.5)**

**Includes accretion costs on index linked borrowings of £31.3m for the 6-month period to 30 September 2024 (6 month period ended 2023: £60.1m, and year ended 31 March 2024: £83.7m).*

3. Taxation

Income tax expense is recognised based on management's estimate of the weighted average annual corporation tax rate expected for the full financial year applied against the loss before tax for the period. The Group capitalises all costs incurred in relation to its tunnel asset and derivative fair value gains and losses are disregarded for current tax purposes. As a result, the calculated profits attributable to corporation tax are £nil (2023: £nil).

As at the Statement of Financial Position date, there is an unrecognised Deferred Tax Asset (DTA) of £285.1m on gross temporary differences of £1,140.6m (30 September 2023: £234.4m DTA on gross temporary differences of £937.6m). This DTA has not been recognised due to uncertainty around the timing of their future utilisation.

Notes to the condensed consolidated interim financial statements

4. Property, plant and equipment

Property, plant and equipment comprised the following:

	Right-of-use Assets (ROU) £m	Asset under construction £m	Total £m
Net book value at 1 April 2024	1.1	5,403.2	5,404.3
Additions for the period	-	212.7	212.7
Depreciation charge for the period	(0.4)	-	(0.4)
Balance at 30 September 2024	**0.7**	**5,615.9**	**5,616.6**

	Right-of-use Assets (ROU) £m	Asset under construction £m	Total £m
Net book value at 1 April 2023	1.8	4,833.2	4,835.0
Additions for the period	-	330.2	330.2
Depreciation charge for the period	(1.0)	-	(1.0)
Balance at 30 September 2023	**0.8**	**5,163.4**	**5,164.2**
Net book value at 1 April 2023	1.8	4,833.2	4,835.0
Additions for the period	1.0	570.0	571.0
Depreciation charge for the period	(1.7)	-	(1.7)
Balance at 31 March 2024	**1.1**	**5,403.2**	**5,404.3**

Asset under construction

During the construction phase of the project which commenced in 2015 and which will be completed at System Acceptance, all expenditure which is directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use will be capitalised. All expenditure, excluding fair value movements in the Income Statement, is considered to have met this requirement in the six months ended 30 September 2024. The cumulative total of finance interest and expense costs capitalised project to date at 30 September 2024 was £1,254.9m (30 September 2023: £1,062.0m, 31 March 2024: £1,156.7m).

Notes to the condensed consolidated interim financial statements

5. Trade and other receivables

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Trade receivables	13.0	11.6	9.1
Accrued income	15.7	21.0	22.1
Other receivables	3.8	5.2	7.3
Prepayments	26.2	31.8	28.7
	58.7	**69.6**	**67.2**
Non-current assets	**19.0**	**23.7**	**20.9**
Current assets	**39.7**	**45.9**	**46.3**

Accrued income of £15.7m (2023: £21.0m) relates to cumulative revenue earned on the project to date that has not been invoiced to Thames Water as at the Statement of Financial Position date. Prepayments include £8.8m (2023: £12.6m) in relation to the Government Support Package, and £16.4m (2023: £16.3m) financing related costs.

6. Cash and cash equivalents

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Cash and bank balances	58.1	44.9	65.8
Cash equivalents	135.0	176.0	124.1
Cash and cash equivalents per cash flow statement	**193.1**	**220.9**	**189.9**

Cash equivalents comprise deposits and investments in money market funds with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates their fair value. Short-term deposits with a maturity of greater than three months are shown separately on the Statement of Financial Position. At the Statement of Financial Position date these totalled £120.0m (2023: £60.0m).

Restricted Cash

Bazalgette Tunnel Limited, and Bazalgette Finance Plc have an obligation to maintain a Liquidity Required Amount as this is defined in the Masters Definition Agreement (MDA), a CTA requirement, in the form of committed Liquidity Facilities and amounts standing to the credit of the Debt Service Reserve Accounts.

In September 2024, £75m Liquidity Facilities Agreement aimed at covering the Liquidity Required Amount, was signed. Following this, an amount of £43.6m standing to the credit of the Debt Service Reserve Accounts to satisfy the same liquidity requirement was released.

The restricted cash value in Debt Service Reserve Accounts was £nil at 30 September 2024 (2023: £33.7m).

Notes to the condensed consolidated interim financial statements

7. Trade and other payables

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Trade payables	0.5	2.1	2.1
Contract retentions payable	12.2	12.4	8.8
Accrued expenses	90.1	94.1	100.6
Deferred income	26.6	30.3	29.7
Advanced payment liability	547.1	430.1	484.5
	676.5	**569.0**	**625.7**
Non-current liabilities	**557.7**	**446.8**	**496.4**
Current liabilities	**118.8**	**122.2**	**129.3**

The advance payment liability represents deferred revenue that has been invoiced to and settled by Thames Water. This revenue is deferred until System Acceptance as the services associated with the revenue will not be delivered until this time. The deferred income of £26.6m (2023: £30.3m) represents the cumulative balance on the project to date of revenue accrued and revenue invoiced to Thames Water, less the revenue that has been settled by Thames Water at the Statement of Financial Position date.

8. Borrowings

The Group raises finance under a multi-currency financing platform in both a loan and bond format. Some of the finance raised by the Group is in a deferred format which means that the proceeds from the borrowing are not received until a future settlement date to align when funds are required for the construction expenditure profile of the project. Where bonds are issued with deferred draw dates, the proceeds from these bonds are only received from the bond purchaser on the future settlement dates.

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

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Third party borrowings			
£250m 2.375% fixed-rate bond 2027	249.0	248.7	248.9
£75m 0.828% index-linked bond 2047 [a, b]	97.5	95.6	96.3
£200m 0.740% index-linked bond 2042 [a, c]	232.2	227.0	229.5
£100m 0.688% index-linked bond 2050 [a]	138.7	134.4	136.4
£100m 0.755% index-linked bond 2051 [a]	134.7	130.5	132.4
£100m 0.249% index-linked bond 2040 [a, d]	136.2	131.6	134.0
£125m 0.192% index-linked bond 2049 [a, e]	178.7	173.5	175.6
£300m 2.860% fixed-rate loan 2032 [h]	300.0	300.0	300.0
£300m 2.750% index-linked bond 2034	299.0	298.9	298.9
700m (£620m Sonia+1.094% floating-rate, £80m index-linked+0.010%) [i]	715.8	713.0	714.1
£150m 0.010% index-linked bond 2032 [a]	182.7	176.4	178.6
£100m 0.010% index-linked loan 2049 [a, m]	133.8	129.3	130.7
£25m 1.035% index-linked bond 2048 [a, j]	33.1	32.0	32.5
£25m 0.951% index-linked bond 2054 [a, k]	33.0	32.0	32.5
£25m 1.042% index-linked bond 2048 [a, f]	32.4	31.3	31.9
£25m 0.954% index-linked bond 2054 [a, g]	32.4	31.3	31.9

Notes to the condensed consolidated interim financial statements

8. Borrowings (*continued*)

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
£75m 0.010% index-linked bond 2036 [a]	103.3	101.3	101.8
£75m 2.418% fixed-rate loan 2041	75.0	75.0	75.0
£75m 0.949% index-linked bond 2052 [a, k]	69.7	67.2	85.3
£50m 0.174% index linked bond 2049 [a, l]	69.7	67.2	68.4
£50m 6.020% fixed-rate loan 2033	50.0	-	50.0
£150m 6.050% fixed-rate loan 2035	150.0	-	150.0
£50m 6.110% fixed-rate loan 2038	50.0	-	50.0
Intra-group borrowings			
Shareholder loan notes 8.000 % fixed-rate 2064[j]	960.1	886.8	922.7
Total borrowings	**4,609.5**	**4,231.6**	**4,540.9**

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Current liabilities	**13.8**	**-**	**-**
Non-current liabilities	**4,595.7**	**4,231.6**	**4,540.9**

a) The value of the capital and interest elements of these index-linked bonds and loans 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 2044
g) This debt amortises from 2050
h) The Group has entered into swap agreements that convert £70.0m of this debt into index-linked debt
i) The Group has entered into swap agreements that convert £620m of this debt into index-linked debt
J) Borrowing from the BHL's immediate parent Bazalgette Ventures Limited
k) This debt amortises from 2034
l) This debt amortises from 2042
m) This debt amortises from 2040

9. Fair value of financial instruments

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 value of financial instruments and a comparison to their carrying value is shown in the table below. The Group 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.

Notes to the condensed consolidated interim financial statements

9. Fair value of financial instruments (*continued*)

	30 September 2024		30 September 2023		31 March 2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial Liabilities at amortised cost						
Non-current						
Borrowings – Fixed-rate sterling loans	(1,585.1)	(1,547.0)	(1,261.8)	(989.8)	(1,547.7)	(1,789.8)
Borrowings – Fixed-rate sterling bonds	(548.0)	(480.3)	(547.6)	(443.9)	(547.8)	(476.0)
Borrowings – Index-linked bonds and loans	(1,760.6)	(1,134.5)	(1,709.2)	(1,205.2)	(1,825.4)	(1,291.8)
Borrowings – Floating-rate sterling loans	(715.8)	(639.5)	(718.7)	(663.3)	(620.0)	(593.6)
Financial liabilities at fair value through profit and loss						
Non-current						
Derivatives - index-linked swaps	(123.8)	(123.8)	(105.8)	(105.8)	(146.5)	(146.5)
Financial Liabilities at fair value through profit and loss						
Current						
Derivatives - index-linked swaps	(6.1)	(6.1)	-	-	(1.5)	(1.5)
Total	**(4,739.4)**	**(3,931.2)**	**(4,343.1)**	**(3,408.0)**	**(4,688.9)**	**(4,299.2)**

Financial liabilities at amortised cost

Borrowings include index-linked bonds, fixed-rate bonds, floating-rate loans and fixed-rate loans. The fair value of borrowings is determined using observable quoted market prices where this is available or by discounting the expected future cash flows using appropriate available market data and a credit risk adjustment representative of the Group.

Financial instruments at fair value through profit and loss

The Group's index-linked swaps are measured at fair value through profit and loss. Where an active market exists, swaps are recorded at fair value using quoted market prices. Otherwise, they are valued using a net present value model. As there is no quoted market price, the fair value of each swap is calculated as the net present value of the expected future cash flow associated with each leg of the swap, discounted to the reporting date using market rates and adjusted for the credit risk of the Group. Estimates of future cash flows are based on well-defined and traded market references.

The valuation techniques for determining the fair values of financial instruments are classified under the hierarchy defined in IFRS 13 which categorises inputs to valuation techniques into Levels 1-3 based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included for Level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Notes to the condensed consolidated interim financial statements

9. Fair value of financial instruments *(continued)*

If the inputs used to measure the fair value of an asset or liability are categorised across different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group considers all its derivative financial instruments to fall within level 2 of the fair value hierarchy as the calculation of the estimated fair value is based on market data inputs which are observable directly or indirectly. The calculation does include unobservable inputs with regards to the determination of credit risk for the Group but these are not considered significant to the valuation.

The table below sets out the valuation basis of financial instruments carried at fair value at the Statement of Financial Position date.

Financial instruments at fair value	30 September 2024 Level 2 £m	30 September 2023 Level 2 £m	31 March 2024 Level 2 £m
Derivative financial liabilities			
Index-linked swaps*	(129.9)	(105.8)	(148.0)
	(129.9)	(105.8)	(148.0)

The carrying value of the derivative financial instruments is equal to the fair value.

10. Contingent liabilities

There are a number of uncertainties surrounding the Group including potential claims, which may affect the financial performance of the Group. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities.

Contingent liabilities are not recognised in Consolidated Statement of Financial Position but are monitored to ensure that should a possible obligation become probable and a transfer of economic benefits to settle an obligation can be reliably measured, then a provision for the obligation is made. There were no contingent liabilities at the Statement of Financial Position date.

11. Related party transactions

Transactions between BHL and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Amounts outstanding on borrowings from the immediate parent company, Bazalgette Ventures Limited were £960.1m of loan principal (2023: £886.8m) and £0.2m of interest (2023: £0.2m) at 30 September 2024. During the period £37.4m (2023: £50.7m) of loan interest was capitalised back into the intercompany loan principal. During the six-month period ended 30 September 2024, £nil interest (2023: £nil) was paid on these borrowings and £nil (2023: £nil) of principal repayments were made.

* Accrued Accretion on index-linked swaps at 30 September 2024 was £196.0m liability (30 September 2023: £209.5m, 31 March 2024: £219.2m), which forms part of the overall fair value of the derivative financial instruments being presented above.