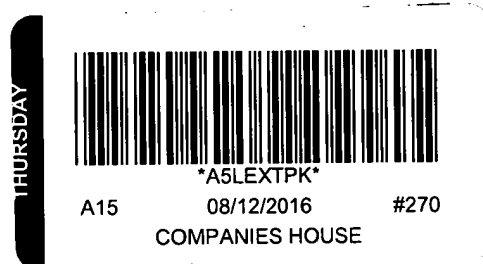


Thames Tideway Tunnel Limited

Annual report and financial statements

For the year ended 31 March 2016

Registered number 08751040



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Directors and Advisors

Directors Holding Office

Anne Elizabeth Baldock
Mark Edward Macleod Corben
Mark Robert Fairbairn
Andrew Harold Mitchell
Richard South Morse
Michael James Queen
Sir Neville Ian Simms
Alexander Mark Sneesby

Company Secretary

Tracey Ellen Lee

Registered Office

The Point
37 North Wharf Road
London
W2 1AF

Independent Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Strategic report

The directors present their strategic report of Thames Tideway Tunnel Limited ("the Company") for the year ended 31 March 2016.

Business Review

On the 24 August 2015, Thames Tideway Tunnel Limited was acquired by Bazalgette Tunnel Limited ("BTL") a company incorporated in the United Kingdom. BTL was the successful infrastructure provider in the Thames Tideway Tunnel procurement process and was awarded a licence by Ofwat on the 24 August 2015. Prior to this date, the Company's immediate parent was Kemble Water Eurobond Plc, a company incorporated in the United Kingdom and a related company of Thames Water Utilities Limited.

At the date of acquisition by BTL, Thames Water transferred assets totalling £0.4m, comprising intangible and tangible assets and liabilities totalling £0.4m to the Company. These assets have been fully amortised/depreciated as at 31 March 2016 and the liabilities have been settled.

The Company is contracted under a Management Services Agreement ("MSA") to provide services to BTL that allow BTL to carry out its obligations as part of the Thames Tideway Tunnel project. These services predominantly cover the employment costs of business functions and are charged to BTL on a costs plus zero margin (0%) basis. All costs incurred by TTT in the year ended 31 March 2016 under the MSA have been recharged to BTL.

Results and performance

The Company recorded £nil profit for the year ended 31 March 2016 (17 month period ended 31 March 2015: £nil).

Principal risks and uncertainties

The business activities of the Company are governed by the MSA, under which the Company will provide services to BTL. Consequently, the Company is subject to compliance with the terms and conditions of this agreement. The principal risk for the Company relates to the continued financial support from BTL.

The principal risks and uncertainties of the BTL Group, in which the Company is consolidated, are discussed in the BTL annual report which does not form part of this report.

The BTL annual report can be obtained from the address found on page 13 or is available at www.tideway.london

Future Outlook

BTL is the main operating company through which the delivery of the Thames Tideway Tunnel project is taking place. In the future, the Company will look to transfer its assets and liabilities into BTL.

This Strategic report was approved by the Board of Directors on 21 June 2016 and signed on its behalf by:

By order of the board

A Mitchell
Director



21 June 2016

Directors' report

The directors present their report and the audited financial statements of Thames Tideway Tunnel Limited ("the Company") for the year ended 31 March 2016.

The registered company number is 08751040 (England and Wales)

Dividends

The directors did not pay any dividends in the period ended 31 March 2016 (2015: £nil)

Financial risk management

The Company's treasury operations are managed centrally by a small specialist team, which operates with the delegated authority of the Group's Treasury Committee and the Board of Directors.

The operation of the treasury function is governed by specific policies and procedures that set out specific guidelines for the management of financial risk. Treasury policies and procedures are incorporated within the financial control procedures of the Company.

Directors

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

Anne Elizabeth Baldock

Mark Edward Macleod Corben

Mark Robert Fairbairn

Andrew Harold Mitchell

Richard South Morse

Michael James Queen

Appointed 18 August 2015

Sir Neville Ian Simms

Alexander Mark Sneesby

Charitable and political donations

The Company made no political or charitable donations nor incurred any political expenditure during the year (2015: £nil).

Disclosure of information to the auditor

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

Auditor

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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



A Mitchell
Director

The Point
37 North Wharf Road
London
W2 1AF

21 June 2016

Independent auditor's report to the members of Thames Tideway Tunnel Limited

We have audited the financial statements of Thames Tideway Tunnel Limited for the year ended 31 March 2016 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

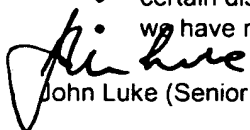
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



John Luke (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date: 21 June 2016

Profit and loss account
For the year ended 31 March 2016

			17 month period ended 31 March 2015 £m
	Note	2016 £m	
Turnover		18.8	4.4
Administrative expenses		(18.8)	(4.4)
Operating result		-	-
Profit on ordinary activities before tax		-	-
Taxation	5	-	-
Result for the year		-	-

Statement of Other Comprehensive Income
for year ended 31 March 2016

			17 month period ended 31 March 2015 £m
	Note	2016 £m	
Result for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to owners of the Company		-	-

Balance Sheet
at 31 March 2016

	<i>Note</i>	2016 £m	2015 £m
Non-current assets	6,7	-	-
Current assets	8	-	1.0
Creditors: amounts falling due within one year	9	-	(1.0)
Net current assets		-	-
Total assets less current liabilities		-	-
Creditors: amounts falling due after more than one year		-	-
Net assets		-	-
Capital and reserves		-	-
Called up share capital	10	-	-
Total equity		-	-

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

These financial statements were approved by the board of directors on 21 June 2016 and were signed on its behalf by:



M Corben
Director

Company registered number: 08751040

Statement of Changes in Equity

There were no changes in equity (2015: none).

Notes to the financial statements

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. There was no impact on the financial position of the Company from the transition to FRS 101.

The Company's immediate parent undertaking Bazalgette Tunnel Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Bazalgette Tunnel Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address on page 13 or at www.tideway.london.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel; and
- the effects of new but not yet effective IFRSs.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement convention

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

Going concern

The directors have adopted the going concern basis in preparing these financial statements having given due consideration to the financial position of the Company. The activities of the Company are supported by a Management Services Agreement with BTL and BTL has confirmed that it will continue to provide support to the Company to enable it to meet its liabilities for a period of at least twelve months from the date of signing these financial statements.

Financial Instruments

Financial assets and liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") are classified as non-derivative financial instruments. Non-derivative financial instruments comprise trade and other receivables and trade and other payables.

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

Notes to the financial statements

Trade and other receivables

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

Trade and other payables

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

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.

Turnover

Turnover represents the fair value of the income receivable in the ordinary course of business for services provided which is recognised in accordance with IAS 18 "Revenue". Turnover is recognised at the time of the delivery of the service.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment comprises fixtures and fittings.

Depreciation

Fixtures and fittings are depreciated over 1-5 years.

Intangible Assets

Intangible assets represent software assets. Software costs are measured at cost less accumulated amortisation and accumulated impairment charges.

Amortisation is capitalised on a straight-line basis over the estimated useful life of the assets from the date they are available for use, unless such assets lives are indefinite.

2 Auditor's remuneration

The auditor's remuneration for the audit of these financial statements was £2,000 (2015: £7,500). These costs are being wholly borne by Bazalgette Tunnel Limited.

Notes to the financial statements

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was 73 (2015: 14). The aggregate payroll costs of these persons were as follows:

	2016 £m	17 month period ended 31 March 2015 £m
Wages and salaries	7.8	2.8
Social security costs	1.0	0.4
Defined contribution pension plan	0.4	0.2
	<u>9.2</u>	<u>3.4</u>

The Company operates a defined contribution pension plan which is open to all employees.

4 Remuneration of directors

	2016 £m	17 month period ended 31 March 2015 £m
Directors remuneration	2.0	1.8
Amounts receivable under long-term incentive schemes	0.3	0.2
Company contributions to defined contribution pension plan	-	0.1
	<u>2.3</u>	<u>2.1</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £777k (2015: £837k) and company pension contributions £22k (2015: £58k) were made to a defined contribution pension scheme on their behalf.

5 Taxation

Recognised in the profit and loss account

The tax charge for the year ended 31 March 2016 was £nil (2015: £nil).

Reconciliation of effective tax rate

In the year ended 31 March 2016 there were no reconciling items (2015: none) between the tax charge for the year and the tax charge using the UK corporation tax rate of 20% (2015: 21%).

Deferred tax assets

There are no unrecognised deferred tax assets at 31 March 2016 (2015: none).

Notes to the financial statements

6 Intangible assets

Intangibles assets comprised of the following at 31 March 2016:

	Note	Software Costs £m	Total £m
Cost			
At 28 October 2013 and 31 March 2015		-	-
At 01 April 2015		-	-
Additions		0.3	0.3
		<hr/>	<hr/>
Balance at 31 March 2016		0.3	0.3
		<hr/>	<hr/>
Accumulated amortisation			
At 28 October 2013 and 31 March 2015		-	-
At 01 April 2015		-	-
Amortisation		(0.3)	(0.3)
		<hr/>	<hr/>
Balance at 31 March 2016		(0.3)	(0.3)
		<hr/>	<hr/>
Net book value at 31 March 2016		-	-
		<hr/>	<hr/>
Net book value at 01 April 2015		-	-
		<hr/>	<hr/>

7 Property, plant and equipment

Property, plant and equipment comprised of the following at 31 March 2016.

	Note	Fixtures and fittings £m	Total £m
Cost			
At 28 October 2013 and 31 March 2015		-	-
At 01 April 2015		-	-
Additions		0.1	0.1
		<hr/>	<hr/>
Balance at 31 March 2016		0.1	0.1
		<hr/>	<hr/>
Accumulated depreciation			
At 28 October 2013 and 31 March 2015		-	-
At 01 April 2015		-	-
Depreciation charge for the year		(0.1)	(0.1)
		<hr/>	<hr/>
Balance at 31 March 2016		(0.1)	(0.1)
		<hr/>	<hr/>
Net book value at 31 March 2016		-	-
		<hr/>	<hr/>
Net book value at 01 April 2015		-	-
		<hr/>	<hr/>

Notes to the financial statements

8 Debtors

	2016 £m	2015 £m
Accrued income	-	0.9
Amounts owed by group undertakings	-	0.1
	<u>-</u>	<u>1.0</u>
	<u>-</u>	<u>1.0</u>

9 Creditors

	2016 £m	2015 £m
Taxation and social security	-	(0.1)
Amounts owed to group undertakings	-	(0.9)
	<u>-</u>	<u>(1.0)</u>
	<u>-</u>	<u>(1.0)</u>

10 Capital and reserves

Share capital

	Ordinary shares 2016	Ordinary shares 2015
Allotted, called up and fully paid Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to vote at meetings of the Company in line with the details of the shareholders agreement. Further information on the role of the shareholders is outlined in the Bazalgette Tunnel Limited annual report which can be obtained from the address in note 13.

11 Operating leases

The Company has entered into non-cancellable operating leases in respect of buildings. The future minimum rentals payable under non-cancellable operating lease rentals are payable as follows:

	2016 £m	2015 £m
Less than one year	3.8	-
Between one and five years	4.5	-
	<u>8.3</u>	<u>-</u>
	<u>8.3</u>	<u>-</u>

Notes to the financial statements

12 Related Parties

Related parties of the Company include the Bazalgette group of companies. Related party transactions between the Company and its immediate parent BTL are covered by a Management Services Agreement ("MSA"). Services provided by the Company to BTL under this agreement largely cover the employment costs of the Company's staff and are recharged on a costs plus zero margin (0%) basis. The total value of services recharged to BTL in the year ended 31 March 2016 was £15.4m (2015: £nil).

13 Immediate and ultimate parent company

On the 24 August 2014, the Company became a wholly owned subsidiary of Bazalgette Tunnel Limited, a company incorporated in the United Kingdom. Prior to the 24 August 2015, the Company's immediate parent was Kemble Water Eurobond Plc, a company incorporated in the United Kingdom.

The Directors consider Bazalgette Equity Limited, a company incorporated in the United Kingdom to be the ultimate parent company. The smallest group in which the Company is incorporated is Bazalgette Tunnel Limited. The largest group in which the results of the Company are consolidated is that headed by Bazalgette Equity Limited.

Copies of consolidated financial statements of Bazalgette Equity Limited can be obtained from the Company Secretary at The Point, 37 North Wharf Road, London, W2 1AF.