Tideway

RECONNECTING LONDON

RIVER THAMES

ANNUAL REPORT 2022/23

CONTENTS

INTRODUCTION

Welcome to Tideway's Annual Report and Accounts for 2022/23.

Bazalgette Tunnel Limited, trading under the name Tideway, began operating as an independent regulated company in the water sector in August 2015, when Ofwat awarded us our Licence to design, build, commission, maintain and finance the Thames Tideway Tunnel.

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SUSTAINABILITY REPORT 2022/23

DOWNLOAD
ANNUAL PERFORMANCE REPORT 2022/23

HIGHLIGHTS

HEALTH, SAFETY & WELLBEING

- No major injuries or significant incidents as a result of marine activities
- 128 Mental Health First Aiders

SCHEDULE, COST & QUALITY

- 87% of Programme Complete
- West and Central Areas Secondary Lining Complete
- Peak production of secondary lining achieved in East 216 metres a week

VISION, LEGACY & REPUTATION

- International Sustainable Infrastructure Award 2022 Sustainable Consultancy Awards
- Completed ('closed out') nine of our 54 legacy commitments Bringing the total closed to 25
- Tideway's community investment programme helped a total of: 48,216 people 512 organisations

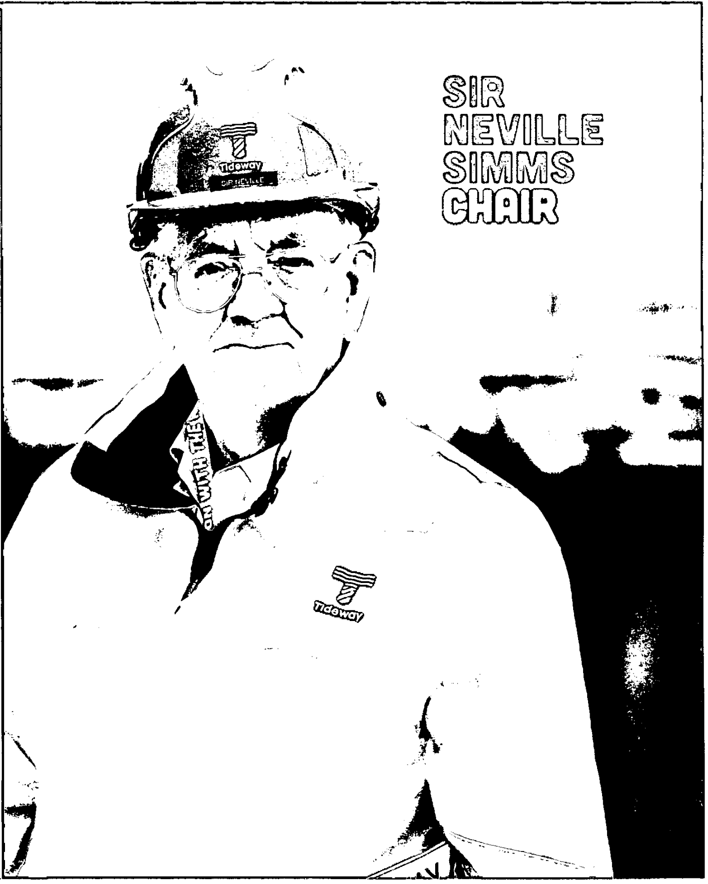
COMPANY & PEOPLE

- People with Convictions Project to Date 1 IN 149
- Apprentices Project to Date 1 IN 29
- Staff favourable survey results: 89% Tideway Values and promotes diversity; 90% I am treated with respect as an individual

FINANCING

- S&P Global rating Environmental benefit score 95/100 'advanced'
- Achieved all our financing priorities

The Chair's Introduction



With construction almost 90% complete, the delivery model is proving to be an exemplar for securing long term private capital to provide large scale UK infrastructure alongside our approach to achieving significant wider social value.

With another year of significant progress behind us, we are closer than ever to realising our goal of a healthier, rejuvenated River Thames. At a time of unprecedented concern for the protection of waterways we are offering a positive solution – we are the UK's largest intervention underway to tackle sewage pollution and the benefits of the project are now just around the corner.

Tideway is the third stage in a decades-long and ongoing endeavour to tackle sewage overflows in the London region. The first two stages (the Lee Tunnel and sewage treatment work upgrades) were delivered by Thames Water and this year we saw a glimpse of the impact and outcomes of this investment. A survey of the Channelsea River (now protected by the Lee Tunnel), found 12 different fish species thriving – a sure sign of a healthier river and a promising indicator of the benefits that Tideway will bring.

With our construction programme almost 90 per cent complete our collective attention is now on preparations for system commissioning which will start in 2024, ahead of full operation in 2025.

In these latter stages we continue to prioritise health, safety and wellbeing. Our immersive, award-winning induction programme, Employer's Project Induction Centre (EPIC), has evolved to respond to the installation and commissioning phases and as a board we remain focused on nurturing an open and transparent reporting culture – an underpinning principle that has helped to keep our people safe.

Effective partnerships have always been critical to our success and we continue to collaborate successfully with our stakeholders. We have increased our engagement in some areas to reflect the pace of the project in the closing stages – Liaison Committee meetings, with Thames Water, government and the Environment Agency are now more frequent, as are meetings of the Thames Tideway Tunnel Forum, which brings together key agencies.

Tideway's shareholders continue to provide valuable support. In September 2022, when DIF Capital Partners divested its stake in Tideway following one of its underlying investment funds reaching the end of its fund life, our other existing shareholders acquired DIF's shares, confirming their commitment to the company.

As we move closer to completion, we can be increasingly confident about the final phase of delivery. The delivery model is proving to be an exemplar for securing long term private capital to provide large scale UK infrastructure alongside our approach to achieving significant wider social value.

The company is on a sound financial footing. We are funded to the end of the project and our cost estimate is £4.5bn (a two per cent increase since our interim report), which reflects inflationary impacts and work left to do. The estimated impact on water bills remains within the original cost projection range set in 2015.

My personal highlight this year has been visiting sites across the project, including Chelsea, Blackfriars and King Edward Memorial Park in Wapping and seeing progress towards the creation of the new areas of public space, where Londoners and others will be able to enjoy and connect with the river for years to come.

I would like to take this opportunity to thank John Holland-Kaye, who stepped down this year after nearly six years' service and seeing us through the peak construction phase. On behalf of the board I would also like to thank the executive team and everyone working across Tideway, as well as our stakeholders for their continued and active support.

"THERE IS A GOOD DEAL MORE TO DO BUT WE CAN BE PROUD OF OUR ACHIEVEMENTS SO FAR."

Sir Neville Simms
Chair

Chief Executive Officer's Report

WELCOME TO THIS REVIEW OF OUR PERFORMANCE.

We have had another strong year of progress and we are now just a year away from starting to protect the River Thames from sewage pollution.

2024 will therefore mark a major turning point, for Tideway, but more importantly for everyone who cares about the Thames and protecting the UK's waterways.

The issue of sewage pollution has never been higher in the public consciousness than it is today, and it is against this backdrop that we are entering the final phases of project delivery.

At nearly 90 per cent complete the last year has been characterised by more finishes and 'close-outs' than starts. We can evidence a growing list of achievements including key construction milestones – such as the completion of the new tunnel network deep below London – and at the time of writing we were just weeks away from completing all work underground.

We have made as much progress on the surface – work that is increasingly visible along the riverside. We have begun to 'cap-off' sites with giant cover structures, marking new areas of London riverside spaces, some of which will include world-class public art and landscaping, and two will include 'floodable' terraces. These new spaces will allow people the chance to enjoy London in new ways and we look forward to them becoming part of the fabric of the city.

Just as important, if less photogenic, has been the critical mechanical and electrical works necessary for the integration of the system and the preparations for testing and commissioning which will start in 2024, with the Tunnel due to be fully operational in 2025.

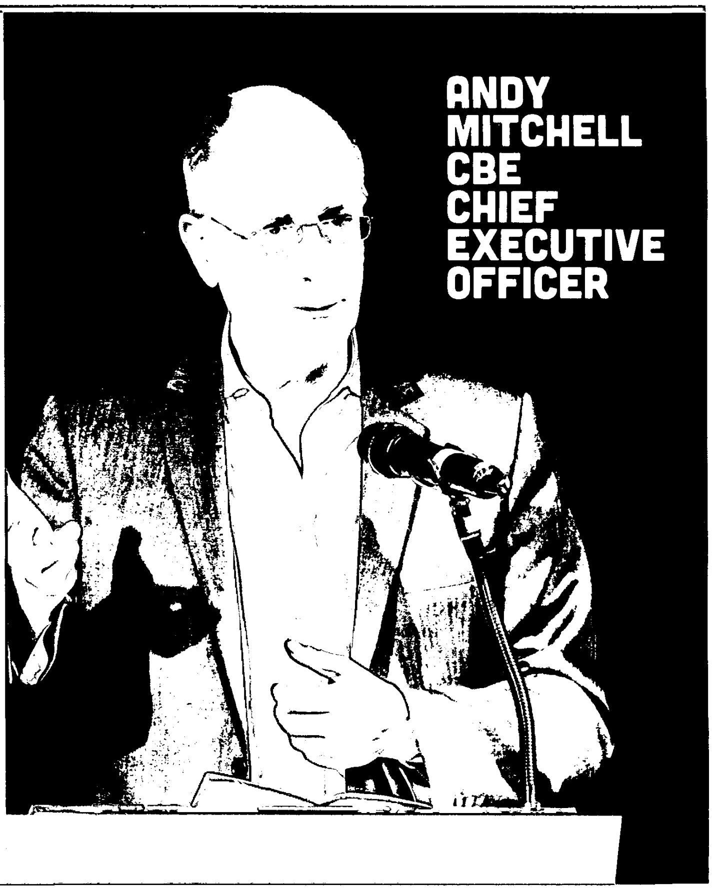
This report also details how we are doing against our commitments to leave a legacy beyond the core infrastructure, from setting new standards in health, safety and wellbeing to reducing lorry movements and investment in community projects. We know we must not take our eye off the ball in any of these areas.

In our accompanying ***Sustainability Report***, you can read the conclusions of our first Social Value Report, which is a robust social cost benefit analysis of our legacy programme beyond any original obligations. We hope this will inform the work of other organisations in the future.

I would like to thank everyone involved in the Tideway project – our people, our contractors and our stakeholders – for their work and support this year. The finishing line – a healthier River Thames – is now well within sight.

Andy Mitchell

Andy Mitchell CBE
Chief Executive Officer
24 August 2023



Our Vision, Purpose & Values

VISION

RECONNECTING LONDON WITH THE RIVER THAMES

WE DO THINGS SAFELY OR NOT AT ALL

PURPOSE

Tideway is building the Thames Tideway Tunnel under the River Thames – creating a healthier environment for London by cleaning up the city's greatest natural asset, now and for the foreseeable future.

DELIVERING OUR PURPOSE AND VISION

We bring our purpose and values to life through what we do and how we do it.

The way we treat each other and our stakeholders is important to us successfully delivering the project. We have always aimed to transform the way the industry operates so we see a step change in the health and wellbeing of everyone involved in the project, whether that is through our focus on safety and wellbeing in the workplace, volunteering with our charity partners, collaborating with our partners, engaging local residents on what we are doing or supporting people to develop skills and find employment.

VALUES

Examples	Page	Safety	Legacy	Collaboration	Respect	Innovation	SUSTAINABLE DEVELOPMENT GOALS
Build the Thames Tideway Tunnel	00	✓	✓	✓	✓	✓	
Stakeholders Engagement	00	✓		✓	✓	✓	
Mental Health	00	✓	✓		✓	✓	
Employers Project Induction Centre (EPIC)	00	✓	✓	✓		✓	
More by River	00	✓	✓	✓			
New Wetlands in the Thames Estuary	00	✓	✓		✓		
Ethical Supply Chain	00	✓	✓		✓		
Community Investment, Charitable Giving & Volunteering	00		✓	✓	✓		
Enhancing Biodiversity	00		✓		✓		
Staff Engagement	00	✓		✓	✓		
Diversity and Inclusivity	00			✓	✓	✓	
Delivering a People Legacy – Supporting People With Convictions	00		✓	✓	✓	✓	
Sustainable Financing	00		✓	✓		✓	

OUR CASE STUDIES REFLECT OUR VALUES AND HOW WE ALIGN TO THE UN SUSTAINABLE DEVELOPMENT GOALS.

Our Commitment to Legacy & Sustainability

In line with our Purpose and Vision, Tideway has made long term and public commitments as to the broader value and benefits it is seeking to achieve.

We are progressing the delivery of our 54 legacy commitments and the contributions they make to the UN Sustainable Development Goals (SDG). As we near completion of the construction phase, we continue to complete ('close out') our legacy commitments.

This year, with completion of our STEM programme we completed our contribution to UN SDG 4 Quality Education. S&P Global Ratings updated our Environmental, Social and Governance (ESG) Evaluation, providing us with an evaluation of 77 out of 100.

Further details in the ***Vision, Legacy, Reputation*** section and ***Sustainability Report***.

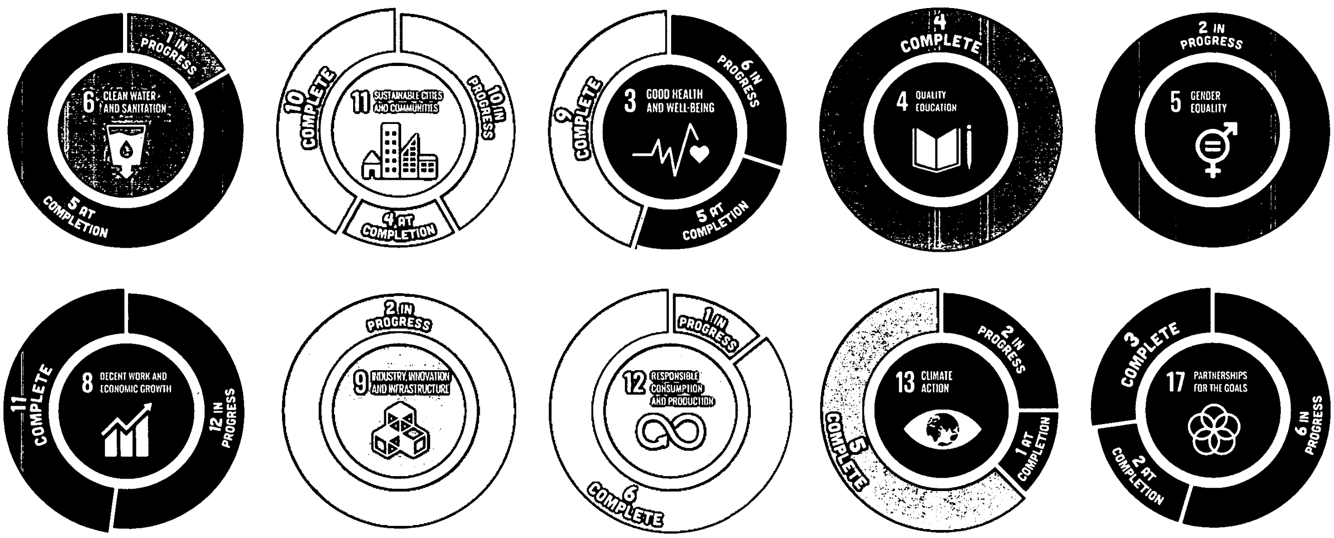
We also completed a two-year journey to uncover the social value created by our Legacy Programme.

We appointed a third party to undertake a robust social cost benefit analysis of the benefits beyond our legally binding requirements and the core benefits of the tunnel's operation. The report showcased Tideway's 'ripple effect', reflecting both the benefits of the Tideway legacy programme for London and beyond but also what we are leaving for industry in sharing our learnings on social value measurement. You can read our Social Impact report ***here***.

In line with best practice , we appointed a third party to undertake a critical review of our carbon data following the Greenhouse Gas Protocol. This provides us, and our stakeholders, with confidence in our data.

A comprehensive review of our Legacy and Sustainability performance is in our 2022/23 *Sustainability Report*.

DOWNLOAD
SUSTAINABILITY REPORT 2022/23



Most of the commitments contribute to multiple SDG targets, so this graphic adds up to more than 54 of our legacy commitments.

Who We Are & What We Do

Tideway is a privately financed company responsible for building, commissioning, financing and maintaining the Thames Tideway Tunnel.

However, our ambition for this engineering endeavour goes beyond building a 25km tunnel, 'the super sewer', to stop tens of millions of tonnes of sewage polluting the Thames each year. We want to transform the River Thames, leaving it cleaner and changing how Londoners use it. We want people to enjoy the Thames in their leisure time, participating in water sports and appreciating the views and walks along the foreshore. The joy and prosperity a cleaner river will provide for Londoners will be our legacy once the project is complete.

OUR SHAREHOLDERS

Our shareholder groups are represented on our Board, enabling them to support decision making and provide important project oversight and governance. They bring with them extensive experience of investing in and managing a wide range of infrastructure assets in the UK and overseas, knowledge that supports us in the delivery of the project.

Since Licence Award, our Shareholders have invested £1.3bn. Close to half the total equity has come from UK investors, including many pension funds, giving 2.7 million UK pension holders a stake in Tideway.

DELIVERING WITH OUR PARTNERS

Tideway has an alliance comprising Tideway, Thames Water, the Programme Manager (PM), three consortia known as the Main Works Contractors (MWCs) and our System Integrator. We work closely with Thames Water and their team co-located at our offices. Thames Water is responsible for important elements of the project and will ultimately operate the system.

The Alliance Agreement incentivises collaboration towards achieving the construction aims, milestones and outcomes, including the objective of meeting overall cost challenges. We have an experienced and competitive supply chain and we share lessons learned that enable us to best deliver the project.

Role	Partners
Programme Manager	• Jacobs
West Contract BMB Joint Venture	• Bam Nuttall Ltd • Morgan Sindall Plc • Balfour Beatty Group Ltd
Central Contract FLO Joint Venture	• Ferrovial Agroman UK Ltd • Laing O'Rourke Construction Ltd
East Contract CVB Joint Venture	• Costain Ltd • Vinci Construction Grands Projets • Bachy Soletanche Ltd
System Integrator	• Amey OWR Ltd

THE DELIVERY MODEL

The Thames Tideway Tunnel's innovative delivery model, was established to attract private sector capital to finance infrastructure and deliver value for money to customers. It includes a bespoke regulatory framework, with a contingent Government Support Package, which recognises the unique nature of Tideway's business. This framework provides a revenue stream during both the construction and operational periods. Revenues are billed and collected by Thames Water from its wastewater customers and passed to Tideway.

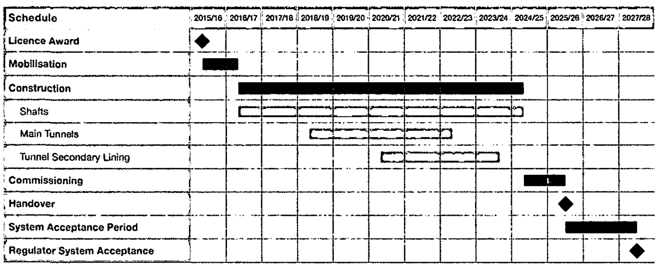
For the period until 2030, our revenues are calculated according to the framework set out in our Licence, which is primarily based on a percentage return (2.497 per cent) on the regulatory value of our company (Regulatory Capital Value or RCV). From 2030, we expect to be regulated in line with the rest of the water industry.

THE TIMELINE

Tideway maintains a schedule with our partners for delivery of the project. There are four main stages.

- **Mobilisation of the MWCs**
  This started off site, with mobilisation of people, the start of detailed design work, consenting applications and procurement of subcontractors and materials. Moving on site as these activities progressed, construction sequencing was finalised, and the enabling Thames Water Works were completed.
- **Construction**
  Excavating deep shafts at the three drive sites and each CSO interception shaft, followed by tunnelling, tunnel secondary lining, installing mechanical and electronic equipment, and architectural and landscaping works.
- **System Commissioning**
  After testing of the mechanical and electrical equipment at the worksites by the MWCs' the SIC completes the connection of these sites to the overall London Tideway Tunnels (LTT) control system. All the elements of this system then undergo extensive testing in the dry before any sewage flows are received. Once this is complete, the final physical isolation is removed between the existing Lee Tunnel and the new Thames Tideway Tunnel. The CSOs along the Tideway starting with the Abbey Mills CSO are activated to the new LTT system.
  Once these are all activated a series of storm tests are carried out in a gradually incremental manner over several weeks culminating in a 30-day period of automated operation. After this final test the tunnel is inspected, and the operation of the system handed over to Thames Water. At this Handover the MWCs' activities will be complete, and the contractors will be demobilised.
- **System Acceptance period**
  Following Handover is the System Acceptance Period. This is a proving period of between 18 and 36 months in which the LTT will be operated across a variety of climatic conditions to demonstrate that it fulfils the project requirements. Once this is complete. Thames Water will become responsible for maintaining the near-ground structures and assets. Tideway will retain responsibility for the shafts and tunnel structures and ensure the TTT is available to allow flow to pass to the Lee Tunnel. This involves inspecting the deep tunnels and shafts, which we expect to do on a ten-yearly cycle, performing any maintenance as required.
- **Timeline**
  The outline schedule sets out our current view on the schedule. It reflects our latest view following significant engagement with our delivery partners. As we continue to deliver the project we will make further changes to specific site schedules.

OUTLINE SCHEDULE



Who We Are & What We Do

ENGAGING WITH OUR STAKEHOLDERS & PARTNERS

In delivering a major infrastructure project across London we recognise the importance of engagement, transparency and building trust.

We listen to our stakeholders' views directly and through their representatives such as MPs and Members of the London Assembly. We continue to ensure that the communities we are working in are kept up to date on the progress being made, potential impacts and how best they are being mitigated. Each of the three Main Works Contractors has dedicated community relations teams and we hold regular forums to give updates to, and get feedback from, our neighbours. These methods, plus a 24-hour Helpdesk, ensure that we are always accessible.

To support the project, we have established a range of independent parties and roles to ensure we engage fairly and effectively with each of our stakeholder groups and to support trust in the project.

We have increased the frequency of some of our key forums as we get closer to the completion of the project. Since the start of 2023 our Liaison Committee (with government and regulatory stakeholders) meets monthly and the Thames Tideway Tunnel Forum (with consenting bodies and delivery partners) meets once every two months.

TIDEWAY HAS REMAINED COMMITTED TO ENGAGING WITH THOSE IMPACTED BY THE PROJECT.

Tideway works hard to understand the experiences of individuals and I appreciate its willingness to work with us to identify and resolve issues and deliver this project successfully for all those involved.

The more frequent meetings of the Thames Tideway Tunnel (TTT) Forum enable greater opportunities for dialogue and issue resolution where needed.
The Forum meetings were well-attended by stakeholders and the topics discussed included the project's legacy, updates on construction progress and preparedness for commissioning and handover.

Tideway received fewer complaints compared with the previous 12 months. The Independent Complaints Commissioner (ICC) received no appeal requests on ICP decisions. Two complaints were escalated to the Commissioner, one of which was upheld with remedies now being put in place. Claims to the Independent Compensation Panel (ICP) reduced (98 vs 108 in 2021/22) reflecting the nature and volume of work on site. The Reporting Group notes that there may be an increase in claims as de-mobilisation works are carried out and the project and the ICP will need to be prepared for this.

Rt Hon Nick Raynsford
Independent Chair of the Tideway Reporting Group

STAKEHOLDER GROUPS

Key Government and regulatory stakeholders	Consenting bodies and delivery partners	Communities directly impacted by construction
Ofwat; Environment Agency; Department for Environment Food & Rural Affairs; Thames Water	Transport for London; Historic England; Marine Management Organisation; Port of London; Greater London Authority. STAKEHOLDERS ALSO INCLUDE LANDOWNERS, ASSET OWNERS & LOCAL AUTHORITIES	RESIDENTS; BUSINESSES & LOCAL SERVICES; SCHOOLS

ENGAGEMENT CHANNELS

Liaison Committee meeting (including Thames Water)	Independently chaired Thames Tideway Tunnel Forum	Community Liaison Working Group meetings
	Bilateral meetings	Letter drops about works
	Stakeholder survey	Newsletters
		Community Information Centres
		Dedicated web pages and other communications

INDEPENDENT ROLES AND ASSURANCE

Independent Technical Assessor (ITA): The ITA reviews Tideway and Thames Water reporting to the Liaison Committee.

Independent Chair of Tideway Reporting Group: ICP, ICC, IAS report to the Tideway Reporting Group. The Reports are available on Tideway's ***website***.

Independent Chair for TTT Forum

Independent services available to support stakeholders, which include:

Independent Advisory Service (IAS): Offers independent help and support to stakeholders living and working close to our construction sites.

Independent Compensation Panel (ICP): Oversees and determines claims made under any of the non-statutory compensation policies.

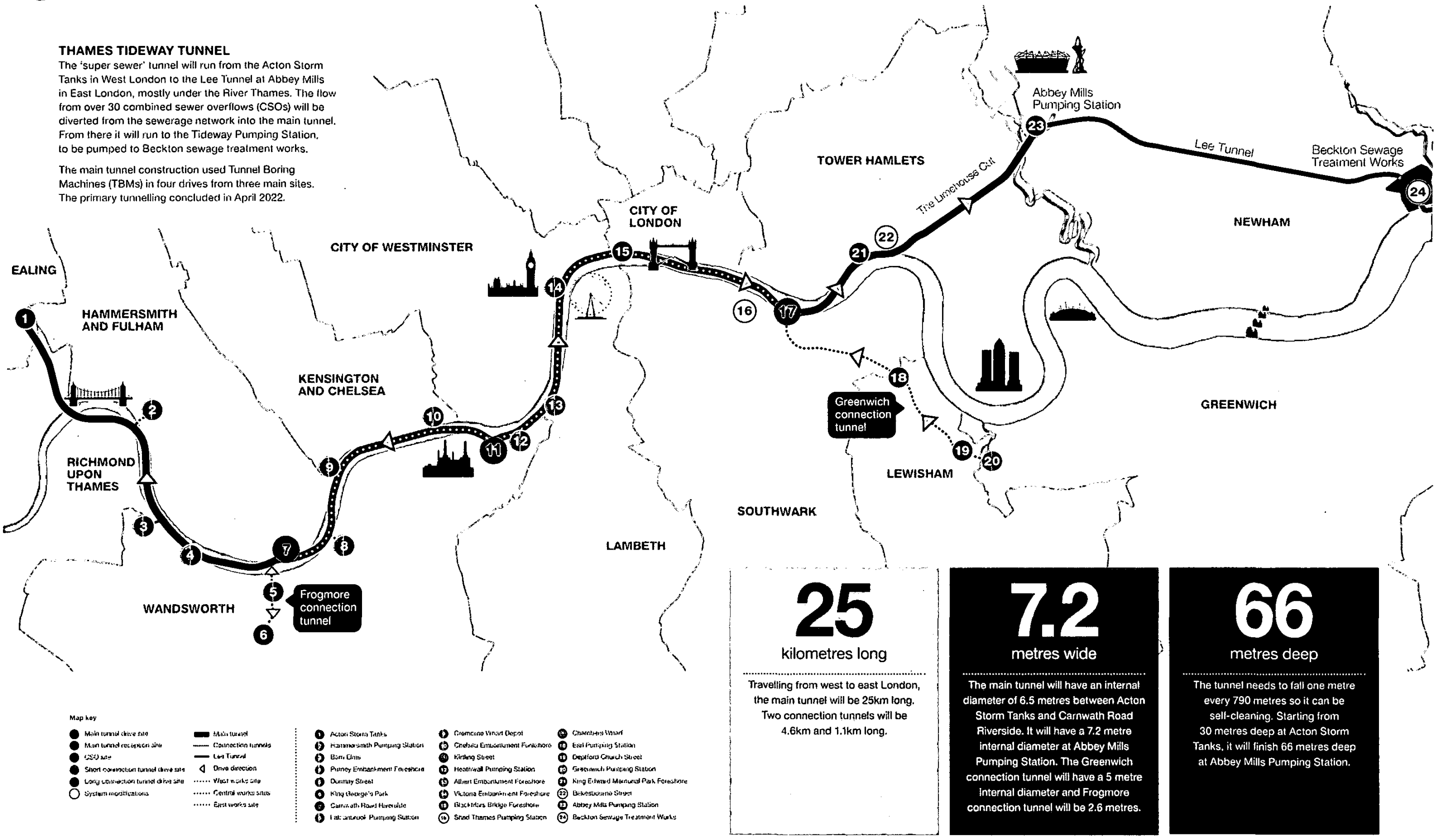
Independent Complaints Commissioner (ICC): Assists stakeholders who are not satisfied with the ICP's response regarding a claim.

The Tunnel Route

THAMES TIDEWAY TUNNEL

The 'super sewer' tunnel will run from the Acton Storm Tanks in West London to the Lee Tunnel at Abbey Mills in East London, mostly under the River Thames. The flow from over 30 combined sewer overflows (CSOs) will be diverted from the sewerage network into the main tunnel. From there it will run to the Tideway Pumping Station, to be pumped to Beckton sewage treatment works.

The main tunnel construction used Tunnel Boring Machines (TBMs) in four drives from three main sites. The primary tunnelling concluded in April 2022.



25
kilometres long

Travelling from west to east London, the main tunnel will be 25km long. Two connection tunnels will be 4.6km and 1.1km long.

7.2
metres wide

The main tunnel will have an internal diameter of 6.5 metres between Acton Storm Tanks and Carnwath Road Riverside. It will have a 7.2 metre internal diameter at Abbey Mills Pumping Station. The Greenwich connection tunnel will have a 5 metre internal diameter and Frogmore connection tunnel will be 2.6 metres.

66
metres deep

The tunnel needs to fall one metre every 790 metres so it can be self-cleaning. Starting from 30 metres deep at Acton Storm Tanks, it will finish 66 metres deep at Abbey Mills Pumping Station.

Our Business Model
The Value We Add

PURPOSE WHAT WE DO

Tideway is building the Thames Tideway Tunnel under the River Thames – creating a healthier environment for London by cleaning up the city's greatest natural asset, now and for the foreseeable future.

OUR VALUES HOW WE DO IT

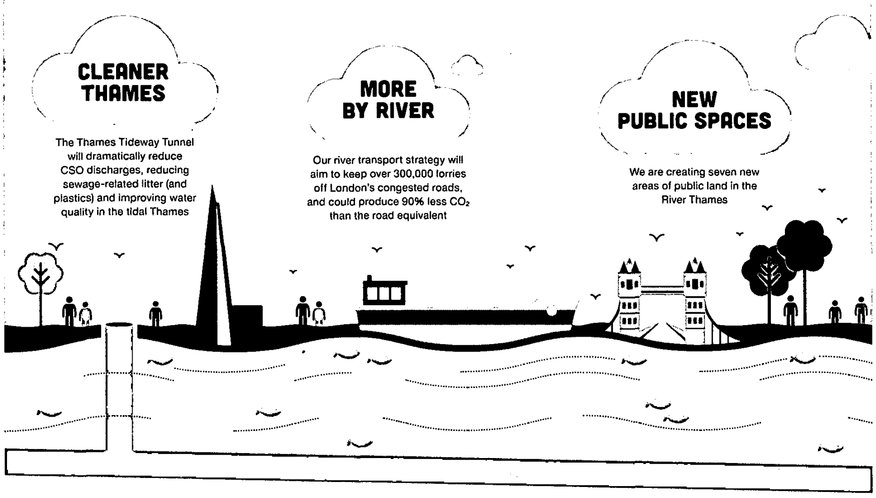
SAFETY
Transform the health, safety and wellbeing of all

LEGACY
Create a healthier future for London

COLLABORATION
Work together as an effective team

RESPECT
For people, places and resources

INNOVATION
Strive for excellence in project delivery



ENABLERS

SAFE OPERATIONS/DELIVERY
We strive to create and maintain a culture of doing things safely or not at all
See Health, Safety & Wellbeing

EFFECTIVE GOVERNANCE, RESILIENCE AND OVERSIGHT
Our risk management systems and policy provide a clear framework for managing and reporting risks
See Risk Management section & Governance section

TALENTED AND PASSIONATE PEOPLE
We work to attract, motivate, develop and retain the best talent
See Company & People section

COLLABORATIVE PROCESSES
Tideway and Thames Water collaborate closely, while we maintain an experienced, competitive supply chain
See Who We Are & What We Do – Delivering with our partners

STAKEHOLDER FOCUS
We aim to build enduring relationships with government, local authorities, our neighbours, partners, suppliers and others we impact
See Engaging with our Stakeholders & Partners section

EFFICIENT FINANCING
We aim to finance the project as efficiently as possible to ensure that we minimise our impact on bill-payers
See Financing section

STAKEHOLDER VALUE

LONDON
- Reconnecting London with the River Thames
- Ensuring that we leave a positive legacy for London
- Developing the river economy

ENVIRONMENT
- A positive impact on the tidal River Thames
- Ensuring, where we can, that we reduce our environmental impact

COMMUNITIES
- Providing a river that locals deserve and can use
- Enhanced local landscapes for reclaimed land and public art

OUR PEOPLE
- A unique and innovative project with a focus on learning and development
- A safe and inclusive workplace
- A competitive and fair compensation package that incentivises delivery and rewards success

SUPPLY CHAIN
- Industry and supply chain with the right incentives across each of our three contract areas
- Providing opportunities for companies and for workers to develop skills and gain experience
- Industry leading innovations that are shared via i3P

BILL PAYERS
- Finance the project efficiently, minimising impact on Thames Water bill payers

INVESTORS
- An appropriate return on investment

Our Strategy & Priorities for 2023/24

The Executive Team and the Board have reviewed and developed targets and aspirations for 2023/24.

Reflecting on a year we have been able to evidence successful completion of many aspects of the project. With the vast majority of construction now behind us we can be increasingly confident about our final phase of delivery and focus on Commissioning. We are confident that we will start cleaning up the river in 2024, with full operation in 2025.

For the coming year we will:

- Retain our focus on Health, Safety and Wellbeing seeking to achieve safety improvements from the previous year with an increasing focus on worksite testing and commissioning.
- Achieve successful completion of the secondary lining of the tunnel.
- Progress Worksite Close Out Strategies, handback land to Thames Water and for Thames Water to confirm our assets as ready for acceptance.
- Agree the approach with EA, OFWAT, Thames Water and DEFRA and other stakeholders to System Commissioning.
- Maintain the positive stakeholder environment – with engagement through the Liaison Committee, TTT Forum and other channels and partners.
- Increase emphasis on our Vision of reconnecting London with the River Thames and local effective engagement for site close out and openings.

HEALTH, SAFETY & WELLBEING

Objective
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.

Key Long Term Activities
A HSW programme which is recognised as transformational in comparison to previous projects.

Delivering HSW the 'RightWay', in line with the delivery programme, verified by appropriate assurance

Maintain a focus on Health & Wellbeing to achieve relative parity with Safety.

Drive for an equivalent high level of HSW performance in the marine environment.

Priorities
- Continue to reinforce HSW in the construction phase, to achieve positive improvements on previous performance in all areas but specifically high-risk activities including marine, and secondary lining. Ensure Tideway transformational HSW behaviours and standards are realised in the forthcoming worksite testing and commissioning phases.
- Implement the HSW strategy for MEICA installation and site commissioning risks and review to determine effectiveness.

Relevant Principal Risks:
- Health, safety and wellbeing.
- High impact, low probability events.

SCHEDULE, COST & QUALITY

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.

Key Long Term Activities
Enabling all our delivery partners to safely, efficiently and predictably deliver the project, and using the Alliance to best effect.

Maintaining our focus on delivering a high-quality, fit for purpose asset and its integration into the wider sewer network.

Priorities
- Working with the Programme Manager, all three MWCs, the SIC and Thames Water to safely deliver the most efficient schedule.
- Maintaining Thames Water's commitment through the joint approach, to the agreed programme for PCCD, Start of Systems Activation, SCCD, Handover and Acceptance.
- Obtaining commitment from the EA, OFWAT, Thames Water and 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 handback areas on completion of construction (including architecture and landscaping), and/or worksite testing and commissioning (as applicable).

Relevant Principal Risks:
- Programme delivery.
- Supply chain failure.
- High impact, low probability events.
- Interfaces with Thames Water.
- Regulatory and political.

VISION, LEGACY & REPUTATION

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 ESG credentials in order to build and retain trust.

Key Long Term Activities
To ensure continued good relations with stakeholders including the consent granting bodies.

Promote the Tideway story to a broad range of audiences.

Address the needs and concerns of our neighbours including through our Community Investment programmes and engagement.

Deliver our legacy commitments.

Meet ESG reporting requirements.

Work with the end in mind to have a structured 'successful delivery' communications and engagement plan, which includes a clear narrative.

Continue to engage with internal audiences to maintain a 'one-team' culture.

Maintain political consensus through engagement with local, regional and national stakeholders.

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.

Relevant Principal Risks:
- High impact, low probability events.
- Reputation.

COMPANY & 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.

Key Long Term Activities
Reinforcing values and behaviours.

Maintaining our commitment to diversity.

Maintaining a clear strategy for preserving organisational capability in critical roles.

Providing training and development and succession planning.

Offering competitive terms and conditions, benefits and incentives.

Delivering systems, processes and tools to support an effective organisation.

Maintain/create policies, processes and activities which appropriately maintain the Tideway culture within a reducing organisation.

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.

Relevant Principal Risks:
- High impact, low probability events.
- Reputation.

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.

Key Long Term Activities
Maintaining a low risk financing position by preserving our Baa1/BBB+ credit ratings and strengthening financing sustainability/ESG performance.

Maintaining appropriate levels of liquidity.

Optimise our cost of finance to increase our return to shareholders.

Drive strong financial control and discipline across the company.

Continue to build trust and confidence with our stakeholders through high quality *reporting, engagement and assurance.*

Priorities
- Maintain the Company Credit rating & deliver IRR and shareholder distributions in line with the financing plan.
- Liquidity and investment management – continue focus on capital preservation and liquidity and seek to optimise return.

Relevant Principal Risks:
- Programme delivery.
- High impact, low probability events.
- Credit risk rating.
- Inflation.
- Regulatory and political.

Health, Safety & Wellbeing

OBJECTIVE
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 HSW in the construction phase, to achieve positive improvements on previous performance in all areas but specifically high-risk activities including marine, tunnelling and secondary lining.
- Implement the HSW strategy for MEICA (Mechanical, Electrical, Instrumentation, Control and Automation) installation and site commissioning risks and review to determine effectiveness.

2022/23 MEASURE

Maintain strong HSW performance, including Marine

Target	Actual
Safety record better than recent major projects Improved performance on 2021/22	**On Track**

Number of major injuries*

Target	Actual
0	0

MEICA and Architecture and Landscaping Works

Target		Actual
0	significant incidents due to activities	0

Accident Frequency Rate 3 (AFR-3)*

Target 0.00

0.14

Accident Frequency Rate 7 (AFR-7)*

Target 0.00

0.13

PERFORMANCE

There were no major injuries during construction in the year and no significant incidents as a result of our marine, MEICA or architecture and landscaping activities.

The project's three-day Accident Frequency Rate (AFR-3) of 0.14 is less than half the highest level seen on the project in 2021/22 and continues to be lower than comparable projects at an equivalent stage of construction. This is testament to the continued efforts, made at every level, to eliminate and reduce accident and injury occurrences.

During the year, there were 13 lost-time incidents (compared to 19 in 2021/22), of which five were RIDDOR specified injuries, and five high-potential near misses. Any incident classified as significant, including the above categories, are subject to thorough investigation to identify immediate and root causes, so we can implement actions to prevent recurrence and ensure lessons are shared and learned.

Tideway is proud of the open and transparent reporting culture on the project and the depth of investigations that are subsequently undertaken.

We recognise the importance of nurturing this positive culture and are committed to continuing to strive for transformational performance as we progress further into the project.

Tideway's recent ***Social Impact Study***, undertaken to evaluate our legacy programme, concluded that the social value of accident prevention accounted for almost a fifth of the project's social value – more than any other category measured. The study concluded that this was in part attributable to the rigorous health and safety training, delivered through the immersive EPIC (Employer's Project Induction Centre) experience.

RIGHTWAY

RightWay is our health, safety and wellbeing approach, that continues to be embedded in the construction phase and specifically high-risk activities, including marine, tunnelling and secondary lining and has now been incorporated within the MEICA installation and site commissioning project phases.

The RightWay in Delivery initiative, introduced in 2018/19 continues to provide an opportunity for site teams to showcase innovations and good practices against Tideway's six pillars of Health, Safety and Wellbeing. The initiative was developed in collaboration with the Project Managers and the MWC teams, it ensures that we celebrate and promote ownership of good practices on site, it encourages teams to consider and adopt best practices from other sites and provides smaller sites with an opportunity to contend with the larger hub sites fairly.

Deptford Church Street was the stand-out site this year winning two quarterly and five monthly awards across the Competency, Leadership and Safe Worksite pillars. The team consistently exceeded the high health, safety and wellbeing expectations the project has set, demonstrating excellent leadership and communication throughout.

HEALTH AND WELLBEING

We continue with our aim to maintain a focus on Health and Wellbeing to achieve relative parity with Safety and to minimise and mitigate any health risks arising from our work, whilst supporting the wider health and wellbeing of our workforce.

The Deptford Church Street won multiple RightWay in Delivery awards

The team at Chelsea Embankment with a RightWay in Delivery award

OCCUPATION HEALTH INSPECTIONS (OHI)

With our Occupational Health (OH) Service Provider we continue to deliver targeted health and wellbeing education and support. A project to identify and address hypertension was concluded with over 1,200 assessments carried out. Twenty three per cent of the workforce were recorded as 'at risk' and were referred to their General Practitioners for longer term management. All the workforce were offered ongoing monitoring, support and education to reduce their risk of cardiovascular disease. The project proved extremely successful and has been shared with other construction projects.

The OHI is used to record observations, both positive and negative, related to occupational health on site. They may include reviews of the effects of noise and vibration, manual handling, substances hazardous to health, thermal comfort and lighting.

We have continually looked to improve the inspections which now target key risks. Whilst the continuous improvement on managing health risks is important, the coaching programme with the Occupational Hygienists that accompanies the inspection is invaluable. Improved knowledge and understanding of our construction teams benefits site activities during the inspection but also at the activity design stage.

MENTAL HEALTH

Mental Health of the workforce continues to be a major driver for the project and has been supported with the Mates in Mind programme, Mental Health First Aiders, Mental Health First Aider Networks, and support from local services.

Tideway set up the Mental Health Working Group (MHWG) in 2018 to inform the actions we need to take, both now and in the future, to improve mental health at Tideway and within the wider industry. Initiatives include:

- Mates in Mind 'Start the Conversation' and 'Manage the Conversation' training.
- Mental health action plans using the Tideway Mental Health Maturity Matrix tool.
- Providing information sessions to support individuals, including arranging access to specialist advisers to help minimise the impacts through the cost of living crisis.

* Definitions: Major injury: any injury that could potentially lead to death, prolonged disability or permanently diminished quality of life
AFR-3: 12-month rolling average, per 100,000 hours worked, of injuries which occurred as a result of work activities and resulted in more than three days lost time for the individual involved. Excludes Road Traffic accidents to ensure alignment with RIDDOR 2013
AFR-7: as above, for over seven days lost time for the individual involved. Excludes Road Traffic accidents to ensure alignment with RIDDOR 2013. Injuries contributing to AFR-7 will automatically be included in AFR-3.

Health, Safety & Wellbeing

case study

EMPLOYER'S PROJECT INDUCTION CENTRE (EPIC)

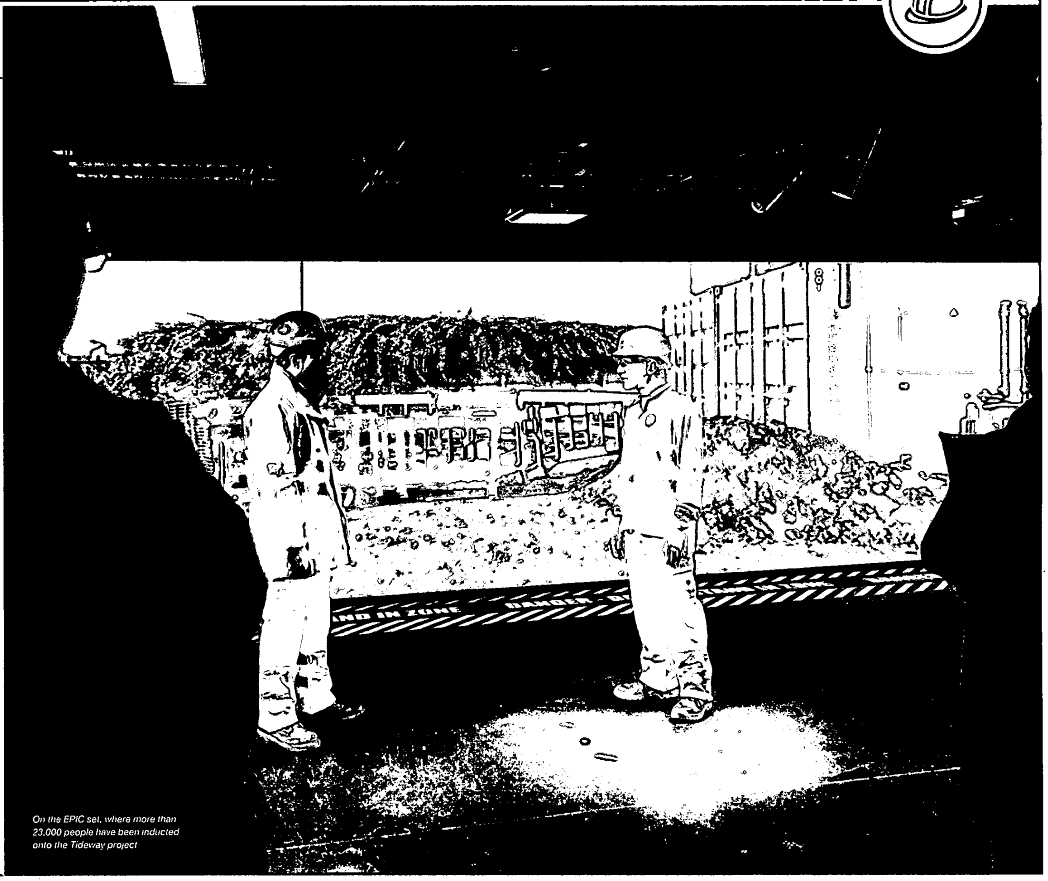
Working with Active Training Team, Tideway developed and launched the EPIC programme in 2015 and, to date, over 23,000 people have attended EPIC and over 1 400 have attended EPIC Logistics, a Fleet Operator Recognition Scheme – FORS – Silver accredited course for HGV drivers. This includes people working on Tideway and from other interested companies, which supports our aim of being transformational and further improving health and safety in the wider construction industry.

The induction sees new starters on the project immersed in an on-site storyline, supported by a cast of actors, working in specially designed sets. Characters are introduced and those on the course can see, first-hand, the causes and effects of a fictional accident on site. Participants are then invited to discuss the events that led to the accident and learn the importance of individual responsibility in keeping themselves and their colleagues safe on site.

EPIC has evolved since its launch, with each iteration designed to reflect a change in the phase of the works on site. This year Tideway launched the fourth and final iteration of the storyline as the project moves into installation and commissioning phases.

Earlier in the programme researchers from Loughborough University described EPIC as 'an excellent example of Tideway's 'transformational' approach to occupational health and safety and has been very well received' which provides important lessons for the construction industry and OSH practitioners in other sectors.

Feedback remains overwhelmingly positive, with people taking away three key lessons from the day: **personal responsibility; communication skills;** and the **importance of safety**.



On the EPIC set, where more than 23,000 people have been inducted onto the Tideway project

Schedule, Cost & Quality

OBJECTIVE

We want to deliver the Thames Tideway Tunnel safely at the right quality and to best value. Finishing earlier would reduce cost, benefiting bill payers and investors, and deliver environmental benefits more quickly and reduce disruption to local residents.

PRIORITIES

- Working with the Programme Manager, all three Main Works Contracts (MWCs), the System Integrator Contractor (SIC) and Thames Water to deliver the best value for money schedule.
- Continue to handback areas on completion of construction (including architecture and landscaping), and / or worksite testing and commissioning (as applicable).
- Maintaining Thames Water's continued support through the joint approach to the earliest possible Preliminary Commissioning Commencement Date (PCCD), Start of Systems Activation, system Commissioning Commencement Date (SCCD), Handover and Acceptance.
- Obtaining commitment from the EA, OFWAT, Thames Water and DEFRA to the most flexible approach for bulkhead removal that minimises the impact of sewage discharges into the River Lee whilst enabling the best value for money schedule to be achieved.
- Ensuring that the asset being delivered is of the right quality, demonstrated by contemporaneous 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.

2022/23 MEASURE

Delivery against the best value for money schedule – Schedule Handover

Target	Actual
Handover by quarter one 2025	Fully operational in 2025 with the 'handover' date likely to be in the second half of that year

Delivery against the regulatory baseline – cost*

Target	Actual
£3.5bn	£4.5bn

PERFORMANCE

Tideway continues to progress the construction activities and by end of 2022/23, we had completed 87 per cent of our programme. The change in the expected Handover date to the second half of 2025, compared with Q1 2025 last year, was due to a slower than expected start to secondary lining and early production rates being low in the East area. We have seen improvements since year end in secondary lining rates in Main Tunnel D which could mitigate part of this forecast delay. This provides a higher level of confidence in achieving the forecast commissioning commencement date in 2024 and for the system to come into full operation in 2025. The cost estimate is currently £4.5bn which is a five per cent increase from the previous year (two per cent since the interim accounts), with the cost of prolongation and cost inflation being the most significant contributors to change. While there remain uncertainties, which are typical for projects at this stage that could impact on future costs, we remain confident that the impact on customer bills will remain well within the pre-Licence award estimate of £20-25 (in 2014/15 prices).

As we move closer to starting commissioning in 2024, Tideway and Thames Water continue to collaborate and implement the 'Joint Approach' to deliver the earliest possible Preliminary Commissioning Commencement Date (PCCD), Start of System Activation, Handover and Acceptance. Dedicated teams from Tideway and Thames Water are continuing to work together on finalising the plans for System Commissioning and preparing the teams to operate and test the tunnel system. 2024 will see the system commissioning plan finalised and formally submitted to Thames Water leading to the process of officially commencing the system commissioning phase of the project agreed. The progress of the 'Joint Approach' is reported on a monthly basis to the Interface Committee and continues to set good foundations to work together over the coming years.

CONSTRUCTION QUALITY

The level of non-conformance and re-work on the project has continued to remain at a satisfactory level, with no critical defects being reported this year and to date on the project. Construction quality is the responsibility of the System Integrator Contractor and Main Works Contractors who self-certify their works. This self-certification is overseen through regular surveillance by the Programme Manager. Further technical assurance is provided by inspections from Tideway's NEC Supervisor team with regular oversight by Tideway's Chief Technical Officer. Tideway's Quality Management System is subject to annual senior management review and internal audit. These levels of assurance provide the project with a robust framework to drive construction quality compliance and enable an integrated approach for dealing with quality related issues.

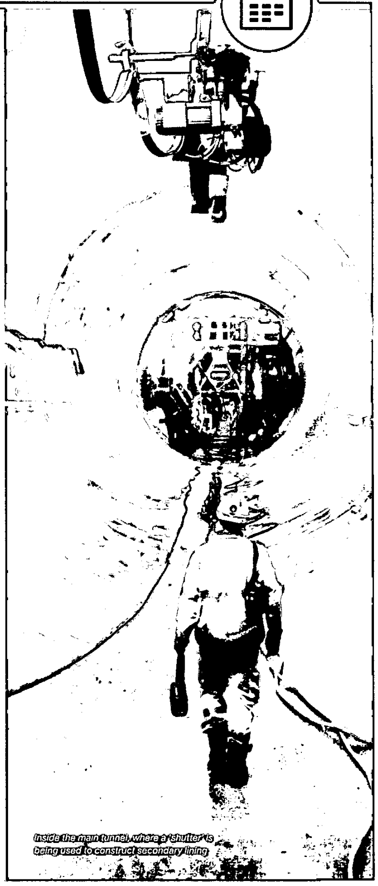
COMMERCIAL

Each of the MWCs' target prices have been adjusted to reflect Compensation Events (risks retained by Tideway). The primary areas of change to the MWCs relates to finalisation of the programme to contractual completion and the introduction of Tideway's Phased Commissioning Plan to the MWCs' scope of work. This includes the introduction of incentives for ongoing programme alignment between the MWCs and efficient delivery meeting Tideway's objectives. As a result of these activities, all three MWCs are collaboratively working with Tideway to finalise the detailed construction schedules to align with key milestone dates for the overall programme. Furthermore, the Systems Integration Contractor's incentivised dates schedule has been aligned with the MWCs' programme for meeting the Phased Commissioning Plan. Subject to final commercial discussions, all parties are incentivised and substantially aligned in their commercial approach for delivering the remaining works on the programme and in line with out health and safety objectives.

SYSTEM COMMISSIONING

During the year significant progress was made in preparing for system commissioning with the completion of the initial version of the System Commissioning Plan by Tideway including contributions from all other Tideway Alliance members. The Plan was submitted to Thames Water in October 2022 and then approved in principle in March 2023 in accordance with the agreed programme. The Plan is expected to be finalised and agreed formally during the first half of the 2023/24 financial year. It comprises a suite of around 80 documents that provide the integrated approach for the Alliance to work collaboratively together for the successful achievement of System Commissioning.

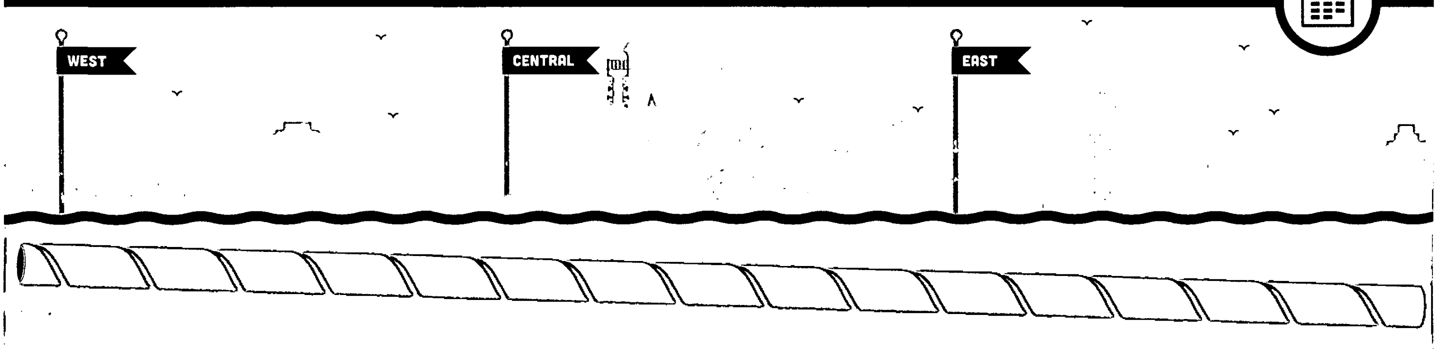
Alongside the System Commissioning Plan Tideway and Thames Water have also made significant progress in developing and agreeing a newly produced Strategic Intent that is supplemental to the original suite of project documents. The Strategic Intent is designed to increase the resilience of the programme leading to the formal Handover to Thames Water at the end of the System Commissioning period. It also contains provisions that streamline the processes which support the efficient and effective final Acceptance of the project by Thames Water in the following phase. Formal agreement of the Strategic Intent is also expected during the first half of the 2023/24 financial year.



Inside the main tunnel, where a 'shutter' is being used to construct secondary lining

* Tideway's element of the programme in outturn prices (based on current inflationary expectations) up to System Acceptance. Ofwat set a regulatory baseline of £3.1bn (in 2014/15 prices) which is equivalent to £3.5bn in outturn prices

Schedule, Cost & Quality



WEST AREA

SECONDARY LINING has been completed and landscaping works on several sites are entering their final phase before opening in 2023-24.

The secondary lining required to provide additional strength and to create a smooth surface over which flows will travel once the sewer is operational was completed, a major below-ground milestone for the 7km west section.

On the surface, works to create new areas of public realm have progressed well, including at Putney and King George's Park. The project's first installation of a riverside signature ventilation column – required to regulate the gases within the super sewer – was completed at Putney. Public art installations at Dormay Street and King George's Park were also completed.

Further highlights included:

- The shaft at Carnwath Road was secondary lined. (All 21 shafts on the project have now been secondary lined.)
- The handback of areas after completion of construction continued with the project handing back the changing rooms at Barn Elms Sports Centre and parts of the Dormay Street site.

CENTRAL AREA

SECONDARY LINING has been completed and sites with new areas of public realm have begun to take shape.

As well as completing secondary lining across the central section of the tunnel, there were several other significant below-ground achievements, including the completion of the 50-metre connection tunnel linking the shaft at Chelsea to t he main tunnel and the secondary lining of the shaft at Kirtling Street.

Above ground, key elements of the public realm at many of the riverside sites were installed, including signature ventilation columns at the Victoria and Albert sites. The river walls at Victoria and Chelsea were completed and at the Chelsea site, intertidal terraces were constructed and planted with species to provide a biodiverse habitat when the terracing 'floods' at high tide.

Further highlights included:

- At our Kirtling Street 'drive' site, the 21-metre high acoustic shed – built to contain noise and dust to allow for 24-hour tunnelling – was dismantled and six precast concrete cover beams, each weighing 150 tonnes, were installed over the shaft.
- Shaft cover slabs were completed at Albert, Chelsea, Cremorne Wharf, *Falconbrook and Victoria.*
- The cofferdam at Heathwall was removed and work to remove the cofferdams at Chelsea, Victoria and Blackfriars got underway.

EAST AREA

PRIMARY LINING on Main Tunnel D and the Greenwich Connection Tunnel was completed and the team are progressing secondary lining on both tunnels.

The year began with primary tunnelling on Main Tunnel D and the Greenwich Connection Tunnel being completed. Secondary lining then got underway in both tunnels and by the end of 22-23 the Main Tunnel D team was approaching one third distance and the Greenwich Connection team was approaching the half-way mark.

The connection to the Lee Tunnel originally required the removal of a concrete bulkhead between the two tunnels. During the year, an additional isolation wall was constructed. This new wall allows for the earlier removal of the original bulkhead and represents the final isolation between the tunnels. Engagement continues with stakeholders, including Liaison Committee, as to the approach to and timing of the removal of both the bulkhead and the wall which preserves the environmental benefits secured for the Channelsea Creek by the operation of the Lee Tunnel over the last 7 years.

Above ground, the team at King Edward Memorial Park in Wapping began installing the new river wall panels which, thanks to their irregular 'shelving' pattern, will encourage biodiversity to flourish in the area once the wall is exposed to the Thames River. For more information on how our structures are encouraging *biodiversity,* *see page Vision, Legacy and Reputation.*

Further highlights included:

- The secondary lining of the shaft at Greenwich Pumping Station was completed.
- Local authorities gave the green light to our above-ground plans at the Greenwich, Deptford and Earl sites. This includes our plans for artwork and architectural elements.
- Winning the ***Project of the Year*** award at the New Civil Engineer Tunnelling Awards

Schedule, Cost & Quality

SYSTEM INTEGRATION

System Integration (SI) is the part of the programme that ensures the readiness of the system for operation, maintenance and reporting at all sites across the Thames Tideway Tunnel system.

The team completed the installation and testing of the server and control room elements of the supervisory control and data acquisition – SCADA – system at Beckton that will monitor and control the whole tunnel. Individual sites are being progressively integrated into this system with the first integrated system acceptance site test completed at King George's Park.

Work continued or got underway across all available sites during the year and the SI team achieved milestones on west and central sites, including local worksite system acceptance tests at Barn Elms, Dormay Street and Chelsea. This is a key test that all sites will need to pass before they are ready for system commissioning.

MORE BY RIVER

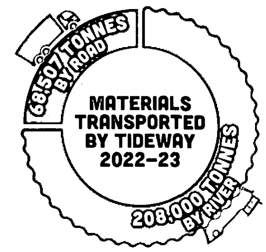
During the year we transported 208,000 tonnes of material by river compared with 68,507 tonnes by road.

Our river movements consisted of removing excavated material from the East section tunnels whilst also delivering secondary lining for Main Tunnel A at Carnwarth Road, and aggregates from demobilising cofferdams within West and Central sections. At Kirtling Street, we continued to support river use by importing aggregates for secondary lining of the main shaft.

The total quantities transported by river to date is 5,633,000 tonnes. This consists of 4,810,000 tonnes of specified materials that are required to be transported by river under the River Transport Strategy and 823,000 tonnes of additional materials that were transported as part of the More by River Strategy.

The benefits of this was to avoid around 336,000 HGVs or 672,000 HGV journeys on London's road network; saving over 17.1 million HGV miles; and avoiding in the region of 24,000 tonnes of CO2. These carbon savings have been subject to third party verification. See our ***Sustainability Report*** for more information.

With the completion of tunnelling we have exceeded our legacy commitment to transport 90 per cent of material excavated to create the main tunnel by transporting 100 per cent of main tunnel arisings by river. We have also completed our commitment to improve Health & Safety on the river for Tideway river transport workers. 103 Individuals successfully passed the innovative boat master competency validation at HR Wallingford ship simulation centre. Further details of our Legacy progress can be found in the Vision, Legacy, Reputation section.



TO DATE

5,633,000

[illegible]

WHICH MEANS

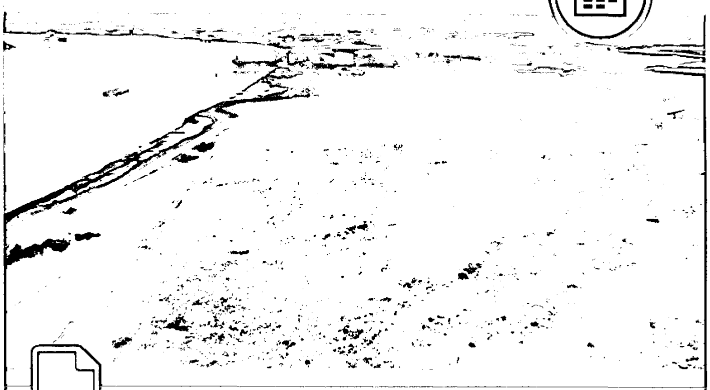
336,000

[illegible]

17.1 million

[illegible]

Saving 24,000 tonnes CO2 emissions



case study

CREATING NEW WETLANDS IN THE THAMES ESTUARY

Tideway is using clay excavated from the west of the project and chalk from our tunnelling in east London to enable a 110-hectare site on the Thames estuary to undergo a 'green transformation'.

New wetlands are being created at Rainham, which is owned by the RSPB, in what is thought to be largest habitat creation scheme inside the M25. It sits close to two existing RSPB-run sites – Rainham Marshes and the Wennington Marshes Nature Reserve – and although still being developed, the site is already home to a number of birds, including lapwing, little ringed plover and red shank.

As part of its legacy commitments, Tideway has transported nearly 1.3m tonnes of material by barge to the site. The clay is being used to create an impermeable layer to retain water in new lakes while the chalk is creating a varied landscape.

"To see this site being restored in this way, using material dug out from deep beneath London, is just fantastic. Many bird species are returning and we fully expect the wildlife here to flourish as the site develops over the coming years. Tideway's commitment to beneficially reuse their excavated material is great to see."

Alan Johnson, RSPB, Area Manager, Kent and Essex

Vision, Legacy & Reputation

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 ESG credentials in order to build and retain trust.

PRIORITIES

- Continue to ensure our stakeholder engagement programme supports successful completion of the project, which includes engagement with TW and critical stakeholders to ensure a joined-up, 'one team' approach
- Evolve the narrative to reflect Tideway's position as a leading environmental project and prepare for successful delivery.
- Ensure that we deliver on our essential ESG commitments.

2022/23 MEASURE

Support from Stakeholders

Target	Actual
No material schedule impact as a result of stakeholder intervention	None

Percent of live legacy commitments on track

Target	Actual
85%	92%

PERFORMANCE

As our legacy programme continues, we completed or 'closed-out' several commitments that have enabled us to deliver wider benefits to London and beyond. Our work to engage the public and our stakeholders in the Tideway project stepped up in the context of an increased public focus on sewage pollution and the protection of waterways and, as we get closer to completing the project. Through our Programme Manager Jacobs, the project received external recognition with an international Sustainable Infrastructure Award at the 2022 Sustainable Consultancy Awards. Tideway's communication efforts were recognised with the 'Best In-House Communications Team' award in the private sector category of the PR Moment Awards and with a commendation in the same category at the PR Week Awards.

LEGACY

We completed ('closed out') nine of our 54 legacy commitments, bringing the total closed to 25. We achieved or exceeded our targets in eight of the nine commitments. In relation to health and safety training, we achieved the commitment which saw 118 supervisors trained to ILM Level 3 Certificate in Leadership and Management.

On apprenticeships, 151 individuals completed apprenticeships with Tideway, a ratio of 1 in 29, which was ahead of our 1 in 50 target.

On our commitment to employing people with convictions, we offered sustained employment to 37 individuals. We did not achieve our challenging target of employing 1 in 100 Full Time Equivalents however we did achieve positive outcomes for individuals and learned many lessons to inform other organisations who are seeking to support employment for people with convictions in the future. Further information on our work to support people with convictions into employment can be found here.

CARBON

As the project gets nearer to completion, we appointed a third-party organisation to produce a critical review statement following the Greenhouse Gas Protocol guidance on assurance and verification. This review did not uncover any material issues and we are on track to stay within our original carbon footprint target of CAPEX (embedded) (Scope 3) ~770,000tCO2e.

We have addressed areas in which our carbon data could be improved, we have also updated our SWOT analysis. More detail on our carbon approach can be found in our Sustainability Report.

		2022/23	
Scope 1 Emissions – Operational (OPEX)		**FY tCO2e**	**PTD tCO2e**
Operation of the tunnel			
Total Scope 1 Emissions		**N/A until operation**	
Scope 2 Emissions – Indirect Emissions Electricity consumption used by Tideway (Bazalgette Tunnel Ltd) controlled offices at Camelford House and the Cottons Centre			
Location based			
Total Scope 2 Emissions		**40.4**	**485.93**
Scope 3 Emissions – Embedded (Cradle to build)			
Materials (A1 – A3)	Aggregates	-	3680
	Asphalt	-	9
	Concrete	-	328,717
	Timber	-	1856
	Steel	-	84,043
	Other	-	16,436
Utilities (A5)	Electricity	-	30,894
	Liquid Fuels	-	26,834
	HVO	-	50
	Waste	-	6439
	Water	-	248
Logistics (A4 – A5)	Road transport	-	11,761
	River transport	-	7227
Total Scope 3 Emissions			**518,193***

Note: Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain

This year we are only reporting our Project Total to Date (PTD) figures, not our financial year figures. This is because the verification process assured PTD data that was submitted by our MWCs and Logistics teams via their carbon models. Within our Sustainability Report we provide more granular detail on the sources of our impacts

The data we receive allows us to assess our impacts in line with A1 – A5 system boundaries set out in EN15978 from product development stages (A1-A3) logistics data which is a combination of transport of materials to site and waste away from site by road and river (A4 – A5) and construction site impacts (A5).

**Subtotals may not sum up due to rounding.*

ETHICAL SUPPLY CHAIN

Tideway supports ethical practices in the supply chain by paying the London Living Wage (LLW), paying SMEs within 30 days of invoice, providing job security by working under contracts and by maintaining a strong position on tackling Modern Slavery by having a robust Modern Slavery and Human Trafficking Statement. This year we became members of Bright Future, an organisation that helps to place survivors of Modern Slavery into work.

We are also committed to ensuring that 100 per cent of our key building materials (cement, aggregates, steel) must be certified to either BES6001 Responsible Sourcing of Construction Products, CARES Sustainable Constructional Steel (SCS) or Eco-Reinforcement as applicable. All timber being used on site must be certified as FSC and/or PEFC standard.

ENGAGEMENT AND COMMUNICATION

Tideway has a proactive communication strategy to keep its stakeholders informed about the benefits and progress of the project. We continued to host visits and meetings for stakeholders and regular fora with local residents to explain construction activities and potential impacts. Our 24-hour *Helpdesk received 1,908 enquiries and 345 complaints –* reductions of 24 per cent and 25 per cent respectively, compared with last year.

To inform the public about the project we engaged extensively with media with coverage in local, regional and national outlets demonstrating the progress of the project and what it will eventually deliver. Interest in the project was higher than ever, due to the significant increase in campaign activity on the issue of sewage pollution.

We were active across a range of social media with daily posts about progress and our legacy programme outcomes and our regular YouTube Tunnel Vision series. We distributed our River Times publication, directly to residents living close to our sites and we opened a new stakeholder engagement centre – the Tideway Hub – at our Abbey Mills site, enabling stakeholders to view the project at close quarters.

More detail on our carbon approach can be found in our Sustainability Report.

DOWNLOAD SUSTAINABILITY REPORT 2022/23

Vision, Legacy & Reputation

COMMUNITY INVESTMENT, CHARITABLE GIVING AND VOLUNTEERING

We completed our community investment and volunteering programmes having delivered significant benefits to people and organisations across the capital and exceeded our targets for staff giving their time.

Tideway's community investment programme helped a total of **48,216 PEOPLE** and **512 ORGANISATIONS**

From the start of the project our staff have given **33,268 HOURS OF THEIR TIME** to support our communities

We also completed our funding for the charity partnerships supporting our vision to Reconnect London with the River Thames. These partnerships which completed at different times during the past two years, covered different aspects of river connection for communities: leisure with London Youth Rowing; heritage with the Museum of London Archaeology; and environmental understanding and protection, with Thames21 and the Creekside Centre. Impact reports on all four of them are on our ***website***.

In autumn 2022 we developed a support package to help our 35 charity and community partners with the cost-of-living crisis. We funded mental health and financial wellbeing training for their staff and gave 17 small grants for those with a community-facing space to help with increased energy bills. We gave a total of £19,186 in charitable donations as well as £3,275 worth of in-kind donations. Staff across the project raised £29,309 for charity, including more than £11,000 in the 'Oarsome Challenge', a 16-mile row on the Thames through central London.

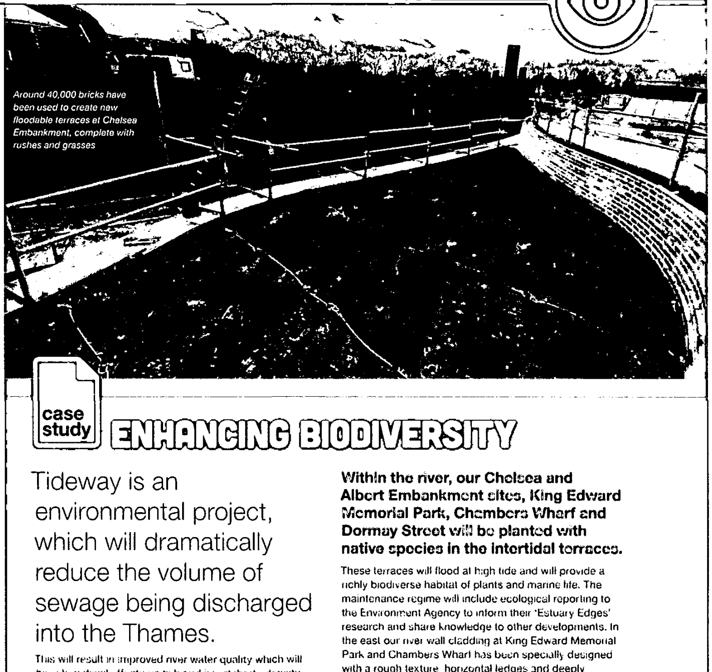
STEM ENGAGEMENT

Our programme to inspire young people into STEM was completed during the year.

Our staff exceeded the volunteering target set for this legacy commitment at the start of the project, with 3.2 hours per 3 FTE year to date compared with a target of 1 hour/3 FTE.

Since the start of the project we have supported **98,646 YOUNG PEOPLE** and **442 SCHOOLS** & other educational organisations

From the start of the programme in August 2015 until it ended in March 2023 our teams volunteered **15,870 HOURS** to inspire young people in Science, Technology, Engineering and Maths (STEM) careers.



Around 40,000 bricks have been used to create new floodable terraces at Chelsea Embankment, complete with rushes and grasses

case study

ENHANCING BIODIVERSITY

Tideway is an environmental project, which will dramatically reduce the volume of sewage being discharged into the Thames.

This will result in improved river water quality which will have beneficial effects on fish and invertebrate density and abundance. Through our design process we have also sought to enhance biodiversity through the structures we are creating.

Most of our kiosks, which are home to the mechanical and electrical equipment required to operate the tunnel, support biodiversity through the inclusion of biodiverse roofs, as do our two large raised shafts at Greenwich and Earl Pumping Stations in East London. At our Barn Elms site in west London a bug hotel wraps around the kiosk, providing vital refuge for insects.

Within the river, our Chelsea and Albert Embankment sites, King Edward Memorial Park, Chambers Wharf and Dormay Street will be planted with native species in the intertidal terraces.

These terraces will flood at high tide and will provide a richly biodiverse habitat of plants and marine life. The maintenance regime will include ecological reporting to the Environment Agency to inform their 'Estuary Edges' research and share knowledge to other developments. In the east our river wall cladding at King Edward Memorial Park and Chambers Wharf has been specially designed with a rough texture, horizontal ledges and deeply recessed niches to encourage colonisation by flora and microorganisms, and walls elsewhere use rough textures and timber fenders to enhance ecological value.

Further information on this and our Community Investment and STEM programme can be found in our Sustainability Report.

Company & 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.

2022/23 MEASURE

Employee diversity*
Percentage of women within Tideway at 31 March

Target	40%
Actual 2022/23	33%
2021/22	36%
2020/21	36%
2019/20	36%
2018/19	34%
2017/18	36%

Preserving a values driven, skilled, diverse and engaged workforce

Target	Subjective
Actual 2022/23	Green
2021/22	Green
2020/21	Green
2019/20	Green
2018/19	n/a
2017/18	n/a

PERFORMANCE

We returned to a full engagement survey in 2022 to get a sense of how our people were feeling post pandemic and with hybrid working. We are still performing well, with our scores close to our 2021 full survey results.

PERFORMANCE ENGAGEMENT SURVEY

	2022/23 Favourable	2021/22
Tideway is open and honest in its communications with employees?	83%	85%
I am treated with respect as an individual?	90%	93%
Tideway values and promotes diversity?	89%	89%

DIVERSITY AND INCLUSIVITY

TIDEWAY'S ACTIVE STAFF NETWORKS LGBTQ+, GENDER, RACE, DISABILITY AND CARERS, HELP DRIVE AND SET OUR DIVERSITY AND INCLUSION AGENDA.

We missed our target of 40 per cent women on the project but we continue to focus on support to working women on the project, including blind recruitment, mentoring, coaching, targeted development activities, and using our inhouse inclusivity champions to ensure that no bias is present in internal activities; recruitment, succession planning, and appraisal moderation.

Headcount as at 31 March 2023*	2019 Female	2019 Male	2019 Total	2020 Female	2020 Male	2020 Total	2021 Female	2021 Male	2021 Total	2022 Female	2022 Male	2022 Total	2023 Female	2023 Male	2023 Total
Board**	2	11	13	1	12	13	1	12	13	1	12	13	1	11	12
Senior Management	18	22	40	19	23	42	14	21	35	14	17	31	10	17	27
Other Employees	128	250	378	125	226	351	109	191	300	90	168	258	78	158	236
Total *	148	283	431	145	261	406	124	224	348	105	197	302	89	186	275

* Includes Tideway employees and our project management contractors (Jacobs) and Shareholder Directors
** Includes shareholder Directors

TALENT

We annually review our succession plans to ensure that we understand our strength at a senior leadership team level and identify those individuals who have potential to progress within the organisation or due to the nature of the project, externally.

Other recognitions during the year included:

- CVB winning the *Skills and Workforce Initiative award* at the 2022 Water Industry Awards
- Tideway was a *Race Equality Week* spotlight company

Apprentices

Aim	Year Average	Project to date
1 in 50	1 in 32	1 in 29

People with convictions

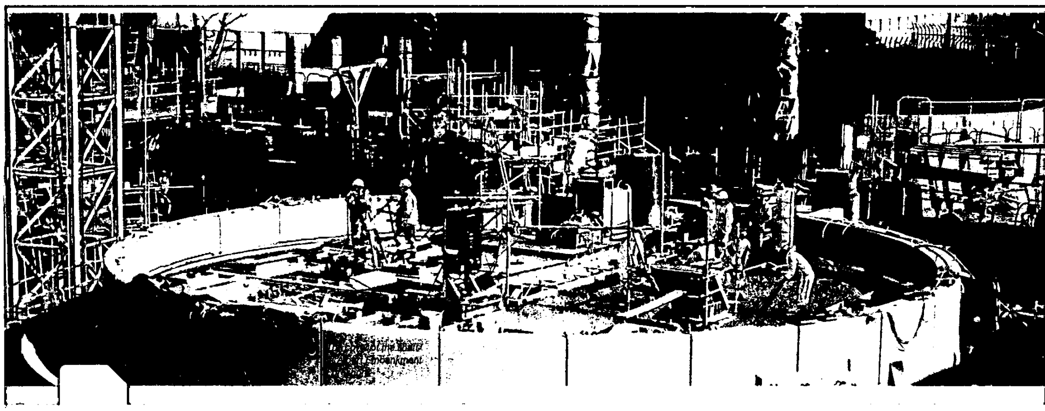
Aim	Year Average	Project to date
1 in 100	1 in 353	1 in 149

Residents across 14 london boroughs

Aim	End of Year
25%	25%

* We assess our performance based on a number of indicators, including engagement survey and demographic data and agree our assessment with our Remuneration Committee.

Company & People



case study

Many people with a previous conviction find it very hard to get a job – just 17 per cent are in salaried employment a year after release, according to the Government.

Tideway recognised that the scale of the project created an opportunity to tackle this issue and to show leadership within construction. Tideway established an ambitious target that 1 in every 100 jobs on the project would be filled by a person with a previous conviction We signed up to the Ban the Box campaign in 2016 and removed any tick box from job application forms that asked about criminal convictions. We also worked with charities such as Bounce Back, Key4Life and Thames Reach to advertise roles on the project to people with a previous conviction.

Up to September 2022, when we closed-out the legacy commitment for this area, we provided sustained employment (i.e. for more than 26 weeks) for a total of 37 people with convictions. This 1 in 149 ratio was below our target of 1 in 100 – but the depth of this impact is significant; our impact assessment showed that it has a social value of £2.3 million.

Tideway also had a series of initiatives to support our commitment:

- We transferred unused Apprenticeship Levy funds to A Fairer Chance, a London-based Community Interest Company (CIC) which works to help those with experience of the criminal justice system. We funded two apprenticeships which helped the apprentices, through the work they did, and indirectly helped other people with convictions into employment.
- We collaborated with the Corbett Network, that works with those in prison and after release, to create a Legacy Fund which gave grants to three organisations including a grant to the Hardman Trust to support six to eight Londoners to get into the construction industry – funding tools, training courses and tailored one-to-one support.
- Tideway staff ran workshops in prisons designed to grow the confidence of inmates and teach skills needed to apply for jobs, such as interviewing and CV writing.

Read more *here*.

We signed up to the Ban the Box campaign in 2016 and removed any tick box from job application forms that asked about criminal convictions.

REPORT FROM DESIGNATED NON-EXECUTIVE DIRECTOR BARONESS MCGREGOR-SMITH

As I enter the fourth year in my role as the designated non-executive director representing workforce matters, I am pleased to report that Tideway continues to maintain a supportive and inclusive culture.

Meeting with the Employee Forum representatives allows me to understand not only how Tideway's policies and practices support the team, but also how the culture underpins the way the company operates and responds. The last 12 months have seen unprecedented financial challenges for many with high levels of inflation impacting individuals daily. I am pleased to note that actions taken by the company to help alleviate this through a temporary cost of living allowance was well received. As the organisation evolves into the next phase, working with the Employee Forum, who are briefed and consulted on, potential future changes provides effective feedback and valuable insight for the Board and executive management; whilst individuals may seek more information and clarity on what the future look may look like for them personally, I am re-assured that no major issues have been reported and management are responsive to questions as they arise.

As open dialogue and respect are key to the process of implementing organisation change, I am pleased that the staff engagement survey results continue to remain high in these areas as detailed in the Company and People section and there has been no reduction in delivering an effective D&I agenda. I also note that we have made year on year improvements to our gender and ethnicity pay gap, as detailed in the governance section of our remuneration committee report. A good achievement for a small organisation that has limited opportunity to make changes through recruitment.

The Board is committed to hearing the views of staff as the project progresses and I'd like to say thank you to the employee representatives who have taken part in our engagement activities this year.

Designated Non-Executive Director
Baroness McGregor-Smith

Baroness Ruby McGregor-Smith
24 August 2023

[1] We assess our performance based on a number of indicators, including engagement survey and demographic data and agree our assessment with our Remuneration Committee

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 IRR and shareholder distributions in line with the financing plan.
- Liquidity and investment management – continue to focus on capital preservation and liquidity and seek to optimise return.
- Conclude consultations and Licence modifications with Ofwat and DEFRA relating to Covid-19's impact on schedule specifically extending the System Acceptance date.

2022/23 MEASURE

Company credit rating	
Target	Actual
Baa1/BBB+	Baa1/BBB+

Distribution	
Target	Actual
Achieve 2022/23 financing plan	In line

Liquidity	
Target	Actual
12 months liquidity	29 months liquidity

Licence Consultation	
Target	Actual
Finalise Licence changes related to extended System Acceptance date	Achieved

PERFORMANCE
We achieved all our financing priorities for the year. Tideway's licence was amended to reflect the agreed schedule impact of Covid-19. The Planned System Acceptance Date was changed from February to August 2027. With respect to our financing, we received £323m of deferred funding in the year and £66m since the end of the financial year.

The Revolving Credit Facility (RCF) is a sustainability-linked loan which includes a rebate linked to a sustainability key performance indicator (KPI) of meeting at least 85% of the live legacy commitments. This year we exceeded the target by meeting 92 per cent of the live commitments. The savings were used to partly fund Tideway's contribution to Our Space Awards for London communities to green their neighbourhoods. The RCF remained undrawn during the year. Cash and liquidity continued to be managed effectively and prudently, in accordance with our Investment Management Strategy.

Debt covenants remain in line with our financing plan and fully compliant with our financing agreements, with Net debt/Adjusted RCV (gearing) at 67.0% (the trigger level is 70%, the covenant is 80%) and Interest Coverage Ratio at 4.8x (covenant is 1.3x) as at 31 March 2023.

Tideway has secured total committed debt funding of £3,167m. Of these committed debt facilities, £2,941m has been settled and the funds have been received, £66m has been received since the end of the financial year and the £160m RCF is still undrawn. Our multi-format debt platform supports the raising of long-term debt via structural enhancements that include a bankruptcy-remote structure and a package of covenants and restrictions protecting cash flows. The debt platform includes a multi-currency bond programme which sits in Bazalgette Finance plc and is listed on the regulated sustainable market of the London Stock Exchange.

Debt £m	RCF	EIB Loan	RPI Bonds	RPI Loan	CPI Bonds	Nominal Debt	Totals
Drawn	0	700	866	100	350	925	2,941
Undrawn	160	0	66	0	0	0	226
Total	**160**	**700**	**932**	**100**	**350**	**925**	**3,167**

TREASURY POLICY
Tideway's treasury policy incorporates the corporate objective to finance the company while minimising risk. Our target is to maintain a robust investment grade credit rating. We manage our financing activities within the parameters set in the Government Support Package, the financing documents, and the Licence.

SUSTAINABLE FINANCING
Our sustainable financing strategy aligns Tideway's financing both with the long-term target of cleaning the river and with the significant ESG efforts during construction which have been captured in Tideway's legacy commitments. All bonds issued to date are green and are listed in the London Stock Exchange Sustainable Bond Market. Tideway's total green debt issuance stands at £1,907m, which includes the bonds and a £75m green US private placement. The £160m RCF is structured as a sustainability-linked loan.

The sustainable financing strategy is supported by the Sustainable Finance Framework which was updated in 2023. It is aligned with the International Capital Markets Association (ICMA) Green Bond Principles and the Loan Market Association (LMA) Green Loan Principles, as well as with the LMA *Sustainability Linked Loan Principles. Our Sustainable Finance Framework is available on our* ***website***.

Our Sustainability Report combines our previous Sustainable Finance and Climate-related Financial Disclosure reports. This report shows the progress against our legacy commitments and is aligned with the United Nations Sustainable Development Goals at target level. It also includes information for investors on the allocation of proceeds and impact of the project in line with ICMA's Green Bond Principles and LMA's Sustainability-linked Loan Principles as well as describing how our climate change disclosures align with the Taskforce on Climate-related Financial Disclosures (TCFD).

Our bond programme and the bond series issued under it are covered by a Green Transaction Evaluation from S&P Global ratings which was updated in February 2022 giving us an Environmental benefit score of 95/100 and a governance and reporting opinion rated as advanced. It is published on our ***website***.

HEDGING
Tideway has entered into long-term swaps with commercial banks to hedge the interest rate for tranches one to eight of the £700m EIB loan and £70m of the £300m US Private Placement notes. These transactions were completed in previous financial years and no swaps were executed in 2022/23.

DISTRIBUTIONS
At Licence Award our shareholders committed a total of £1,274m in the form of £509.7m in equity and £764.5m as shareholder loans. This amount has been fully injected into Tideway and investments are being debt financed now. As a result, our gearing is increasing to our target capital structure as we deliver our investment programme and risks are gradually retired.

Prior to System Acceptance, Tideway will not generate distributable profits and as such it will not be able to pay dividends to its shareholders. As a result, during construction Tideway's shareholders receive a cash return on their investment through a combination of payments of interest on the loan and partial repayments of those loans, which now stand at £636.1m. This mechanism was put in place during the Infrastructure Provider equity procurement process run by Thames Water and overseen by Ofwat and the UK Government and was key to achieving the low cost of capital bid by our shareholders. Ultimately, Thames Water's wastewater customers benefit from the low cost of capital achieved through the procurement through a lower charge in their bills.

The total distributions paid in the year were £20.8m (£29.7m in 2021/2022).

LIQUIDITY
At 31 March 2023, we had total liquidity of £549m (£1bn as at 31 March 2022), comprising £323m of unrestricted cash and short-term deposits, the £160m undrawn RCF and a £66m undrawn bond. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12 month target, including all liquidity required to the project handover.

CREDIT RATINGS AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ASSESSMENTS
Fitch affirmed the credit rating at BBB+ with a stable outlook. Moody's maintained the Baa1 rating with stable outlook. S&P Global Ratings completed an updated Environmental, Social and Governance Evaluation of Tideway. Tideway achieved a score of 77/100, a one-point uplift from the previous assessment in 2022.

INVESTMENT MANAGEMENT
We maintained substantial cash balances throughout the period, averaging £553m per daily close. We managed these cash balances by adhering to the set limits and criteria of our approved investment management strategy, prioritising the preservation of principal, ensuring adequate liquidity and striving to optimise the yield.

Financial Performance Review

ACCOUNTING POLICIES

The Company 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 financial statements are prepared in accordance with the historical cost accounting convention except where IFRS requirean alternative treatment. Our key accounting policies are outlined in note 1 to the financial statements.

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 year, Tideway reported a profit of £144.6m (2021/22: £10.9m loss), with no dividends paid or proposed (2021/22: £nil). We did not recognise any taxable profits in the period (2021/22: £nil) and the resulting corporation tax charge for the period was £nil (2021/22: £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. Note 11 to the financial statements provides more detail on the financial instruments.

We have made a 'disregard election' to HMRC which means that any gains or losses arising from the movement in the fair value will be disregarded for current tax purposes (the Tax section later in this ***Financial Performance Report*** provides more details).

STATEMENT OF FINANCIAL POSITION

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

Asset Under Construction (£m)	Year Ended 31 March 2023	Year Ended 31 March 2022
Net Book Value Brought Forward	4,016.3	3,230.6
Additions (Capitalised Costs)*	815.7	785.7
Net Book Value Carried Forward	**4,832.0**	**4,016.3**

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

At 31 March 2023, costs of £4,832.0m were capitalised within the asset under construction in the Statement of Financial Position. This represents £815.7m costs during the year and £4,016.3m for the prior periods to 31 March 2022.

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

Analysis of Capitalised Costs (£m)	Year Ended 31 March 2023	Year Ended 31 March 2022
Direct Costs	401.0	524.0
Indirect Costs	58.6	61.5
Total Allowable	459.6	585.5
Excluded Costs	356.1	200.2
Total Capitalised Costs	**815.7**	**785.7**

DIRECT COSTS

Direct costs are primarily the Main Works Contractor costs and the System Integrator contract so reflect costs directly related to the tunnelling programme such as primary tunnelling and secondary lining works and other related construction activities such as shaft construction and marine works. The direct costs are lower than 2021/22. This is due to the construction of main tunnels been substantially completed in 2021/22.

INDIRECT COSTS

The largest indirect cost is Resource Costs of £43.5m (2022: £45.9m). This represents the cost to employ an average of c252 Full Time Equivalents (FTEs) (2021/22 c286 average FTEs) either employed or contracted by the Company. Other Indirect Costs totalled £15.1m (2022: £15.6m) in the year and this includes the cost of information systems, insurance, GSP, office and other running costs. Indirect costs have reduced compared with 2021/22 as the project comes closer to completion.

EXCLUDED COSTS

The Excluded costs (on an accruals basis) for the year ended 31 March 2023 were £356.1m (2022: £200.2m). These comprise £364.1m (2022: £197.3m) of interest expense (including shareholder loan interest), £3.2m (2022: £3.4m) of costs which mainly relate to financing, partly offset by £11.2m (2022: £0.5m) interest income. Excluded costs are significantly higher than 2021/22 mainly from the impact of higher inflation on existing index linked debt. Excluded costs project to date do not form part of the EAC value.

Financial Performance Review

COSTS AND NET CASH OUTFLOW COMPARISON

The table shows both the Allowable costs and Excluded costs and the equivalent Allowable Project Spend and Excluded Project Spend.

Analysis of Project Costs and the Equivalent Net Cash Outflows (£m)	Year Ended 31 March 2023			Year Ended 31 March 2022		
	Costs	Timing Differences	Cash Outflow	Costs	Timing Differences	Cash Outflow
Direct Costs	401.0	51.5	452.5	524.0	(48.6)	475.4
Indirect Costs	58.6	(1.4)	57.2	61.5	(6.1)	55.4
Total Allowable	459.6	50.1	509.7	585.5	(54.7)	530.8
Excluded Costs	356.1	(288.5)	67.6	200.2	(136.4)	63.8
Total	**815.7**	**(238.4)**	**577.3**	**786.7**	**(191.1)**	**594.6**

For the year ended 31 March 2023. our Allowable Project Spend of £509.7m is £50.1m higher than the Allowable costs of £459.6m. The Excluded Project Spend outflow of £67.6m is £288.5m lower than the Excluded costs of £356.1m. This is mainly due to accretion costs on our debt for which the associated cash flow will not occur until the future.

NET DEBT AND FINANCING

Net debt at 31 March 2023 was £3.287.0m. which was *£820m higher than the £2.467.0 net debt at 31 March 2022.*

The table (below) compares the movements in net debt:

Net Debt (£m)	Year Ended 31 March 2023	Year Ended 31 March 2022
Cash*	107.5	333.7
Borrowings**	(3,393.1)	(2,797.3)
Lease Liabilities	(1.4)	(3.4)
Net Debt	**(3,287.0)**	**(2,467.0)**

** Cash excludes short term deposits*

*** Borrowings exclude the shareholder loans*

At 31 March 2023, the Company's total borrowings were *£4,229.2m being £836.1m of shareholder loans and £3,393.1m* of other borrowings which include third party borrowings and intra group debt.

Tideway has sufficient liquidity to cover project costs to Handover.

CASH

Cash and cash equivalents at 31 March 2023 was £107.5m, which was £226.2m lower than the £333.7m cash and cash equivalents at 31 March 2022. The table below shows the movement in cash:

Cash Flow (£m)	Year Ended 31 March 2023	Year Ended 31 March 2022
Cash generated from operations before changes in working capital	-	-
(Increase) in trade and other payables	(45.5)	8.1
(Decrease) in trade and other receivables	(5.9)	(10.5)
Increase in advance payment liability	86.7	72.9
Net cash from operating activities	**35.3**	**70.5**
Construction of infrastructure asset	(507.7)	(583.7)
Transfer to short-term deposits	(75.0)	(90.0)
Net cash used in investing activities	**(582.7)**	**(673.7)**
Proceeds from new borrowings	323.2	607.8
Repayment of lease liabilities	(2.0)	(2.1)
Net cash from financing activities	**321.2**	**605.7**
Net (decrease)/increase in cash and cash equivalents during the period	**(226.2)**	**2.5**
Cash and cash equivalents at the start of the period	333.7	331.2
Cash and cash equivalents at the end of the period	**107.5**	**333.7**

Net cash flows from operating activities of £35.3m (2022: £70.5m) represent movements in working capital and are mainly driven by timing of payments to our Main Works Contractors 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 £582.7m (2022: £673.7m) show the gross cash outflows used in constructing the Thames Tideway Tunnel as well as movements to short-term deposits which represent money market funds where cash is held on deposit.

The net cash inflows from financing activities of £321.2m (2022: £605.7m) are largely the result of £323.2m proceeds from new borrowings (£265.4m index linked bonds, and £57.8m fixed rate loans), partly offset by £2.0m repayment of lease liabilities.

Financial Performance Review

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 Operations Interest Cover Ratio (FFO ICR) and report compliance with certain thresholds in specified circumstances. The performance of the two ratios for 2022/23 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%.

2022/23 performance = 67.0%

2021/22 performance = 62.7%

	Senior RAR		31 March 2023	31 March 2022
A	Net Debt – per CTA		3,065.4	2,316.2
B	RCV – per CTA[1]		4,576.9	3,691.6
C	Senior RAR	A/B	67.0	62.7%

[1] *RCV is per the CTA definition not the Regulatory Accounts definition*

The table provides a reconciliation to the net debt in the financial statements:

Reconciliation to reported net debt (£m)	31 March 2023	31 March 2022
Net Debt – per CTA	3,065.4	2,316.2
Short-term deposits	220.0	145.0
Other adjustments[1]	1.6	5.8
Reported Net Debt	3,287.0	2,467.0

[1] *Adjustments include Premium on £75m bond (series 17) and Premium on £150m bond (series 13), partly offset by Discount on £250m bond (series 11) and Discount on £300m bond (series 18)*

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.

2022/23 performance = 4.8 times

2021/22 performance = 4.5 times

	FFO ICR		31 March 2023	31 March 2022
D	Net Cash Flow – per CTA		75.8	71.8
E	Debt Interest – per CTA		15.7	16.1
F	FFO ICR	D/E	4.8	4.5

The table provides a reconciliation of Net Cash flow and Debt Interest to the financial statements.

Reconciliation to the Financial Statements (£m)	31 March 2023	31 March 2022
Increase in advance payment liability[1]	86.7	72.9
VAT adjustment per CTA	(10.9)	(1.1)
Net Cash Flow for CTA	75.8	71.8

Reconciliation to the Financial Statements (£m)	31 March 2023	31 March 2022
Net interest (exc. shareholder interest)	15.4	15.7
Commitment fees paid	0.3	0.4
Debt Interest – per CTA[2]	15.7	16.1

[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*

REVENUE

Within the financial statements, all regulated revenue is deferred in the Statement of Financial Position, in line with our revenue recognition accounting policy. During the year, we received cash inflows of £86.7m (2021/22: £72.9m) from revenue, which includes some revenue from prior years.

TAX

The Directors are responsible for ensuring that we comply with tax laws in the UK, which is the only territory we undertake our business activities in. We are committed to complying with tax laws in a responsible manner and to having open and constructive relationships with the tax authorities.

The scope of our business activities in the UK mean that we are subject to the scope of corporation tax, employment taxes, Value Added Tax (VAT) and other taxes such as environmental levies related to our project activities. Consequently, the Directors are responsible for ensuring that we calculate, collect and pay the appropriate taxes to HM Revenue & Customs and as a result the taxes we pay make an economic contribution to the UK. We believe we are compliant with all applicable UK tax legislation and pay the correct taxes on time and in full.

During the construction phase of the project, we anticipate that we will not pay any Corporation tax. This is because the tunnel we are building is an asset that will not be ready for economic use until it is fully operational. The System Acceptance date is when Thames Water will accept the tunnel for operational use. The significant amounts of expenditure we incur in construction go towards the development of that asset.

We do receive regulated revenue payments from Thames Water during the construction phase, however we do not recognise these as revenue in the Income Statement. This is because the performance obligations for recognition of this revenue will not be met and fulfilled until the System Acceptance date. This effectively means the recognition of revenue is matched to the same period where economic value can be obtained from the tunnel.

Our Income Statement does recognise profits and losses from the valuation of derivative financial instruments. As a result of the potential volatility of such items and because they are forward looking in nature, HMRC allows companies to take an exemption which effectively removes them the calculation of taxable profit or loss.

As a result of the accounting implications of the above, our Income Statement is unlikely to have taxable profits during the construction phase. This is in line with expectations at the time Tideway was procured and customers benefit in full from lower bills as a result of this. In the post construction taxation periods when the Tunnel asset is fully operational, we expect this position to change.

TAX STRATEGY

Tideway's commitments on tax and adherence to them are underpinned by the tax strategy which is based on the following principles:

1. **Tax planning and compliance:** We will engage in tax planning that supports our business and reflects commercial and economic activity. We will not engage in artificial tax arrangements and will adhere to relevant tax laws and seek to minimise the risk of uncertainty or dispute. Tideway is part of the Bazalgette Equity Limited Group, of which all members are domiciled in the UK. We consider the interaction with company members when we implement our tax policies.
2. **Relationship with HM Revenue & Customs (HMRC):** We will seek to build and maintain a constructive relationship with HMRC. We will work collaboratively wherever possible with HMRC to resolve disputes and to achieve agreement and certainty. We will engage with the government on the development of tax laws where we can and where the tax law change is relevant to Tideway's business activities.
3. **Transparency:** We support measures that build greater transparency, increase understanding of tax systems and build public trust.
4. **Tax risk management:** We identify, assess and manage tax risks and account for them appropriately. Risk management measures are implemented including controls over compliance processes and monitoring of effectiveness.
5. **Governance:** The Chief Financial Officer (CFO) is responsible for and implements our approach to tax, which is reviewed and approved by the Audit and Finance Committee. The CFO is also responsible for ensuring that appropriate policies and procedures are in place and maintained and that the financial control team, with specialist external support as necessary, has the appropriate skills and experience to implement the approach effectively.

The publication of this strategy is considered to constitute compliance with the duty under paragraph 16(2) Schedule 19 Part 2 of the UK Finance Act 2016.

Risk Management

Our ability to deliver positive outcomes for our stakeholders depends on our risk management which is embedded in our culture and is central to achieving our objectives and priorities.

We have implemented a framework which gives us a defined process for identifying, analysing and controlling both corporate and project delivery risks. We actively monitor risks held on our 'Active Risk Manager' database. This includes quantification of project risks, and the potential cost and impact to the schedule and allows us to challenge the effectiveness of our mitigating actions.

RISK MANAGEMENT FRAMEWORK

Our risk management approach ensures that we monitor and review the external environment and the uncertainties we face to ensure that we can respond appropriately to external changes, mitigate risks where we can and keep our project on track. We consider the emerging issues that may impact the project's future as part of our annual business planning.

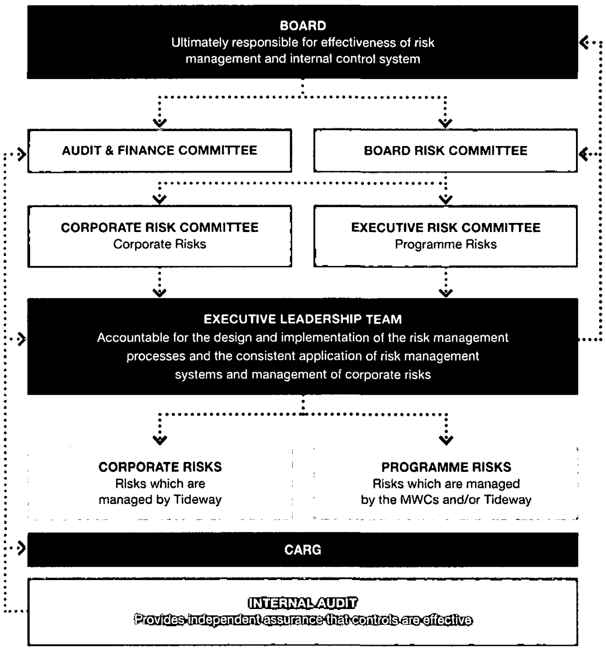
The Board Risk Committee reviews our principal risks and risk management processes and reports its findings to the Board. It considers:

- Corporate risks, those that might impact on the financial and reputational viability of the company.
- Programme risks, which impact the physical delivery of the tunnel and associated works.
- Principal risks, which bring together the corporate and programme risks that have the potential for the most material impact on the business.

The Board Risk committee is supported by a Corporate Risk Committee and an Executive Risk Committee that considers the programme risks across the West, Central and East areas as well as System Integrator and System Commissioning risks.

The Compliance and Assurance Review Group (CARG) is a CEO-led group focused on reviewing the Company's activities, both as the client or through the PM and MWCs. It applies the three lines of defence model, to review the appropriateness and compliance with our controls and assurance activities.

OUR RISK MANAGEMENT FRAMEWORK



PRINCIPAL RISKS

We assessed our principal risks regularly, updated our mitigations throughout the year and implemented changes to manage our risk exposure.

We considered whether there were material changes to increase or decrease our risk exposure. There are eleven principal risks across nine categories and each is assessed against its target level.

The risk exposure of one risk was increased, the Thames Water Performance, Risk 8, the increase reflects the criticality of Thames Water to the project and its timescales over the coming year such as collaborating to approve the initial System Commissioning Plan.

OUR RISK APPETITE

Tideway's risk appetite remains unchanged. To manage the risks we face, we define our risk appetite, which is the level of residual risk that we are ready to take. Although this appetite recognises the agreements that underpin our delivery model, such as our Licence and the Government Support Package, our Board can further refine the residual risk through the strategies it sets.

Tideway's risk policy is to target an overall Company risk profile consistent with an independent UK regulated water company. This reflects our Board's risk appetite which is low and the importance of resilience. The Board's appetite for risk has been at the core of the main strategic decisions that it has taken to date.

CLIMATE RELATED FINANCIAL DISCLOSURES

For the third year, we continue to report our climate disclosures in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In our ***Sustainability Report***, we have made disclosures that align with TCFD recommendations.

Risk Management *Principal Risks*

1 HEALTH, SAFETY & WELLBEING

OVERALL

Description
The health, safety and wellbeing of our employees and the public is paramount. There is a risk that incidents could cause harm to individuals and delay progress.

Effect
A safety failure could cause injury, affect health and wellbeing or lead to loss of life. A single serious event or multiple events could also lead to delays or stoppages that could prevent us meeting our time and cost targets.

Mitigation
Our RightWay programme, aligned to the delivery programme, includes the RightStart approach with the very best facilities and arrangements on-site. We are also continuing and developing our EPIC programme, mandated for all people working on our sites.

Several working groups have been established to identify how to manage emerging risks associated with MEICA works, increased interaction with Thames Water networks and architecture and landscaping e.g. Safe Asset Access Working Group a collaborative forum of MWC, Thames Water, PM and Client.

Relevant Objective
HEALTH, SAFETY & WELLBEING

Commentary*
NO CHANGE IN RISK LEVEL

MARINE

Description
There is a risk that a single marine incident could lead to multiple persons being affected or harmed and delay progress.

Effect
A safety failure could cause damage to third party assets, injury, affect health and wellbeing or lead to loss of life. A single serious event or multiple events could also lead to delays or stoppages that could prevent us meeting our time and cost targets.

Mitigation
Tideway continues to monitor marine risks and has implemented a Marine Assurance Plan and Marine Safety Action Plan. Inspections and surveillance both on vessels and from riverbanks and bridges ensure compliance with Tideway requirements.

Relevant Objective
HEALTH, SAFETY & WELLBEING

Commentary*
NO CHANGE IN RISK LEVEL

2 PROGRAMME DELIVERY

Description
We are delivering a capital investment programme of £4.5bn. While there is experience of delivering similar projects in London, it is possible that the construction could take longer than planned and/or cost more.

Effect
A delay in delivering the tunnel would delay Londoners' benefits from the project and could attract regulatory enforcement.

Cost increases above the regulatory baseline would increase charges to those customers receiving wholesale services from Thames Water's, increase financing requirements and reduce returns for our investors.

Mitigation
Our approach to working with our contractors will help us to deliver the programme on time and to budget.

This includes:
- World-class contractors, with experience of major infrastructure / tunnelling projects in London.
- Contracts that transfer certain risks to our contractors who are better placed to manage them.
- An integrated, proactive approach to risk management with a focus on the transition to new phases of work including MEICA, architecture/landscaping and testing and commissioning.
- Commercial settlements to ensure the contractors remain focused on delivery, quality and driving costs down.
- The Programme Manager will continue holding deep dive schedule reviews across all sites to reconfirm the schedule and ensure risks are actively managed.
- As works complete across West and Central sites, lessons are shared with East to de-risk the critical path to commissioning.

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary*
NO CHANGE IN RISK LEVEL

3 SUPPLY CHAIN FAILURE

Description
Our delivery strategy is based on outsourcing works. Our ability to deliver therefore depends on our contractors' performance.

Effect
If our contractors do not deliver at the standards we expect, we may not be able to deliver our investment programme on time and on plan.

Mitigation
The procurement process ensured our contractors were technically excellent and financially strong, and limited our exposure to any one contractor. Within each consortia the contractors are joint and severally liable; the contracts also contain step-in rights, whereby one consortia could replace another, which helps mitigate against financial failure.

Relevant Objective
SCHEDULE, COST & QUALITY

Commentary*
NO CHANGE IN RISK LEVEL

4 HILP – HIGH IMPACT, LOW PROBABILITY EVENTS

Description
Major investment programmes are complex and challenging, and we could suffer incidents that were highly unlikely but have a significant impact. These could affect the tunnel or assets belonging to others.

Effect
HILP events could have a significant effect on cost, schedule, health and safety or our reputation. Their financial impact could exceed our insurance cover, damaging our financial position and our ability to deliver the tunnel.

Mitigation
We minimise the chance of these events occurring by using best-in-class design, programme management and appropriate construction techniques. Our contractors have extensive experience of similar projects in London and conduct detailed Readiness Reviews before the commencement of major activities.

We also mandate compliance with the Joint Code of Practice for Risk Management of Tunnelling Works in the UK. In the unlikely event that we make a claim that exceeds the limits of our insurance, the GSP provides support. With Tideway completing primary lining approximately half of the HILP risks have now been retired.

Relevant Objective
HEALTH, SAFETY & WELLBEING
COMPANY & PEOPLE
SCHEDULE, COST & QUALITY
FINANCING
VISION, LEGACY, & REPUTATION

Commentary*
NO CHANGE IN RISK LEVEL

5 CREDIT RATING

Description
Adverse operational or financial performance, or factors external to the Company, could result in a credit rating downgrade.

Effect
The loss of an investment grade credit rating would affect our ability to raise debt, prevent distributions and would be a breach of our licence.

Mitigation
We have a robust delivery model, within a regulated framework, and a GSP.

We maintain a conservative financial profile and actively manage risks. We regularly engage with rating agencies. The credit ratings remain two notches above licence and financing documents covenants.

Relevant Objective
FINANCING

Commentary*
NO CHANGE IN RISK LEVEL

* *Compared to previous year*

Risk Management *Principal Risks*

6 INFLATION

Description

There is a risk of inflation that is lower than *assumed in our business plan or that the* Retail Price Index (RPI) reform impacts Tideway's business.

Effect

Our RCV is indexed to RPI until 2030, and lower inflation would reduce nominal cash-flows and returns which are directly linked to RPI.

Mitigation

Tideway has issued 75 per cent of its long-term debt indexed to RPI and Consumer Prices Index (CPI). Reductions in revenue due to low inflation would therefore be partially offset by reductions in interest cost. *The resulting correlation between* nominal RCV and nominal debt will help to protect interest cover ratios and equity returns. The current level of inflation has reduced the risk in the short term.

The RPI reform will be implemented from 2030 with RPI converging to Consumer Prices Index including owner occupiers' housing costs (CPIH), at which time Tideway's licence will have transitioned to CPIH indexation, with the similar timetable to transition into CPIH being a positive development for Tideway.

Relevant Objective
FINANCING

Commentary*
NO CHANGE IN RISK LEVEL

7 REPUTATION

Description

We are particularly focused on the risk that *poor performance on our sites, on the river* or with our neighbours could damage our reputation and support.

Heightened scrutiny of major projects (costs and programme) means this is a greater risk for Tideway.

Effect

The loss of support from our neighbours or consent granting bodies could lead to delays and higher costs.

Mitigation

We actively develop relationships with key stakeholders. For example, through our Community Liaison Working Group we seek to find the best ways of addressing neighbours' concerns, in advance of works happening.

The More by River strategy is a commitment to use the river wherever feasible to ease congestion and to promote the use of the river and the societal benefits the project.

Tideway delivers on a wide variety of community investment commitments which demonstrates Tideway's position as a responsible business.

We have established the Tideway brand as part of our efforts to build trust and communicate the legacy and long-term benefits we aim to deliver.

We have adapted our approach to take account of changes in the public policy environment, including the increase in awareness of the issue of sewage pollution and river health.

Relevant Objective
COMPANY & PEOPLE
VISION, LEGACY & REPUTATION

Commentary*
NO CHANGE IN RISK LEVEL

8 THAMES WATER PERFORMANCE

Description

Thames Water is a key partner for Tideway. In addition to the Revenue Agreement, we have an Interface Agreement that governs several important interactions with Thames Water, including its delivery of the Thames Water Works during the construction period and access to the Thames Water network to facilitate Tideway works. This year we need to agree with Thames Water the System Commissioning Plan, which is crucial to successfully fulfilling the future Handover and Acceptance milestones.

Effect

Thames Water's failure to deliver its share of the works or support delivery of Tideway works could affect our ability to deliver our investment programme on time and on budget.

If Thames Water does not comply with the Revenue Agreement, it could have a financial impact.

Mitigation

Tideway and Thames Water have worked closely together through all key milestones to date and have developed a joint approach to System Commissioning, Handover and Acceptance.

Detailed planning of the works requiring access to the Thames Water network and System Commissioning is ongoing. The Alliance Agreement and Thames's regulatory settlement supports its commercial alignment with Tideway's interests.

The 'Strategic Intent' (to optimise the System Commissioning, Handover and System Acceptance of the TTT for the benefit of customers and the environment) has been jointly developed with Thames Water.

Thames Water has a licence obligation to pass revenues to Tideway under the Revenue Agreement. A licence breach by Thames Water is enforceable by Ofwat.

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary*
INCREASED EXPOSURE
Given the forthcoming crucial System Commissioning planning phase and increase in Thames Water interface points.

9 REGULATORY AND POLITICAL

POLITICAL CLIMATE

Description

Policy changes pursued by the Government may have legal, regulatory, reputational and relationship impacts on Tideway.

Effect

High levels of political, media and public focus on the negative impacts of sewage discharges may raise awareness of the need for the TTT. It could also increase scrutiny of Tideway's scope and schedule.

Any institutional reforms could affect Tideway's relationship with key stakeholders such as Defra and/or its legal and regulatory environment. Substantial legislative changes may create Defra resourcing challenges.

Mitigation

Mitigations include information gathering and relationship with political stakeholders, legal horizon scanning, and Defra/Ofwat engagement. Where appropriate we will highlight the benefits provided by the competitive bid process and Tideway model.

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary*
NO CHANGE IN RISK LEVEL

REGULATION

Description

Tideway must comply with regulatory requirements, including those in our licence granted by Ofwat. We also aim to meet other regulatory expectations, such as those set out in Ofwat's Vision and Strategy.

Effect

If we do not meet Ofwat's requirements, we could face enforcement including financial penalties or the loss of our licence. A revised regulatory framework could affect financial performance and investors' returns.

Failure to align with regulatory expectations could damage Tideway's relationship with Ofwat and other key stakeholders and potentially lead to new obligations.

Mitigation

Tideway's focus is on compliance, high performance, and positive regulatory relationships. We monitor regulatory expectations of companies as they are relevant to Tideway and respond appropriately.

Ofwat changed Tideway's licence in October 2022 to reflect the schedule impacts of Covid-19.

Tideway has a robust licence compliance procedure that minimises the risk of non-compliance. If any contravention does occur, we work closely with Ofwat to agree and deliver appropriate mitigations.

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary*
NO CHANGE IN RISK LEVEL

* *Compared to previous year*

Long-Term Viability Statement

The UK Corporate Governance Code requires company directors to state whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a long-term period.

To assess the Company's long-term viability, the Board has:

- identified the most appropriate period over which to make the assessment;
- evaluated the Company's current position and future prospects;
- considered the potential impact of principal risks (taking into account availability and effectiveness of risk mitigation plans) over the period and where appropriate, analysed the potential financial impact under a suitable set of sensitivities; and
- overseen the governance process, ensuring robust levels of assurance over the analysis, and drawn conclusions regarding the company's long-term viability.

APPROPRIATE PERIOD

The Board considers that it is appropriate to assess the Company's viability over the period to 2030, in line with Tideway's current regulatory period. This time horizon is supported by the progress made in the implementation of our investment programme to date and the significant de-risking of our financing plan achieved. This period extends beyond the forecast timeline for delivery of the Thames Tideway Tunnel and System Acceptance by Thames Water but is still covered by Tideway's planning horizon which extends to the end of the current regulatory period (2030). The Board is not aware of any specific relevant factors that would affect this statement beyond this period and therefore has no reason to believe the Company will not be viable over a longer period.

CURRENT POSITION AND FUTURE PROSPECTS:

The viability assessment takes into account our business and financing plan which is prepared as part of our annual planning process. Tideway has now raised £3.0bn of long-term financing since Licence Award. As of 31 March 2023, this represented 100 per cent of funding needs to Handover (second half of 2025) taking into account the available revolving credit facility. We expect to be able to raise new finance for any additional *funding needs in the period to 2030.*

POTENTIAL IMPACT OF PRINCIPAL RISKS:

Where appropriate during the year, we conduct sensitivity analysis on our financial model to stress-test the resilience of the Company and our business model to the potential impact of our principal risks, or a combination of those risks. For the purposes of this assessment, we have considered the likely impact of each principal risk on the Company's viability, taking into account the availability and effectiveness of risk mitigation plans and the measures we could realistically take to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, we take into account the Board's regular monitoring and review of risk management and internal control systems.

The Board confirms that it has conducted a robust assessment of the principal risks (considering availability and effectiveness of risk mitigation plans) facing the Company, including those that could threaten its business model, future performance, solvency and/or liquidity, and which are set out in the Principal Risks section of this report.

Tideway has nine principal risks and the scenario analysis (outlined in the table on the next page) has covered six of these. The three risks that have been excluded from the analysis are:

- HILP *events (apart from Covid-19 that has been included)* as it is considered too remote for meaningful quantification and substantially covered by commercial insurance and/or the Government Support Package;
- Credit Rating Risk: Our credit ratings have remained unchanged since Licence award at Baa1 by Moody's and BBB+ by Fitch, being two levels above the covenants in the CTA and Licence. The factors that could lead to a downgrade remain material construction delays or other significant delivery problems and unfavourable regulatory developments. The financial impact of any downgrade is indirectly captured in the programme delivery scenarios 1 and 2 (see the next page); and
- Reputational Risk as the financial impact cannot be quantified.

We have assessed the potential impact of the remaining six relevant principal risks on Tideway's viability by modelling several scenarios, which have been discussed and agreed by the Board. Before mitigations, we consider there are four key routes through which viability could be impacted: i) increases in the total costs of the project (including potential delays in the project as ultimately this will translate into a cost increase scenario), particularly if the Company were to bear a disproportionate share of these costs; ii) reduction in outturn inflation, iii) increase in interest rates and iv) an increase in bad debt:. For each of these routes, we have modelled scenarios representing impacts ranging from plausible downside to severe downside, as well as reviewing a scenario comprising the current estimate considered by the Board.

- Cost increase: Our current estimate of £4.5bn compares to our regulatory baseline of £3.5bn (£3.1bn in 2014/15 prices). For our plausible downside scenario, we modelled a 15% increase in the remaining costs to complete, taking the total to £4.57bn. This is consistent with our most recent internal scenarios. We consider a severe downside case to be a 20% increase in the remaining costs to complete, which equates to a total cost of £4.60bn.
- The Threshold Outturn is the limit up to which the Company will be required to fund expenditure. The GSP provides that the company may request that the Secretary of State provide contingent equity in respect of the cost overrun above the Threshold Outturn. Ofwat compares our total cost against the Threshold Outturn in 2014/15 prices and there is headroom in the plausible downside and severe downside scenarios of circa £230m (2022: £240m) and £190m (2022: £200m), respectively.
- High inflation is not a risk to Tideway as we receive higher revenue as the RCV increases with inflation. Therefore, for inflation risk we have modelled low inflation scenarios where outturn inflation is 1% and 2% lower than current expectations for 4 years, as well as a scenario of 0% average inflation in the period. The Bank of England policy response to current high inflation has led to higher interest rates. Therefore, we have also modelled scenarios where outturn interest rates are 1% and 2% higher than current expectations for 4 years, as well as a scenario of 4% higher through to 2030. These sensitivities have been run in isolation (i.e. without including the benefit from higher inflation) to show that the worst case scenarios have limited impact. This is due to Tideway having already raised significant long-term financing with only a relatively small proportion left to raise before 2030 and all the financing raised to date is in either an inflation linked or fixed-rate format.
- As the bad debt impact has a limited impact on the Company's long term viability, we assumed a conservative 50% lower revenue collection in one, two and four years in the period.
- Finally, we have modelled a combined downside scenario with 15% cost increase, 2% lower inflation for 4 years, 50% revenue under recovery for 2 years and 2% higher interest rates for 4 years, which we consider a reasonable composite downside combination of impacts.

Long-Term Viability Statement

The outcome of the sensitivities has been assessed considering a range of different financial ratios and the output of this analysis is summarised in the following table:

SCENARIO ANALYSIS

Principal Risk	Scenario	Assessment	Mitigation Strategies
Programme Delivery (incorporating delays, also including HSW, Supply Chain Failure, Thames Water performance, Political and Regulatory risks). **Principal Risk No.** **1. 2. 3. 8. 9.**	**Scenario 1.** An increase of 15% £0.1bn in the remaining cost to complete the project (net of any sharing of costs assumed with the Main Works Contractors). **Scenario 2.** An increase of 20% £0.2bn in the remaining cost to complete the project (net of any sharing of costs assumed with the Main Works Contractors).	Tideway would be able to finance the increase in cost in Scenario 1 and Scenario 2 by flexing the amount of distributions to its shareholders and drawing existing available facilities. Gearing and interest cover ratios would be consistent with an investment grade rating, and compliant with our financing covenants.	The programme risk is most significant during the remaining years of construction, but some risk will still exist post construction as the project enters the commissioning and systems acceptance period. The programme risk is managed through Tideway's risk management framework, which is explained in the previous ***Risk Management Section***. The mitigation strategies for Scenarios 1 and 2 include the raising of new debt (within our gearing ratio requirement) and flexing the level of distributions to our shareholders.
Inflation Risk	**Scenario 3.** Outturn inflation 1% lower than current forecast for 4 years then reverts to the long term forecast. **Scenario 4.** Outturn inflation 2% lower than current forecast for 4 years then reverts to the long term forecast. **Scenario 5.** Average inflation 0% until 2030. **Scenario 6.** Interest rates 1% higher than current forecast for 4 years then reverts to the long term forecast. **Scenario 7.** Interest rates 2% higher than current forecast for 4 years then reverts to the long term forecast. **Scenario 8.** Interest rates 4% higher than current forecast until 2030.	Over 70% of Tideway's debt portfolio is linked to inflation, and therefore our assets and liabilities would move in a similar way. Gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	With the current high levels of inflation, the risk of low inflation in the short term is considered unlikely. The key mitigation strategy for Scenarios 3, 4, 5, 6, 7 and 8 is 75% of Tideway's debt portfolio is linked to inflation, and therefore our assets and liabilities would move in a similar way. The residual risk is considered acceptable.
Thames Water Performance – Revenue Collection (Bad debt) **Principal Risk No.** **8.**	**Scenario 9.** A 50% under recovery in one year. **Scenario 10.** A 50% under recovery in two years. **Scenario 11.** A 50% under recovery in four years.	Our revenue includes a building block that deals with under recovery of revenue, and therefore the impact would be temporary and limited. After mitigation gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	The value of the revenue collection increases each year as revenue is driven by the RCV which accumulates each year. However, the main mitigation strategy for Scenarios 9, 10 and 11 is that there is a building block that deals with the under recovery of revenue which mitigates the risk to an immaterial level.
Combined Downside Scenario	**Scenario 12:** (1, 4, 7 and 10). This is seen as a highly unlikely scenario.	After mitigation gearing and interest cover ratios would be consistent with an investment grade rating, and compliant with our financing covenants.	See above.

Note: For scenarios 5 and 12 our modelling projects a change in capital will be required during 2024/25 to be compliant with our gearing financing covenant. However, as the value required is small, we would look at other actions such as re-profiling some of the capital expenditure and debt repayments as a sufficient alternative.

GOVERNANCE, ASSURANCE AND CONCLUSIONS

In reaching its conclusion, the Board has taken into account Ofwat's statutory duty to secure that companies can finance their functions and has assumed that there will be no changes to the regulatory framework or Government policy that will adversely affect the Company's viability. The Board also believes that financing will be available to Tideway over the period covered by the analysis.

We have undertaken a range of internal assurance activities, which the Board considers provide a robust degree of assurance over the analysis. The internal assurance activities have included a first and second line of defence review as described in the Board statement on accuracy and completeness of data and information within this report.

On the basis of the robust assessment of our principal risks and on the assumption that we manage or mitigate them in the ways disclosed, the Board's review of the business plan and other matters considered and reviewed during the year, and the results of our sensitivity analysis and assurance described above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 2030.

GOING CONCERN

The Board has also considered it appropriate to prepare the financial statements on the going concern basis. The Directors believe, after due careful enquiry, that the Company has sufficient resources to continue in operational existence for the foreseeable future and has assumed that there will be no changes to the regulatory framework or Government policy that will affect the Company's viability. Therefore, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Richard Morse
Deputy Chair and Independent Non-Executive Director (Chair of the Audit Committee)

The Strategic Report was approved by the Board on 24 August 2023 and was signed on its behalf by:

Andy Mitchell CBE
Chief Executive Officer

Section 172 Statement

Section 172 of the Companies Act 2006 requires that when making decisions, the directors must act in the way they consider, in good faith, is most likely to promote the success of the company for the benefit of its members as a whole, while also considering the broad range of stakeholders who are affected by the company's activities. Section 172 requires directors to have regard (among other matters) to:

a. The likely consequences of any decisions in the long term

b. The interests of the company's employees

c. The need to foster the company's business relationships with suppliers, customers and others

d. The impact of the company's operations on the community and environment

e. The desirability of the company maintaining a reputation for high standards of business conduct

f. The need to act fairly as between members of the company

This statement, with references to other parts of the Annual Report, explains how the directors have had regard to the matters set out in section 172. We also explain some of the principal activities of the Board, how the interests of stakeholders were taken into account and what the outcomes of those activities were.

LONG TERM DECISION MAKING

The directors understand the evolving nature of the project and the challenges associated with ensuring the business is prepared for current and future phases of the project. The strategic objectives approved in the 2023/24 Business Plan each include specified long term activities, as set out in more detail in ***Our Strategy and Priorities for 2023/24***. This year the Board has considered the regulatory environment that may affect Tideway in the long term, including in relation to Ofwat's PR24 methodology.

THE INTERESTS OF THE COMPANY'S EMPLOYEES

The directors recognise that Tideway employees are core to the successful completion of the project. It is a strategic priority to manage the capabilities of the organisation to support and encourage efficient delivery through a motivated and empowered team. The Board has been regularly updated on organisation change and Lady McGregor-Smith, in her capacity as the designated Non-Executive Director representing workforce matters, has met with employee representatives and reported their views to the Board. For more information see the ***Company and People section of the Strategic Report***.

RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Alliance brings together Tideway, Thames Water, the Programme Manager, the Main Works Contractors and the System Integrator. We share lessons learned that enable us to best deliver the project. This year the Board oversaw significant collaborative planning to prepare for system commissioning.

Our legacy commitments include supporting ethical sourcing in the supply chain and our Modern Slavery Statement is reviewed annually by the Board. More generally, it is a strategic objective to maintain a supportive environment for delivering the tunnel and to build a positive reputation with stakeholders. Tideway takes a proactive approach to engagement, using a range of communication channels to inform the public and engage with our neighbours. For more information on our approach to these matters see the ***Vision, Legacy Reputation section of the Strategic Report***.

THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND ENVIRONMENT

The directors are mindful of the long-term commitments contained in Tideway's Legacy Plan and the Board has had oversight of progress toward the delivery of our 54 legacy commitments and the contribution they make to the UN Sustainable Development Goals. See the ***Our Commitment to Legacy & Sustainability section of the Strategic Report***.

The Board's HSSE Committee regularly reviewed performance on environmental and sustainability matters and related risks on the risk register. See the report on the activities of the HSSE Committee for more information.

MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

Maintaining our reputation is one of Tideway's strategic priorities as set out in the 2023/24 Business Plan. See ***Our Strategy and Priorities for 2023/24***. The company's proactive approach to engagement and communication is regarded as key to public accountability.

Important stakeholder bodies – The Thames Tideway Forum, the Independent Compensation Panel and the Independent Complaints Commissioner – are independently chaired and report annually to the Tideway Reporting Group. For more information see ***Engaging with Our Stakeholders & Partners***.

Board members are actively involved in reviewing and approving Tideway's Annual Report and support our transparent approach to reporting against the provisions of Ofwat's principles for board leadership, transparency and governance and the UK Corporate Governance Code. For more information see the ***Governance Standards section of the Governance Report***.

THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

Three shareholder directors sit on the Tideway Board where they represent the views of investors in Board discussions and decision-making. The arrangements we have in place to ensure Tideway maintains an independent Board for the purposes of strategic and risk management decisions are set out in the Governance Standards section of the Governance Report.

Other detailed information about our Shareholders and their relationship with Tideway is set out in the ***Relationship with Shareholders section of the Governance Report***.

EXAMPLES OF BOARD ACTIVITIES

	Thames Water Revenue Simplification	Business Plan and Budget 2023/24
Summary	Proposals were received from Thames Water regarding simplification of the revenue collection allocation process which was agreed at Licence award. The Board was able to review the proposal in late 2022 and oversee subsequent engagement with Ofwat and Defra, leading to formal approval of the revenue simplification plans in March 2023.	The proposed business plan and budget for 2023/24 was scrutinised by Board members in a workshop format, before being presented to the Board for final approval in a formal Board meeting in late March 2023. In these meetings Board members conducted an in-depth review of project schedule and milestones as well as the proposed strategy and priorities for the year ahead.
Stakeholder considerations	The Board was briefed on existing revenue collection allocation process, and the proposal for change put forward by Thames Water. They reviewed the impact of the proposed changes on both Tideway and Thames Water, and the measures *agreed to provide greater assurance and confidence* regarding future revenues. Board members also considered the impact of the proposed change in terms of relationships with key stakeholders, particularly the consents potentially needed from Ofwat and Defra.	Board Members were briefed on matters affecting each of the Main Works Contractors as well as interfaces with Thames Water. Workforce and organisational structure was also considered, acknowledging the need for change in line *with project requirements*. Health, safety and wellbeing priorities also reflect evolving nature of the project, and the need to maintain safety standards for new people involved in new phases of the works. The impact of project costs on Thames Water bill payers was reviewed, as well as projected shareholder distributions.
Outcomes	The approved changes lead to positive outcomes for both Thames Water and Tideway. We have simplified the revenue collection allocation process, reduced the level of monitoring and review required by both parties, and reduced the risk of errors.	The overall outcome of the decision is a business plan and budget that the Board believes supports Tideway's strategic priorities and has taken into account the impact of our activities on a wide variety of stakeholders.

CORPORATE GOVERNANCE

The Chair's Introduction

SIR NEVILLE SIMMS CHAIR

I am pleased to present this report on Tideway's governance arrangements. As the project progresses into its final stages we are maintaining the high standards of corporate governance that have guided the business to date. The following report describes the main activities of the Board in the year 2022/23, as well as the governance arrangements that support our decision-making.

There were a number of changes on the Board in the year. The first occurred in September 2022 when Javier Falero stood down as a Shareholder Director for DIF Capital Partners (DIF). This followed DIF's divestment of its 10.66% stake in Tideway following one of its underlying investment funds reaching the end of its fund life. The company's other shareholders acquired DIF's shares. This reduced the number of Shareholder Directors from four to three, and the overall size of the Board from thirteen to twelve. We are grateful to DIF for their involvement in the project, and to the continuing shareholders for their ongoing commitment.

The second change occurred at the end of the period in March 2023, when John Holland-Kaye stepped down as an Independent Non-Executive Director. At the time of writing this has reduced the number of Independent Non-Executive Directors on the Board, from six to five. The Independent Non-Executive Directors remain the single largest group on the Board, and we intend to appoint a new Independent Non-Executive Director later this year.

I'd like to take the opportunity to thank both Javier and John for their contributions to the project. John, in particular, ably chaired the HSSE Committee from September 2018 until his departure and helped ensure Board oversight and leadership of health, safety and sustainability throughout the project.

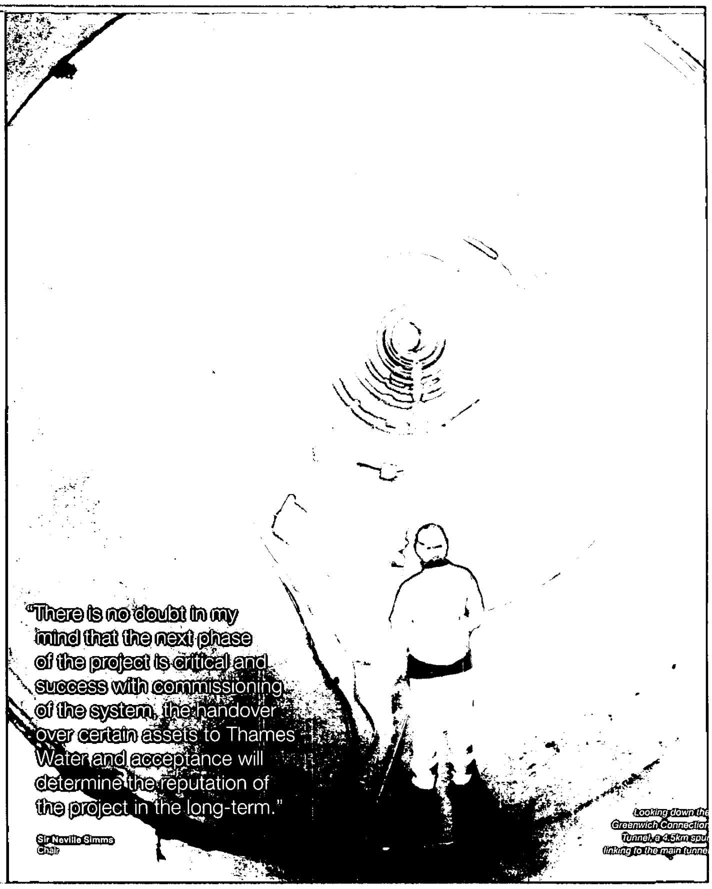
Going forwards, Mike Putnam has been appointed Chair of the HSSE Committee and we intend to appoint a new Independent Non-Executive Director later this year to fill the position vacated by John, restoring the total number of Independent Non-Executive Directors on the Board to six.

As in previous years, our governance arrangements meet the objectives set out in Ofwat's board leadership, transparency and governance principles, and we continue to comply with all but one of the applicable requirements of the UK Corporate Governance Code (the Code). Our reporting reflects that, for a period of the year, we did not comply with the Code's requirement (provision 11) that at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors. In the period we had six Independent Non-Executive Directors on the Board, including myself. The Independent Non-Executive Directors were the largest single group, balanced against three Executive Directors and three Shareholder Directors (following the departure of Javier Falero).

As the project progresses it is important that Board members are equipped to understand the changes that lie ahead. To that end, as well as overseeing annual business planning activities and progress in the main works areas, we have spent considerable time, in the Board and its sub-committees, discussing changing risks and looking ahead to the final stages of the project and preparations for system commissioning. We have also given considerable attention to the macro-economic challenges that have affected major infrastructure projects, nationally and globally.

Further information is set out in the Governance Standards section of this report, and more detailed reporting on our compliance with the codes is available online, on Tideway's ***website***.

Sir Neville Simms
Chair

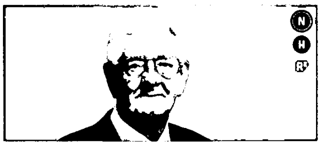


Looking down the Greenwich Connectio Tunnel, a 4.5km spu linking to the main tunne

Board Leadership, Transparency and Governance

The Board Members

INDEPENDENT NON-EXECUTIVE DIRECTORS



Sir Neville Simms FREng

Chair of the Board and
Chair of Nomination Committee

Appointed August 2015, having met the independence criteria

Key Skills and Experience

- Chartered civil engineer with significant board-level experience, known for driving change and enhancing value.
- Excellent understanding of policy making and regulation through advising and influencing government policy in the infrastructure sector.

Background

Sir Neville is recognised as an outstanding leader in the industry and has a long track record of leading major organisations. He was Chief Executive of Tarmac plc, Chair of International Power plc and until May 2005, Chair of Carillion plc. He was also joint Chair of the Channel Tunnel contractors' consortium, TML for the final three years of the project. Sir Neville chaired the Building Research Establishment Trust, as well as several construction industry bodies, the regional leadership teams for Business in the Community in the West Midlands and the Solent Regions. He was also a founder member of the government's Private Finance Panel and served for seven years on the Court of the Bank of England.

External Appointments

None

Richard Morse

Deputy Chair of the Board
and Chair of Audit & Finance Committee

Appointed August 2015

Key Skills and Experience

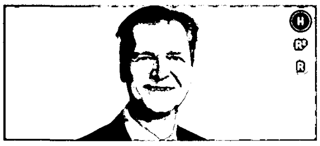
- Over 30 years' experience of investment banking in the infrastructure and energy sectors.
- Significant understanding of regulated businesses.

Background

Richard has a background in investment banking with significant expertise in the energy and infrastructure sectors, having been the Deputy Director of Ofgem (1999-2001) and the head of corporate advisory teams at Dresdner Kleinwort Wasserstein, Goldman Sachs International and Greenhill International. He is a Partner at Opus Corporate Finance. Richard has been involved in the project since 2013 when he joined the board of subsidiary Thames Tideway Tunnel Limited, to assist in the set-up of Tideway.

External Appointments

- **Chair** – The Renewable Infrastructure Group (TRIG)
- **Chair** – The Woodard Corporation
- **Non-Executive Director** – Heathrow Southern Rail Limited
- **Trustee** – Trustee Leeds International Pianoforte Competition



John Holland-Kaye

Chair of Health, Safety, Security
and Environment Committee

Appointed July 2017, resigned March 2023

Key Skills and Experience

- Significant experience of developing and delivering major UK infrastructure.
- Strong commercial perspective, including from experience in the construction sector.

Background

John has been the CEO of Heathrow Airport Limited since July 2014. Prior to that, he was Commercial Director and Development Director at Heathrow, where he was responsible for delivering £1bn of annual investment, including the new Terminal 2. John has held various senior executive roles, such as Divisional CEO at Taylor Wimpey plc and Managing Director of Bass Brewers.

External Appointments

- **Chief Executive Officer** – Heathrow Airport Limited
- **Member** – HRH The Prince of Wales' Sustainable Markets Council
- **Member** – DEFRA's Council for Sustainable Business

Baroness Ruby McGregor-Smith CBE

Appointed June 2019

Key Skills and Experience

- Chartered accountant with significant board-level experience in operations and change management.
- The first Asian woman to become Chief Executive of a FTSE 250 company.

Background

Baroness McGregor-Smith is the former President of the British Chambers of Commerce and she was Chief Executive of MITIE Group plc from 2007 to 2016. As one of the few female chief executives in the FTSE 250 and FTSE 100, she grew MITIE's employee base from circa 23,000 to 65,000, making it one of the UK's largest private sector employers. She was made a life peer of the House of Lords in 2015 where she sits on the Industry and Regulators Committee. Recognised by the Financial Times as one of the top 50 female business leaders in the world in 2013, she also served as the Chair of the Women's Business Council between 2012 and 2016, and she authored the Independent Report to the UK Government on Race in the Workplace, published in 2017. In 2020 she was appointed by the UK Government to lead the In-Work Progression Commission, providing an independent review into the barriers that prevent people from progressing in work and increasing pay.

External Appointments

- **Chair** – MindGym plc
- **President** – Chartered Institute of Personnel and Development
- **Chair** – Airport Operators Association
- **Chair** – Institute of Apprenticeships and Technical Education
- **Non-Executive Director** – SNC-Lavalin Inc.
- **Pro-Chancellor** – The University of Surrey
- **Non-Executive Director** – Everyman Media Group plc

Board Leadership, Transparency and Governance

The Board Members

Key to Committees (A) Audit & Finance (H) Health, Safety, Security & Environment (N) Nomination (R) Remuneration (R) Risk ◯ Committee Chair

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mike Putnam

Chair of Risk Committee

Appointed July 2018

Key Skills and Experience

- Recognised leader in the construction sector, with expertise in strategy and commercial management.
- Extensive experience in the successful delivery of high-profile infrastructure projects.

Background

Mike is experienced across the development, construction and services sectors. Mike was the President and CEO of Skanska UK plc (2009-2017) and prior to that, he was one of the company's Executive Vice Presidents and main Board Directors (2001-2009). He has been closely involved with the successful delivery of several high-profile infrastructure projects, including the M25 PFI/PPP, the Channel Tunnel, the Channel Tunnel Rail Link, National Grid Power Tunnels, Crossrail, Thameslink, Northern Hub and Waterloo Rail Alliances.

External Appointments

- **Non-Executive Director** – Southern Water Services
- **Non-Executive Director** – Network Rail
- **Vice Chair** – Arcadis (the global design and cost consultancy business headquartered in Amsterdam)

Michael Queen

Chair of Remuneration Committee

Appointed August 2015

Key Skills and Experience

- Proven commercial and strategic skills, gained from running and advising a wide range of organisations.
- Deep understanding of infrastructure investment.

Background

Michael is a chartered accountant with over 30 years' experience in the alternative finance sector. He was CFO and then CEO of 3i Group plc, where he developed 3i's activities in the infrastructure sector by founding 3i Infrastructure plc.

He was previously a member of the Prime Minister's Business Advisory Group (2010-2012) and currently brings his commercial and financial expertise to a variety of organisations.

External Appointments

- **Chair** – Coller Capital
- **Chair of Council** – University of Surrey
- **Chair** – Enterprise M3

NON-EXECUTIVE SHAREHOLDER DIRECTORS

Andrew Cox

Allianz

Appointed March 2018

Key Skills and Experience

- Specialist in asset management activities for infrastructure investments.
- Significant experience in infrastructure transactions.

Background

Andrew is Co-Head of Infrastructure for Allianz Capital Partners, a fully-owned subsidiary of Allianz Global Investors. He has been responsible for all asset management activities for the direct infrastructure investment portfolio since 2016 and from 2020 he has also taken responsibility for the Renewable Energy portfolio as well. He sits on several other boards, including Porterbrook (UK rolling-stock leasing) and Silex (Norwegian offshore gas transmission).

Prior to joining Allianz, Andrew was a senior Principal Investor and Asset Manager for 3i in its infrastructure team for nearly ten years. Before that, he worked at Ambac and Citi. Andrew has an MA in History from Gonville and Caius College, Cambridge.

Chris Morgan

Amber Infrastructure

Appointed September 2021

Key Skills and Experience

- Significant experience of managing infrastructure investments.
- Detailed knowledge across a range of sectors including regulated utilities, transportation and social infrastructure.

Background

Chris is an infrastructure investment professional with c.15 years' experience. He has worked at Amber Infrastructure since 2012 where he is a Senior Investment Director responsible for managing various infrastructure investments. Prior to joining Amber, Chris worked at Deloitte where he provided advice to clients in connection with corporate transactions. Chris has a first-class degree in Accounting and Finance from the University of Southampton and is an Associate Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Alistair Ray

Dalmore Capital

Appointed May 2015

Key Skills and Experience

- Over 20 years' experience in the infrastructure sector.
- Wide range of board-level experience, spanning several sectors.

Background

Alistair co-founded Dalmore Capital in 2009 and is CIO. He is a Dalmore shareholder and board member, as well as being on the investment and operations committees. Alistair has held senior positions in the infrastructure investment business, including at Edison Capital, Noble Group, Merrill Lynch and 3i Infrastructure plc. He was a founding member of the infrastructure team at 3i and was involved in the acquisition of Anglian Water and the purchase of stakes in Oiltanking GmbH. Alistair was also a Non-Executive Director of CAF Bank and is a Director of Cory Holdco Limited.

Javier Falero

DIF

Appointed November 2019, resigned September 2022

Key Skills and Experience

- Significant experience of investment in assets in the UK and Ireland.
- Extensive infrastructure managing projects through the construction and long-term operations phases.

Background

Javier is a Director at DIF where he is responsible for the asset management of several UK and Irish investments. Prior to joining DIF in 2016, Javier worked for Barclays Infrastructure Funds Management and then as a director at 3i, where he was involved in the origination and execution of new equity investment opportunities and the asset management of existing investments across infrastructure and energy sectors. Javier has a first-class degree in Mathematics and Computation from Loughborough University and is a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Board Leadership, Transparency and Governance

The Board Members

Key to Committees: A Audit & Finance · H Health, Safety, Security & Environment · N Nomination · Re Remuneration · Ri Risk · ◯ Committee Chair

EXECUTIVE DIRECTORS

Andy Mitchell CBE, FREng
Chief Executive Officer
Appointed August 2015

Key Skills and Experience

- Civil engineer who has managed high-profile UK and overseas projects.

Background

Andy was appointed CEO of Tideway in 2014 and was formally appointed to the Tideway Board on Licence Award in 2015. He joined the project from Crossrail where he was Programme Director and a Board member. He has worked around the world, including on developments such as Hong Kong Airport and Hong Kong West Rail. He also worked for Network Rail, where he was Project Director for its Southern Power Upgrade project and Senior Programme Director of the Thameslink Programme. Andy is a Fellow of the Royal Academy of Engineering and the Institution of Civil Engineers, and former Chair of the Infrastructure Industry Innovation Platform (i3P) and the Infrastructure Client Group (ICG). He was awarded a CBE in 2015 for Services to Civil Engineering. Andy was Co-Chair of the Construction Leadership Council between 2018 and 2022, and in 2020 he was named Personality of the Year at the Building Awards in recognition of his efforts working with government to prepare for Brexit and to support the industry through the coronavirus pandemic.

Mathew Duncan
Chief Financial Officer
Appointed November 2018

Key Skills and Experience

- Financial expertise in the construction and infrastructure sectors.
- Experienced on large scale infrastructure projects in various industry sectors.

Background

Before joining Tideway, Mathew was the Finance Director of Crossrail Ltd, the company responsible for delivering the new high-frequency, high-capacity railway for London and the South East known as the Elizabeth line. Prior to that he worked for Balfour Beatty in a number of roles, the last one as interim CEO and Finance Director at Balfour Beatty Support Services, where he was responsible for business sectors such as UK rail and utilities operations, and a workforce of 8,500 people. Mathew is an External Member of the House of Lords Commission and is also Chair of the House of Lords Audit Committee.

Roger Bailey
Chief Technical Officer
Appointed August 2021

Key Skills and Experience

- Track record delivering complex engineering projects.
- Extensive experience in infrastructure sector.

Background

Roger joined the project in 2012 and took on the role of Asset Management Director in 2014 and then Chief Technical Officer in 2018. He was appointed to the Board in 2021. He is a chartered civil engineer with more than 30 years' experience in the planning, design and construction of complex infrastructure projects in the UK and overseas. Roger is a Fellow of the Institution of Civil Engineers and a Director of the Thames Skills Academy.

COMPANY SECRETARY

Valmai Barclay
Company Secretary
Appointed January 2018 resigned June 2023

Key Skills and Experience

- Lawyer with specialist knowledge of the construction and infrastructure sectors.

Background

Valmai is Company Secretary and Legal Counsel at Tideway. Throughout her career, she has been involved in a range of UK infrastructure and development projects. Prior to Tideway, she worked in-house at a multinational construction company and before that, as a solicitor in private practice, specialising in construction and engineering.

Board Leadership, Transparency and Governance

The Board Members

Key to Committees: A Audit & Finance · H Health, Safety, Security & Environment · N Nomination · Re Remuneration · Ri Risk · ◯ Committee Chair

EXECUTIVE MANAGEMENT TEAM

Andy Alder
Programme Delivery Director

Responsible for the delivery of all infrastructure across the project.

Background
Andy joined Tideway in 2015 from Crossrail, where he was Chief Tunnel Engineer and then Project Manager for tunnelling in the West area. He was previously responsible for the design of the London Underground Tottenham Court Road Station Upgrade and DLR Extensions to London City Airport and Woolwich. Andy is a Fellow of the Institution of Civil Engineers and as Co-Chair of the ICE's Productivity Advisory Board he jointly led the ICE's 2022 State of the Nation report on improving productivity. Andy is also a Fellow of the Association for Project Management, a Fellow of the Royal Geographical Society and an Honorary Professor in Practice at The Bartlett School of Sustainable Construction.

Celia Carlisle
General Counsel and Company Secretary
Appointed Company Secretary July 2022

Responsible for providing strategic legal advice on all aspects of the project, negotiating key contracts and ensuring compliance.

Background
Celia joined the project in 2013 from the Olympic Delivery Authority. She has over 25 years' experience, both in-house and in private practice, of advising major infrastructure projects on their procurement, construction, governance, regulation and financing. Celia sits on the finance committee of the London Design and Engineering UTC, a mixed university technical college at the University of East London campus and also on the panel of the ICE Independent Assurance panel.

Steve Hails
Business Services and Health, Safety and Wellbeing Director

Responsible for business services, including information systems, quality and environmental assurance together with advising on health, safety and wellbeing issues, and promoting a positive health and safety Company culture.

Background
Steve joined Tideway in 2016 after gaining over 20 years' experience in the construction, engineering and manufacturing sectors. He was previously Director of Health and Safety at Crossrail, which he joined from Siemens Energy. Steve is also a Non-Executive Director on the Programme Board for the Palace of Westminster Restoration and Renewal project and the Chair of the Board of Trustees of the Mates in Mind charity. He is one of the founding members of the Health in Construction Leadership Group and, as of April 2018, Steve was the first Honorary Fellow of the British Occupational Hygiene Society. In 2019, Steve was recognised as one of the top 10 Corporate Allies at the National LGBT Awards.

Richard Lewis
Asset Ownership Director

Responsible for the commissioning plan and delivering an integrated operable CSO control system, ensuring the tunnel is ready for operation with the Thames Water network.

Background
Richard joined the project in 2015 in the Project Sponsor team taking on the role of Asset Ownership Director in 2020. He has over 25 years' experience in the water and chemical process industries, both supporting operational assets and delivering complex projects. Richard is a Fellow of the Institute of Mechanical Engineers and Member of the Project Management Institute.

Matthew Parr
Director of Strategy and Regulation

Responsible for strategy, business planning, corporate risk, revenue, regulatory and government relations and annual reporting.

Background
Matt joined the project in 2011 to focus on the funding of the Tideway project through its development and delivery phases and to establish its approach to value and legacy. Prior to this, he was a Director at a management consultancy where he advised governments, regulators, companies and investors in the utility and infrastructure sectors. Before moving into consultancy, Matt held various positions at Ofwat.

Julie Thornton
Human Resources Director

Responsible for employee engagement, development, diversity and HR strategy.

Background
Julie joined the project in 2013. Her corporate career began over 25 years ago at IBM, where she went on to be Head of HR for Global Services, UK, before moving to Citibank as Vice President for HR in EMEA in Geneva and London. Julie's experience includes business services, oil and gas, and construction sectors.

Lucy Webster
External Affairs Director

Responsible for external and internal communications, brand, stakeholder engagement and public affairs, community engagement, sustainability and legacy and Tideway's corporate responsibility programme.

Background
Lucy joined Tideway in 2016 from Metropolitan, a large housing provider. Prior to this, she held senior communications roles in the transport and regeneration sectors. She spent six years at Transport for London and worked on the preparation for the London 2012 Olympic Games, including planning and land assembly. Lucy sits on the Board of the London Design and Engineering UTC, a mixed university technical college at the University of East London campus.

Board Leadership, Transparency and Governance

The Board's Role and Responsibilities

THE ROLE OF THE BOARD

The Board's role is to govern Tideway so it achieves its strategy and objectives, in particular the successful delivery of the Thames Tideway Tunnel, consistent with the values and purpose of the organisation. The Board is collectively responsible for Tideway's long-term success and for delivering sustainable value to customers, shareholders and other stakeholders. It sets Tideway's strategy and risk appetite and approves and monitors management's plans for achieving Tideway's strategic objectives and targets, including risk mitigation.

Important aspects of Tideway's business are subject to scrutiny by the Board Committees, which report to the Board, and final decisions are made at Board level. Descriptions of the Committees' roles and activities are set out later in this section.

The Board has approved a schedule of delegated authority (SoDA) which authorises management to approve certain decisions up to specified limits, beyond which Board approval must be obtained. This assists with implementation of decisions relating to funding and investment, contractual commitment and change, invoicing and payments, procurement, recruitment, treasury, the discharge of consents and claim settlement. The Board reviews the SoDA each year and by exception.

Certain matters are reserved to Shareholders for approval and these are set out in full, later in this section. Nevertheless, the Board considers all such issues and advises Shareholders as appropriate. The Board is ultimately responsible for Tideway's overall direction, supervision and management.

The following matters are reserved to be decided by a simple majority of the Board:

- **Significant risks:** determining the nature and extent of the significant risks the Board is willing to take in achieving Tideway's strategic objectives.
- **Chair and Chief Executive Officer:** deciding the division of responsibility between the Chair and the CEO.
- **Directors' remuneration:** approving the Directors' remuneration.
- **Director and executive training:** approving induction training and development programmes for Directors and senior employees.
- **Reporting:** approving of interim and annual reports and accounts.
- **Distributions:** approving any distributions.
- **Accounting policies and practices:** approving accounting policies and practices and any changes to them.
- **External auditors:** approving the Audit and Finance Committee's strategy for maintaining appropriate relationships with external auditors.
- **Risk and internal control policies:** setting the approach to risk management and internal control policies.
- **Risk and internal control review:** reviewing the effectiveness of risk management and internal control systems.
- **Policies:** setting the policy on business conduct, ethics, human rights, anti-bribery and corruption, corporate responsibility and health and safety.
- **Insurance:** setting and monitoring the overall levels of insurance.
- **Shareholder general meetings:** approving resolutions and related documentation to be put to Shareholders at a general meeting.
- **Shareholder communications:** approving any circulars, prospectuses and other documents to be sent to Shareholders.
- **Political and charitable donations:** approving all spend relating to political or charitable donations.
- **Related party transactions:** approving the entry into, amendment to, or a step to resolve any dispute in relation to a related party transaction.

BOARD ACTIVITY

The Board is required by its terms of reference to meet at least six times a year and in the period met formally seven times. Two Board workshops were also held during the year and a number of additional updates were organised giving Board members an opportunity to discuss emerging issues. The majority of sessions were held in-person and occasionally meetings were hosted on-line or Board members opted to dial-in where attending in person would be impractical.

The Board has focussed on a range of issues including operational delivery, risk management, stakeholder engagement and governance. The following tables summarise some of the Board's key discussions and progress made against specific activities.

Leadership and Employees

Strategic Priorities and Actions Arising	Progress
Reviewing the health, safety and wellbeing and engagement of employees	Received regular monthly performance updates on health, safety and wellbeing, including performance against the Health and Safety Performance Index (HSPI).
Engaging with the workforce	Reviewed the report from the Non-Executive Director representing workforce matters, Lady McGregor-Smith, further to her engagement with employee representatives. *See the Company and People section for more information.*
Reviewing the composition of the Board and monitoring its effectiveness	Undertook the annual review of effectiveness of the Board, its Committees and individual directors. *See the Board Development & Evaluation section for more information.*
Monitoring the remuneration strategy, to ensure it remains appropriate	Discussed employee rewards.

Strategy and Performance

Strategic Priorities and Actions Arising	Progress
Monitoring progress against strategic priorities	Discussed topics including: • health, safety and wellbeing • schedule, cost and quality • vision, legacy and reputation • company and people • financing. Received a half-year assessment of performance against the 2022/23 business plan. *See the Strategic Report section for more on Tideway's objectives and priorities.*
Reviewing and approving business activities	Reviewed and approved the Annual Business Plan and Budget. Reviewed and approved operational matters in accordance with the SoDA.
Monitoring performance	Reviewed and discussed management's monthly operational performance reports. Received updates on key business activities, including briefings on: • operational matters regarding the bulkhead at Abbey Mills; • the development of control systems by the Systems Integrator; • financial sensitivities; • safety and productivity on site; and • long term strategy for Tideway.

Board Leadership, Transparency and Governance

The Board's Role and Responsibilities

BOARD ACTIVITY

Stakeholder Engagement

Strategic Priorities and Actions Arising	Progress
Monitoring engagement with key stakeholders	• Received regular briefings on engagement with key stakeholders including Ofwat, Defra, Thames Water and the Main Works Contractors. • Reviewed and advised on plans for engagement with key stakeholders.

Risk Management

Strategic Priorities and Actions Arising	Progress
Reviewing risk appetite	Reviewed the Board's risk appetite and Tideway's principal risks. *See the Risk Management section of this report.*
Monitoring risk management and control	Reviewed the effectiveness of the risk management and internal control systems. *See the Risk Management section of this report.*
Monitoring key operational risks	Received detailed briefings on key risks including relating to health and safety, productivity, programme and cost.

Governance

Strategic Priorities and Actions Arising	Progress
Ensuring appropriate delegation of authority	Reviewed and approved updates to the SoDA.
Reviewing work carried out by Board Committees	Received post-meeting reports from the Chairs of each Committee, summarising discussions and actions.
Monitoring and ensuring good corporate governance	Received regular governance updates from the Company Secretary. *See the Company and People section for more information.*
Ensuring appropriate assurance	Reviewed, via the Audit and Finance Committee, and approved the 2022/23 Assurance Plan.
Ensuring compliance with duties under the Modern Slavery Act	Reviewed and approved changes to Tideway's Modern Slavery Statement.

Regulatory Matters

Strategic Priorities and Actions Arising	Progress
Monitoring regulatory requirements	Reviewed and approved communications with Ofwat regarding delay to the 2022/23 audit. Reviewed and discussed regulatory developments, strategy and consultation responses including relating to Ofwat's consultation on
Ensuring regulatory reporting requirements are met	Reviewed and approved the Annual Performance Report and Accounts and the Revenue Statement, prior to submission to Ofwat.
Ensuring compliance with the project licence	Reviewed and discussed licence compliance, including approving the Risk and Compliance Statement and the Statements on sufficiency of financial and non-financial resources. *See the Annual Performance Report for statements.*

Financing

Strategic Priorities and Actions Arising	Progress
Reviewing and approving financing arrangements	• Reviewed and approved the Financing Plan. • Reviewed and approved the Sustainability Report. • Reviewed and approved changes to financing agreements arising from the discontinuation of LIBOR. • Reviewed scheduled distributions to shareholders and approved decisions to pay or defer distributions accordingly. *See the Financing section for more information.*

Financial Reporting and Taxation

Strategic Priorities and Actions Arising	Progress
Reviewing past and projected financial performance	• Reviewed and approved the Annual Budget. • Reviewed and approved the half year and full-year financial statements.

THE DIRECTOR'S ATTENDANCE AT SCHEDULED BOARD MEETINGS

Total Meetings Held in Period:		7
Sir Neville Simms	Independent Non-Executive Director	7
Richard Morse	Independent Non-Executive Director	7
John Holland-Kaye	Independent Non-Executive Director	4
Baroness Ruby McGregor-Smith	Independent Non-Executive Director	7
Mike Putnam	Independent Non-Executive Director	6
Michael Queen	Independent Non-Executive Director	6
Andrew Cox	Shareholder Director	7
Javier Falero	Shareholder Director (resigned September 2022)	2
Alistair Ray	Shareholder Director	7
Chris Morgan	Shareholder Director	6
Andy Mitchell	Executive Director	6
Mathew Duncan	Executive Director	7
Roger Bailey	Executive Director	7

Board Leadership, Transparency and Governance

Governance Standards

Tideway has from the outset aimed to achieve the highest standards of corporate governance, and to operate in a way that is transparent and collaborative for the benefit of all our stakeholders.

Ofwat's principles for board leadership, transparency and governance

We are required by our licence to meet the objectives contained in Ofwat's 2019 principles for board leadership, transparency and governance and to explain in a manner that is effective, accessible and clear how we are meeting the objectives. The Board has reviewed the objectives and is satisfied that we complied with them. To demonstrate our compliance we have carried out a mapping exercise which sets out each of the objectives and describes the measures we had in place to meet them.

This is available for review on our ***website***.

The UK Corporate Governance Code

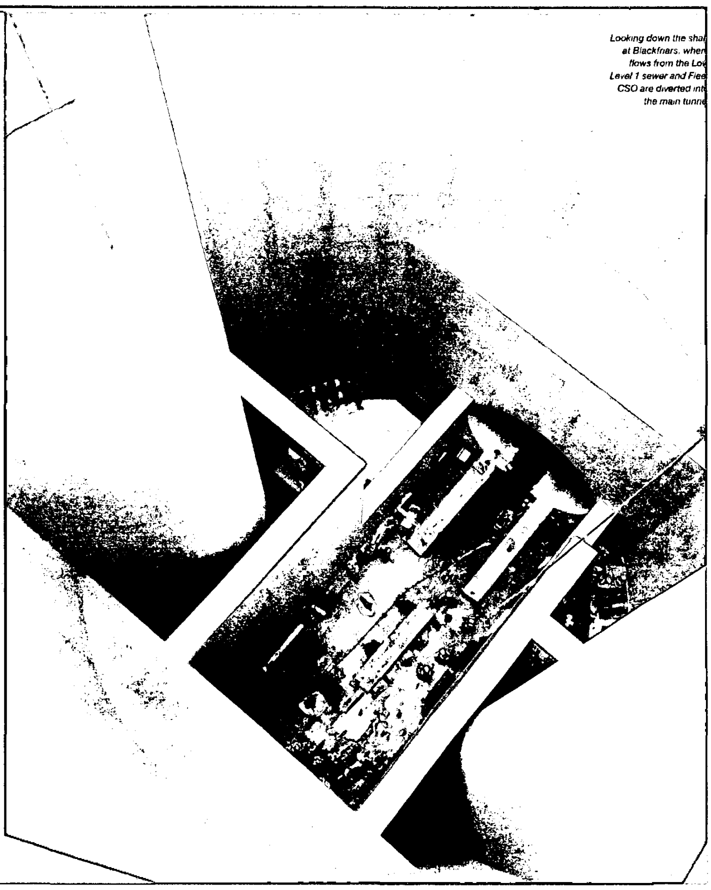
We also measure our governance arrangements against the principles set out in the 2018 UK Corporate Governance Code (the Code) and we are pleased to report that we complied with *the applicable principles set out in the Code other than the* requirement that at least half the Board, excluding the Chair, should comprise Independent Non-Executive Directors. In the period we had up to six Independent Non-Executive Directors, including the Chair, on the Tideway Board. This makes the Independent Non-Executive Directors the single largest group on the Tideway Board.

The Board believes it has the right combination of Executive Directors, Shareholder Directors and Independent Non-Executive Directors for the role of the Board supporting the organisation. Importantly, no individual or group can dominate the Board's decision making, and the Board is satisfied that the Independent Non-Executive Directors are independent in character and judgement, with no relationships or circumstances which are likely to affect or could appear to affect their independence. Each of the Board Committees is chaired by an Independent Non-Executive Director and the Shareholders' Agreement entered into at Licence Award supports these principles, containing legally binding commitments to maintain an independent board.

The significant independent representation and limited matters reserved to Shareholders help ensure that the Board is independent and in control of the regulated business and able to operate in a sustainable way in line with the long-term nature of the sector.

More information features in the composition of the Board section. The limited matters reserved to Shareholders are set out in full in the Relationship with Shareholders section, and information on our process for identifying and managing conflicts of interests is available on the Tideway ***website***.

Further detailed mapping, setting out the principles of the Code and the measures Tideway had in place to meet them, is also available for review on the Tideway ***website***.



Looking down the sha
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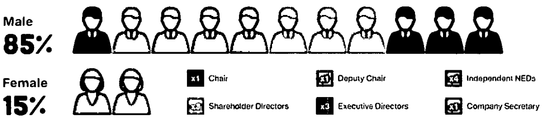
Board Leadership, Transparency and Governance

Governance Standards

THE BOARDROOM TABLE

As at 31 March 2023 the Tideway boardroom table consisted of 12 Directors, nine of whom were Non-Executive, plus the Company Secretary. Six of the Non-Executive Directors were independent, including the Chair of the Board, Sir Neville Simms.

BOARD COMPOSITION



SECTOR EXPERIENCE

Board members have a wide range of expertise, including financial, operating and regulatory experience in the construction, finance and infrastructure sectors.

We recognise that as the project progresses the matters requiring Board consideration will change and we intend to keep Board members' skills and experience under review and to refresh the Board from time to time, to ensure its breadth of sector experience appropriately reflects the project's needs.

Further details of the Tideway Directors, including their dates of appointment and resignation, is contained in their biographies.

Further information on the process for Board appointments and succession arrangements is available on the Tideway **website**.

DIVISION OF RESPONSIBILITIES WITHIN THE BOARD

Chair

The Chair's primary role is to provide independent oversight and governance, as leader of the Board.

The Chair is the most senior leader of the business and the guardian of the interests of all Shareholders and stakeholders. He is responsible for leading the Board and ensuring its effectiveness and takes overall responsibility for the Board's composition, capability and performance evaluation.

The Chair's key functions are to:

- manage the Board and run Board meetings promoting a culture of openness and debate;
- take responsibility, with the Board, for agreeing and monitoring Tideway's strategy and its delivery through the Annual Business Plan;
- ensure good corporate governance is maintained, in the interests of all stakeholders;
- discuss with the CEO any recommendations from the Remuneration Committee;
- agree with the CEO all key external communications;
- represent Tideway externally at the most senior level;
- determine with the CEO which matters require Board approval;
- determine with the Company Secretary which decisions are reserved to the Shareholders;
- facilitate constructive Board relations and effective contribution of Non-Executive directors; and
- ensure that directors receive accurate, timely and clear information

It is important that the Chair and CEO work well together, to provide effective and complementary stewardship. The Chair therefore consults regularly with the CEO and is also available to advise and support the CEO.

Chief Executive Officer

The CEO is responsible for all of Tideway's operations, as leader of the Executive Committee.

The CEO is responsible for Tideway's leadership and operational management, within the Annual Business Plan approved by the Board. He is supported by the CFO, CTO, and seven other direct reports on the Executive Committee.

The CEO's key functions are to:

- develop Tideway's vision and values;
- manage the Executive Committee and Tideway's day-to-day activities;
- set the operating plans and budgets required to deliver the agreed company strategy;
- ensure that Tideway has appropriate risk management and control mechanisms;
- develop the necessary performance objectives and non-financial programmes required to enhance and develop Tideway's culture;
- determine, strengthen and develop the senior management team; and
- share with the Chair the external representation duties for Tideway

Senior Independent Director

The Board has appointed Richard Morse as its Deputy Chair, in which role he fulfils the functions of the Senior Independent Non-Executive Director. He provides a sounding board for the Chair and serves as an intermediary for other Directors, when necessary or appropriate.

The Deputy Chair is also available to Shareholders and other stakeholders if they have concerns which it would be inappropriate to raise through the conventional channels of Chair, CEO or the other Executive Directors.

Non-Executive Directors

The Board included nine Non-Executive Directors, three of whom represent the current Shareholders and six of whom are independent. The Shareholder Directors represent the views of investors in Board discussions and decision-making. The Independent Non-Executive Directors (who form the largest group) ensure there is a balance of perspectives, drawing on a wide range of skills and experience, so that the Board can make high quality decisions that address diverse stakeholder needs.

All the Non-Executive Directors use their breadth of knowledge and experience to challenge, monitor and approve the strategy and policies recommended by the Executive Directors. Each of the Board Committees is chaired by one of the Independent Non-Executive Directors, with those roles allocated based on their relevant skills and experience.

Board Leadership, Transparency and Governance

The Board

DIVISION OF RESPONSIBILITIES WITHIN THE BOARD *Continued*

Executive Directors

The Executive Directors are the CEO, CFO and CTO. The role of the CEO is set out on the previous page.

The CFO is responsible for commercial and risk strategy involved in delivering the project, plus overall cost and schedule performance. He manages Tideway's finances, including financial and business planning, management accounting and control processes and treasury. The CFO is also responsible for Tideway's strategy and regulation team.

The CTO is responsible for ensuring completion of the project and handover to Thames Water. As such, the CTO leads the Completion & Handover Team and is responsible for technical oversight, property and commercial agreements, compliance with planning permission, system commissioning and the operational integration of the completed Thames Tideway Tunnel asset into the existing sewer network. The CTO works closely with the CEO and CFO.

BOARD DEVELOPMENT, CONFLICTS AND EVALUATION

Development

We provide a range of opportunities to ensure Board members maintain a deep understanding of the business and stay abreast of developments affecting Tideway's legal and regulatory environment. During the year the Board received regular presentations and updates on topics including the main works contracts, project and programme manager activities, operational matters and the supply chain. All Board members are offered the chance to visit our sites and this year a number of Board members have been on site at locations across the three main works areas, enabling them to speak directly to staff responsible for delivering the project and to see the works at first hand.

There have been no new appointments to the Board in the period, but ordinarily new directors joining the business are given a comprehensive induction programme tailored to their skills, experience and role on the Board.

Board Evaluation

Tideway conducts annual evaluations of the performance of the Board, its Committees, the Chair and individual directors. This year's Board evaluation was conducted internally. Board members were asked to consider implementation of the recommendations from the 2022 Board evaluation and to comment on the performance of the Board, its Committees, individual directors and the Company Secretary. They were also asked to evaluate the performance of the Chair in a process overseen by Richard Morse as Senior Independent Director.

The evaluation covered a wide range of matters including but not limited to:

- How effectively Board members work together to achieve objectives
- The composition of the Board, including whether there is an appropriate balance of skills, experience, independence and knowledge
- Whether there is sufficient diversity among Board members
- How the Board addresses stakeholder needs
- How well the company meets the overarching objectives set out in Ofwat's principles on board leadership, transparency and governance

Overall, the results and feedback were positive. Board members are satisfied that Tideway continues to maintain a high standard of corporate governance and that the balance of experience and skills on the Board is appropriate for the current stage of the project. They consider that the needs of stakeholders are regularly discussed and their views are well represented. Board members also reflected positively on the effectiveness of relationships at Board level, noting good levels of transparency, with all members encouraged to contribute and differing views often expressed.

Regarding the actions arising from last year's board evaluation, it was agreed that progress had been made toward updating the succession roadmap. Board members noted that further steps will be needed to implement succession arrangements and that the roadmap will need to be kept under review and updated as plans are developed for the final phases of the project and the future of the company.

A lack of diversity at Board-level was also acknowledged in the board evaluation. It is intended to recruit a new Independent Non-Executive Director later in the year, to fill the position vacated when John Holland-Kaye stood down at the end of March 2023.

The recruitment process will take into account diversity at board-level as well as the need to secure the skills and experience required for the remaining stages of the project.

BOARD COMMITTEES

The Board has five Board Committees. The Committees meet regularly, in accordance with an agreed schedule. All Non-Executive Directors are permitted to attend Committee meetings, in addition to the committee members. The Executive Directors are not members of the Board Committees, but they are invited to attend the majority of meetings other than Remuneration and Nomination Committee meetings, which only the CEO attends, for all business other than relating to his own remuneration.

Each Committee has terms of reference, which have been approved by the Board. Each Committee's terms of reference and performance are reviewed by the Board each year, to ensure that the Committees operate effectively.

BOARD COMMITTEE STRUCTURE

Each Board Committee is chaired by an Independent Non-Executive Director.

The Committee chairs regularly update the Board on the committee's work. Minutes of the committee meetings are available to all Directors through a secure electronic portal.

Committee Reports
Risk Committee Report

Mike Putnam
Chair of Risk Committee

I am pleased to present this report on the activities of Tideway's Risk Committee.

COMPOSITION OF THE COMMITTEE
The Risk Committee is made up of four Independent Non-Executive Directors (including myself) and two Shareholder Directors. Together we share a thorough understanding of the Tideway project, significant experience in the infrastructure sector and an appropriate balance of risk management expertise.

All members of the Board are entitled to attend the Committee and the majority of Board members are frequently present, which adds to the depth of discussion in Committee meetings and assists decision making at Board level. As a matter of course we invite the Director of Strategy and Regulation, the Head of Integrated Project Management Office (IPMO), the General Counsel and the Internal Audit Manager. Other relevant experts are also invited to attend Committee meetings where required.

ROLE OF THE COMMITTEE
The role of the Committee is to review and report to the Board on risk management, mitigation and internal control. This includes determining the nature and extent of the principal risks Tideway faces. (These are described in the Risk Management section of the Strategic Report.) We also assist the Board in its oversight of risk by reviewing Tideway's risk appetite and risk profile, and the effectiveness of its risk management framework.

We are supported by two executive-level risk committees. The Corporate Risk Committee is chaired by the Director of Strategy and Regulation and meets every six months to consider corporate risks that may affect the financial and reputational viability of the business. The Executive Risk Committee is chaired by the Chief Financial Officer and meets monthly to review programme risks that could affect the physical delivery of the project. I have regular meetings with the Director of Strategy and Regulation and the Chief Financial Officer to help ensure proper information flows from these committees, up to the Board's Risk Committee.

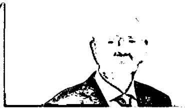
Membership of the Risk Committee		Attendance
Mike Putnam Chair	Independent Non-Executive Director	3
Andrew Cox	Shareholder Director	3
Richard Morse	Independent Non-Executive Director	3
Michael Queen	Independent Non-Executive Director	3
John Holland-Kaye	Independent Non-Executive Director	1
Alistair Ray	Shareholder Director	2

ACTIVITIES IN THE YEAR
The Committee met formally three times and undertook the following main activities:

Subject	Activities
Risk appetite monitoring	Considered reports on key risk exposures, emerging and potential risks and matters driving risk across the project. Assessed and challenged the appropriateness of Tideway's overall risk appetite and approved the principal risks.
Risk management and governance	Received regular risk reports covering principal and corporate risks, programme and project risks and the mitigations in place. Received updates from the Compliance Assurance Review Group (CARG) which is chaired by the CEO and challenges relevant staff on compliance and assurance matters. Received reports from Internal Audit with observations on the CARG covering management's approach to the process.
Internal controls	Reviewed Tideway's Risk Management Policy and Risk Management Strategy.
Deep dives on system commissioning	In June the Committee carried out a review of preparations for system commissioning, looking in depth at plans to test the system commissioning plan with all relevant parties some 12 months ahead of schedule. This included looking at work underway with key stakeholders, receiving an update on development of the system commission plan and reviewing the process for achieving completion and handover. This was followed, in March, with a further deep dive that considered the remaining, overarching risks involved in system commissioning and the measures in place to manage and mitigate those risks. The Committee also looked at steps taken to strengthen links between Alliance members and to identify and close out remaining actions associated with operational readiness.
Deep dive on component shortages	The Committee has also focused on risks associated with global component shortages, considering the potential impact on the project, steps taken to mitigate the risk and the strategy for managing the risk going forwards.
Deep dives on interface with Thames Water and industry reputational issues	In September the Committee considered Tideway's interface with Thames Water, which included looking at areas of operational collaboration and the mechanisms for engagement between the two organisations. That was followed, in the same meeting, with an update on industry reputational issues which considered both the reputational status of Tideway and wider reputational challenges facing the industry.
Annual effectiveness review	Carried out an annual review of effectiveness which considered: • Tideway's risk appetite and desired culture in relation to risk; • the operation of risk management and internal control systems, including the determination of principal risks; • the integration of risk management and internal controls with Tideway's strategy, business model and business planning processes; • changes in the nature, likelihood and impact of principal risks and Tideway's ability to respond to change in the business and the external environment; • the extent, frequency and quality of communication from Tideway's management to the Board regarding the results of risk monitoring; • issues dealt with over the course of the year, including actions to address weaknesses or control failings; • the effectiveness of Tideway's public reporting processes; and • Tideway's approach to financial resilience, particularly in the context of decision-making relating to distributions.

Committee Reports

Nomination Committee Report



Sir Neville Simms FREng

The Nomination Committee is currently made up of four Independent Non-Executive Directors and two Shareholder Directors. A majority of members are therefore Independent Non-Executive Directors. I have been the Committee Chair since Tideway was established. I have chaired a number of companies and construction industry bodies and, together with the other members of the Committee, we have an appropriate balance of experience and a deep understanding of Tideway's business and the infrastructure sector.

All Shareholder Directors and Independent Non-Executive Directors are entitled to attend our meetings. The Committee would expect to meet at least once during the year.
The Committee meets to assist the Board by:

- reviewing Company succession planning and talent management activity;
- understanding the current bench strength of the Executive Management Team;
- conducting a rigorous and transparent process when recommending or renewing the appointment of Directors to the Board; and
- approving the appointment of new Non-Executive Directors
- reviewing the development plans of all staff members

ROLE OF THE NOMINATION COMMITTEE

The Committee is responsible for:

- regularly reviewing the Board's structure, size and composition, including the balance of skills, knowledge, experience and diversity, and making recommendations to the Board regarding any changes;
- considering succession planning for Directors and senior executives, considering the challenges and opportunities facing Tideway, and the skills and expertise needed on the Board in the future; and
- evaluating, the balance of skills, knowledge, experience and diversity on the Board before the Board makes an appointment. In the light of this evaluation, it prepares a description of the role and capabilities required for an appointment.

In identifying suitable candidates the Committee:

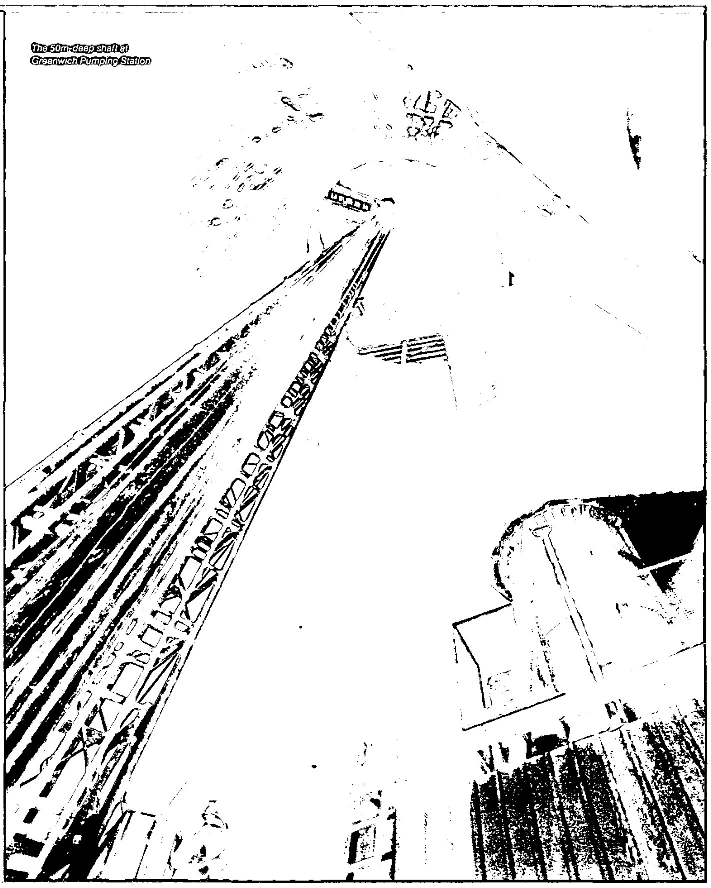
- uses open advertising or the services of external advisers to facilitate the search;
- considers candidates from a wide range of backgrounds; and
- considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

ACTIVITIES

The Committee focused on Board succession planning for the Executive Management team as well as reviewing the overall bench strength of the Senior Leadership team and renewing the Independent Non-Executive Directors' appointments.

Due to the resignation from the Board of John Holland-Kaye, Non Executive Director and Javier Falero, Shareholder Director the Committee will take the opportunity to review the skills and experience required at this time in the project life cycle and consider improving the Board's overall diversity. Recruitment for a new Non-Executive Director will commence later in the year.

Membership of the Nomination Committee		Attendance
Sir Neville Simms	Independent Non-Executive Director	1
Andrew Cox	Shareholder Director	1
Richard Morse	Independent Non-Executive Director	0
Alistair Ray	Shareholder Director	1
Mike Putnam	Independent Non-Executive Director	0
Baroness Ruby McGregor-Smith	Independent Non-Executive Director	1



The 50m-deep shaft at Greenwich Pumping Station

Committee Reports

Health, Safety, Security And Environment Committee Report

John Holland-Kaye
Chair of HSSE Committee

I am pleased to present this report on the work of the HSSE Committee.

The Committee's members have an in-depth knowledge of Tideway's business and an appropriate balance of expertise in matters concerned with health, safety, security and the environment. In my role as Chair of the Committee I bring a background of leadership in business, construction and infrastructure and first-hand experience of priorities attached to health, safety, security and environmental matters.

COMPOSITION

Including myself, the Committee has three Independent Non-Executive Directors and two Shareholder Directors. All members of the Board are entitled to attend the Committee and we also invite the Director of Business Services and Health, Safety and Wellbeing and the Legacy and Sustainability Manager. Further invitations are extended to relevant staff as required.

ROLE OF THE HSSE COMMITTEE

Tideway is committed to best practice, continual improvement and a transformational approach to health, safety and wellbeing. We are committed to creating a healthier environment for London by reducing the overflow of untreated sewage into the tidal Thames, and environmental sustainability commitments form a key element of our legacy programme (as detailed in the Strategic Report).

The Board acknowledges that effective leadership on HSSE matters must come from the top of the organisation. The HSSE Committee therefore has a key role in regularly reviewing, developing and overseeing consistent policy, standards and procedures for managing HSSE risk and helping to ensure that Board members are sufficiently informed to discharge their individual and collective responsibilities for HSSE.

The Committee is responsible for reviewing Tideway's HSSE strategy and objectives and overseeing significant Tideway actions relating to HSSE. This includes incident investigation reports and the close out of actions resulting from any serious incidents the Committee sees fit to review.

The Committee is supported by executive-level Monthly Management Review meetings, which are chaired by the CEO and include an in-depth review of matters related to health, safety and wellbeing. The Legacy and Sustainability Manager sits on the Alliance Legacy and Environment Committee which meets bi-annually to provide strategic support and challenge on legacy and environmental issues. Both forums feed into the HSSE Committee.

Membership of the HSSE Committee		Attendance
John Holland-Kaye Chair	Independent Non-Executive Director	2
Andrew Cox	Shareholder Director	2
Mike Putnam	Independent Non-Executive Director	1
Sir Neville Simms	Independent Non-Executive Director	2
Chris Morgan	Shareholder Director	0
Javier Falero	Shareholder Director (resigned September 2022)	1

ACTIVITIES

In accordance with its terms of reference, the Committee met twice in the year.

Subject	Activities
HSW performance	Addressed detailed reports on the HSW performance of the MWCs, Programme Manager and Tideway. Among other things, this included oversight of steps taken to receive HSW improvement plans from the MWCs and measures taken to test site security arrangements.
Sustainability performance	Reviewed the performance of the MWCs, Programme Manager and Tideway on sustainability and legacy commitments. This included, but was not limited to, oversight of legacy commitments and environmental KPIs.
HSW strategy	Reviewed an update to Tideway's HSW strategy reflecting the continuing development of the project and establishing a plan to improve performance across the Tideway Alliance.
Risk registers	Reviewed and considered the priority of matters included in the HSW and Environmental risk registers.
HSW Assurance	Received an update to the HSW Assurance Plan which forms part of Tideway's risk management activities, ensuring compliance with various statutory and contractual HSW obligations.

Committee Reports

Audit and Finance Committee Report

Richard Morse
Chair of Audit and Finance Committee

I am pleased to present this report on the role and main activities of the Committee.

COMPOSITION

I have over 30 years' experience of infrastructure and energy transactions as an investment banker. The Committee members have an appropriate balance of financial and accounting experience and an in-depth understanding of Tideway's business and the infrastructure sector.

There is a majority of independent Committee members, based on a Committee composition of three Independent Non-Executive Directors including myself and two Shareholder Directors. All of the Independent Non-Executive Directors have recent and relevant financial experience.

All members of the Board may attend our Committee meetings. We invite the Head of Internal Audit, the Director of Strategy and Regulation and the General Counsel to attend as a matter of course, and other relevant staff as required.

ROLE OF THE AUDIT AND FINANCE COMMITTEE

The Committee reviews and reports to the Board on all financial reporting matters. We review the role and independence of the external auditor, the Internal Audit function and Tideway's overall approach to compliance and assurance and annual reporting. We also review and report to the Board on Tideway's treasury policy, treasury strategy and financial strategy.

Our main responsibilities are to:

- review the half-year and annual financial and regulatory statements, including considering any significant areas of judgement and the ability of the Board to confirm that the annual report and accounts, taken as a whole, are fair, balanced and understandable and reporting to the Board on the significant issues considered by the Committee and how these were addressed;
- review the scope, planning and effectiveness of the Internal Audit function and Tideway's internal control and risk management systems;
- review procedures for whistleblowing, identifying and reporting fraud and other inappropriate behaviour, and the outcomes from any significant matters identified;
- make a recommendation to the Board for the appointment or reappointment of the external auditor;
- review the scope and results of the annual external audit and report to the Board on the effectiveness of the audit process and how the auditor's independence and objectivity have been safeguarded;
- review Tideway's processes for ensuring compliance with its obligations and considerations for any breaches and the adequacy of any actions taken as a result of a breach; and
- review and present to the Board any funding, hedging or investment, or any material change to Tideway's financing arrangements.

Membership of the Audit and Finance Committee		Attendance
Richard Morse Chair	Independent Non-Executive Director	6
Andrew Cox	Shareholder Director	5
Baroness Ruby McGregor-Smith	Independent Non-Executive Director	5
Chris Morgan	Shareholder Director (appointed September 2021)	5
Michael Queen	Independent Non-Executive Director	6

ACTIVITIES

The Audit and Finance Committee met six times in the year.

Subject	Activities
Financial and regulatory statements	Considered the appropriateness of the accounting policies. Reviewed significant issues in respect of the 2022/23 financial statements.
Annual external audit	Considered issues arising from the statutory and regulatory audits.
Internal audit	Reviewed the plan, activities and effectiveness of the Internal Audit function. Considered future changes to the Internal Audit Strategy as may be appropriate for the evolution of the project.
External auditor	Reviewed the reappointment of the external auditor, including considering the external auditor's independence and objectivity and subsequently recommended reappointment. Oversaw the procurement process for a new external audit firm and subsequently recommended the appointment of a new external auditor for 2023/24 and beyond.
Compliance and assurance	Considered the company's approach to compliance and assurance.
Financial and narrative reporting	Reviewed the company's approach to annual reporting including regulatory requirements.
Sustainable finance	*Reviewed the company's Sustainable Finance Report.* Considered the approach to future ESG reporting requirements.
Going concern	Considered management's approach and recommendations relating to Going Concern for adoption by the Board and inclusion in the Annual Report and Accounts.
Long-term viability statement	Considered management's approach and recommendations relating to the Long-Term Viability Statement for adoption by the Board and inclusion in the Annual Report and Accounts.
Treasury strategy and performance	Received detailed reports on financing market conditions. Reviewed the performance of Tideway's financing strategy.
Distributions	Considered scheduled distributions to shareholders.
Funding, hedging and investment	Considered opportunities relating to funding, hedging and investment management. Reviewed assumptions contained in Tideway's long term financial model. Received updates on LIBOR transition and reviewed associated amendments to key finance documents.

Committee Reports

Audit and Finance Committee Report

SIGNIFICANT MATTERS CONSIDERED IN RESPECT OF THE 2022/23 FINANCIAL STATEMENTS

The Audit and Finance Committee has considered a number of significant issues in relation to the financial statements. These mainly related to the judgements in relation to the accounting estimates made by management in preparing the financial statements and the regulatory accounts, and also to the appropriateness of the accounting policies adopted for the year to 31 March 2023, including changes from the prior period.

The Committee reviewed the following key areas in relation to the financial statements:

- the appropriate reporting and disclosure relating to estimated outturn costs for the project;
- the valuation and disclosure of financial instrument arrangements as at the year end;
- the evidence supporting the assumption that the accounts can be prepared on a going concern basis, including a review of Tideway's liquidity, cash flows and exposure to financial, strategic and operational risks;
- the evidence and assumptions supporting the Long-Term Viability Statement and the Directors' view of Tideway, including a review of Tideway's liquidity, cash flows and exposure to financial, strategic and operational risks;
- compliance with accounting standards and other legal requirements; and
- asset carrying value considerations in the financial accounts.
- Judgements and estimates as disclosed in the basis of preparation note to the Financial Statements (Note 1).

During the year, Tideway informed Ofwat that it would not be able to comply with Ofwat's Regulatory Accounting Guidelines (RAGs) which require companies to submit an annual performance report by 15 July each year. As companies' licences require compliance with the RAGs, the company would be in breach of its licence. In lieu of enforcement, Ofwat accepted an undertaking provided by the company. The company's undertaking covered the provision of draft information to Ofwat by 15 July (achieved) and final audited information by 22 September which the company expects to comply with. Additional information is available on the Ofwat website.

INTERNAL CONTROL, RISK AND COMPLIANCE

The Committee is responsible for reviewing Tideway's internal control and risk management systems, and compliance matters. We are supported by the independent Internal Audit function, which reviews the effectiveness of Tideway's risk management and internal control systems throughout the year and regularly reports to the Committee. The Committee provides further review and challenge including:

- reports prepared by the Internal Audit function, management's response to issues raised and their timely resolution;
- the control-related findings presented by the external auditor during its audit of the financial statements;
- approach to assurance, particularly considering requirements contained in Tideway's Project Licence, consents, financial obligations and other legal duties;
- approach and underlying process to assure the Board in relation to the Risk and Compliance Statement which is required in the Annual Report under the Licence granted by Ofwat; and
- the policies and procedures in place to prevent, detect and investigate fraud.

INTERNAL AUDIT

The Internal Audit function has a remit to carry out risk-based reviews covering the whole of the business, giving the Committee assurance on the adequacy of the internal controls.

The Head of Internal Audit is considered independent of management. The Head of Internal Audit reported functionally to the CFO in the period. To help preserve the independence of the function, she also met regularly with the Chair of the Audit and Finance Committee without Executive management being present.

The Committee has a role to oversee the work of the Internal Audit function to ensure it is as robust and effective as possible including:

- reviewing and approving the Internal Audit function's policy;
- considering and approving the function's planned programme of work;
- monitoring the adequacy of the function's resources and skills;
- reviewing the function's performance in terms of reports prepared and subsequent follow-up and close out of actions;
- monitoring progress against the approved programme of work.

Based on the Committee's oversight of the Internal Audit function, the Committee considers that the Internal Audit function is independent and effective.

CONFIDENTIAL REPORTING

PROCEDURES AND WHISTLEBLOWING

The Committee is responsible for ensuring that Tideway has systems in place which allow staff to raise, in confidence, concerns about possible improprieties in financial reporting or other matters and for ensuring that where such concerns are raised, arrangements are in place for proportionate and independent investigation and follow-up action.

Tideway has a confidential whistleblowing policy and procedure for its staff which has been advertised throughout the organisation. It covers a range of areas where malpractice could occur, such as health and safety, fraud, bribery, money laundering and other human resource related matters. Staff are encouraged to deal with any matters of concern with line management first and also have direct access to a confidential whistleblowing reporting process with Crimestoppers. The Head of Internal Audit acts as the Whistleblowing Officer and monitors, investigates and reports both to the General Counsel and the Committee on any concerns raised and the resulting outcome.

AUDITOR APPOINTMENT, INDEPENDENCE AND OBJECTIVITY

This is the eighth financial year in which the Annual Report and Accounts have been audited by KPMG, which was appointed following a competitive tendering process described in our 2016/17 Annual Report. The contract permits us to continue to appoint KPMG on an annual basis, subject to the requirements of the Companies Act. The current external audit engagement partner is Anna Jones. This is her third year in the role.

The Committee keeps KPMG's performance, independence and appointment under regular review. In addition the CFO has regular contact with the audit team, as does the Chair of the Board and Chair of the Audit and Finance Committee, who each have regular dialogue with the lead audit partner at KPMG, sometimes with and sometimes without member of the Tideway Executive team in attendance.

During the period the Committee considered KPMG's performance in relation to:

- audit of the financial statements, including planning materiality;
- execution of the audit approach including its assessment of key accounting issues, audit judgements and audit adjustments required;
- arrangements to identify, manage and report its own conflicts of interests;
- independence and objectivity;
- the extent of, approval for and quality of the current and future non-audit services carried out by KPMG and their impact on KPMG's independence; and
- arrangements for the delivery of the external audit.

The Audit & Finance Committee reviews the non-audit services provided by the external auditor, taking into account any relevant ethical guidance on the matter. Non-audit services are approved by the Audit & Finance Committee and the Committee is satisfied that KPMG is independent of the company and that the provision of permitted non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

The Committee has considered and approved the fees for non-audit services carried out by KPMG.

	2023 £000	2022 £000
Non-audit services		
Other regulatory assurance services	22	41
Total	22	41

I have met the KPMG engagement partner to discuss matters without the Executive management in attendance. The Committee has also reviewed the performance of the audit with the Executive team. The Committee concluded it is satisfied with the independence of the auditor and the overall quality of the audit process and accordingly and accordingly, the Committee agreed to recommend KPMG's appointment as auditor for the 2022/23 financial year.

EXTERNAL AUDIT TENDER

During the year, the Committee led a formal competitive tender procurement in compliance with the Company's Specified Infrastructure Projects Regulations (SIPR) for external audit services for the year ending March 2024. The Committee, following assessment of the tender process undertaken by the Company and in consultation with management recommended the Board appoint PricewaterhouseCoopers as external auditors. The Board accepted this recommendation and a resolution to appoint them will be put to the Board and the shareholders at the board meeting in September 2023.

The Committee confirm that this recommendation is free from influence from any 3rd party and no contractual term has been imposed on the Company which would limit the choice of auditor. KPMG will cease to hold office following the completion of the audit of the Group's Financial Statements and Annual Performance Report for the year ended 31 March 2023.

This report was approved by the Board of Directors on 24 August 2023.

Richard Morse
Chair of the Audit and Finance Committee

Committee Reports
Remuneration Committee

Michael Queen
Chair of Remuneration Committee

I am pleased to present this report which reviews the role and main activities of the Committee for the financial year ended 31 March 2023.

Tideway continues to strive to be a world-class employer, offering an inclusive culture, fair pay and competitive terms and conditions to its employees. Its remuneration and employment policies and practices are designed to attract and retain the best talent to work on each stage of the project.

Underpinning the remuneration strategy is the Company's culture of respect, fairness and equity of application of the policy across the organisation, irrespective of role or seniority. Therefore, the approach to pay and benefits for both the Executive Directors and all employees are applied in the same way. Our Company annual bonus targets are set with the aim of promoting individual and collective motivation to realise the Company's objectives and purpose, focusing on Health and Safety, the time, cost and quality of build and importantly the impact on our communities and support to our people. In this way, we align the interests of customers, who are ultimately paying for the project through their water bills with the investors who are funding the project. Ultimately delivering the positive environmental impact of cleaning up the river Thames.

COMPOSITION

The Committee has four Independent Non-Executive Directors (including myself) and three Shareholder Directors. The Committee has an appropriate balance of experience and in-depth knowledge of Tideway's business.

Other Non-Executive Directors have the right to attend the Committee if they so wish. The CEO attends the meetings for all business other than that relating to his own remuneration. Independent advisors attend meetings by invitation and the HR Director or nominated deputy acts as Secretary to the Committee.

Membership of the Remuneration Committee		Attendance
Michael Queen Chair	Independent Non-Executive Director	3
Andrew Cox	Shareholder Director	3
John Holland-Kaye	Independent Non-Executive Director	2
Richard Morse	Independent Non-Executive Director	2
Alistair Ray	Shareholder Director	2
Sir Neville Simms	Independent Non-Executive Director	3
Javier Falero	Shareholder Director (resigned September 2022)	1

ROLE OF THE REMUNERATION COMMITTEE

The Committee has delegated responsibility for:

- setting the remuneration policy for all Executive Directors and the Company's Chair, including pension rights and any compensation payments;
- recommending and monitoring the level and structure of remuneration for senior management;
- setting and reviewing the ongoing appropriateness and relevance of the remuneration policy;
- commissioning external benchmarking to obtain reliable, up-to-date information in other companies of comparable scale and complexity;
- recommending the design of, and determining targets for, any performance-related pay schemes and recommending the total annual payments made under such schemes;
- recommending the policy for, and scope of, pension arrangements for each Executive Director and other designated senior executives;
- ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- overseeing any major changes in employee benefits structures throughout the Company.

ACTIVITIES

Tideway is a dynamic, multi-year construction project, requiring a progression of skills and expertise over its life, from a competitive employment market. This requires us to constantly review and translate Tideway's remuneration policy into individual remuneration and incentive packages for staff and senior management. We aim to retain and incentivise the whole workforce, including the senior Executive team.

Each year, the Remuneration Committee reviews the overall compensation and benefits for all employees and compares them to various market benchmarks. The review, based on external projections of inflation and salary movements awarded an overall increase of 4.5%, with the majority of employees receiving an increase c4%. The Executive Directors received an increase of 3.5%. During the year it became clear that increases for the majority of staff did not adequately reflect the increasing impact of inflation.

Supporting our people during financially difficult times is important for the overall health and stability of the organisation. In October 2022 a temporary, additional allowance for employees below the senior management team was introduced. The monthly cost of living allowance ranged from 10% down to 4%, ensuring that those on the lowest income were provided with the most support. The allowance ran to the end of March 2023 and has been reviewed in conjunction with the 2023-24 salary increase programme. The Executive Directors supported the additional cost to the programme, by a reduction in their own salaries.

I would like to thank our Shareholders for their views and constructive input during this challenging time.

The Committee reviewed the overall Executive remuneration, to ensure it remains appropriate and fair. The first two long-term incentive plans (LTIPs) were put in place in 2016. These focus on the completion of the Tunnel by achieving key milestones, the first two of which are starting and completing tunnelling. The third LTIP implemented in 2019 was designed to incentivise management to transition the Company smoothly to Handover and Acceptance of the Tunnel. Whilst speed of construction is an important component of our incentivisation and reward strategy, it does not override either health and safety or the quality of the finished tunnel, which must be fit for purpose to deliver a positive environmental impact by reducing raw sewage discharge into the Thames.

In the year LTIP 2 was awarded on the completion of tunnelling in April 2022. No changes have been made to LTIP3 in the year. All incentives are subject to satisfactory Health and Safety performance and the Committee has the discretion of assessing the final award.

Over the coming years the project will move into different phases, the Committee therefore continue to review the overall remuneration and incentivisation for the Executive management team and key roles to ensure stability and retention of critical knowledge and experience. Specific awards were therefore agreed for key roles as well as the Executive Directors, based on the required retention period. The Committee agreed that these were proportionate to the commitments required and delivery on the project. These awards are subject to claw back and malus. Remuneration Committee may, in its absolute discretion reduce (including to nil) the accrued Award Amount or require the repayment of amounts up to the value of the full award if already paid, to take account of such circumstances as they may reasonably determine, that are deemed to be the result of the recipient's actions, including, without limitation, any of the following: material misstatement of the Company's results; fraud or gross misconduct; poor health and safety performance; poor regulatory performance; serious reputational damage or material loss caused by the recipient's actions; poor project performance against either schedule and/or budget; failure to deliver expected value to customers.

Committee Reports
Remuneration Committee

REMUNERATION POLICY REPORT
The Company's remuneration policy continues to reflect the complexity and significance of one of Europe's largest infrastructure projects. Executive Directors' remuneration comprises three elements: base salary; an annual bonus; and LTIPs. We assess annual bonuses on a combination of individual and Company performance, to incentivise and reward success in line with our annual business plan objectives and Company purpose.

Willis Towers Watson, as required, provides independent salary and benefits benchmarking and consultancy to the Company, to ensure that salaries and bonuses remain in line with market norms.

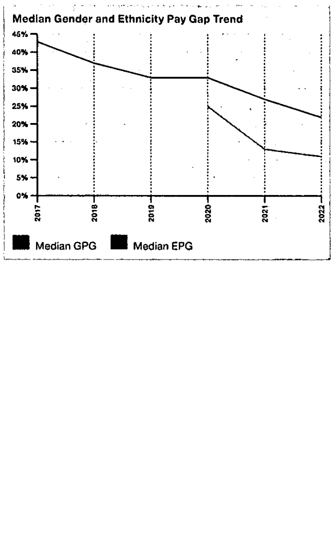
PAY AND CONDITIONS FOR EMPLOYEES
We have maintained our position regarding pay and conditions, recognising that whilst Tideway is a regulated independent water company, we have several unique characteristics which influence our remuneration strategy. Not least, we are implementing one of Europe's largest infrastructure projects and need to do so in a manner which provides value for money for customers. Our overall compensation structure is designed to attract and retain appropriate skills, experience and talent to achieve the Company's aims. There continues to be a very competitive labour market and it is important for the project's success that we offer an attractive overall compensation and benefits package.

We apply our compensation strategy consistently across all employees, from junior members of staff through to the senior management team, with the same principles of fairness and equity.

- Remuneration packages reflect the complexity and significance of one of Europe's largest infrastructure projects.
- Reward is based on total compensation, meaning base pay, bonus and benefits.
- Future increases in base pay are merit based, by reference to market comparators. There is no right to annual increases, although an annual review will take place.
- Pensions are contributory into a defined contribution scheme, with contributions in line with market practice. Pensions are calculated on base salary only.
- All employees have a base-level benefits package, covering holidays, pension, life insurance and private medical cover. Additional benefits are provided based on job level (such as car allowances and level of medical insurance cover) or personal circumstances (such as relocation allowance).
- Bonuses are discretionary, based on a combination of individual and Company performance, and are a key part of the package to incentivise and reward project and personal success.
- All employees who are eligible for an annual bonus share the same Company-wide targets and have individual objectives set in the same way as those of the Executive Directors. Maximum bonus opportunities for our staff range from 10% to 50% of salary, depending on their seniority and role. Details of the bonus opportunity for Executive Directors are provided in the tables below.

Tideway has no collective agreements in place and salary increases are determined based on an individual's performance and internal and external relativities. The overall salary increase pot was four and a half per cent in 2022/23. Individual annual increase reviews take place in April each year. The Remuneration Committee considers the same criteria for the annual pay award for employees as those used when considering any increase to base pay for Executive Directors.

GENDER AND ETHNICITY PAY GAP REPORTING
As Tideway employs less than 250 people we are not required to report our gender pay gap data, however the Committee took the decision to report in 2019, and for the third year we have included our Ethnicity Pay Gap data. This is in line with our principles of transparency.



I am pleased with the improving results but recognise that as our organisation reduces in size as the project moves towards completion, we will review the veracity of continued reporting.

In a traditionally male dominated industry we continue to look at ways to reverse this imbalance through measures such as inclusive recruitment, a focus on new talent in underrepresented groups in our succession planning activity, mentoring and promoting flexible working, and targeted development opportunities.

We are proud that Tideway project employs 33% women, but we recognise that continued focus to improve diversity at the senior levels within the company is required to address the structural imbalance.

We continue to take practical steps to achieve our broader diversity and employment goals, including an employee network, Encompass, with several working groups which focus on gender, disability, LGBT+ and race. Each diversity strand has an Executive sponsor, to support diversity and inclusion activities and programmes across the Project. We continue to support a range of activities within schools, to encourage young women to take STEM subjects at school and university, to try to redress the known gender imbalance in the engineering sector. The Company will continue to focus on these issues to work towards increased diversity of representation across all levels of the Company.

Tideway prides itself on being an inclusive employer and this is reflected in our Employee Engagement Survey results. This confirmed that we continue to live our values, with a 90% favourable response to the question "I am treated with respect as an individual".

Committee Reports

Remuneration Committee

PAY AND CONDITIONS FOR EXECUTIVE DIRECTORS

Full details of each component of the Executive Directors' remuneration and the way remuneration was calculated, applicable for the year ended 31 March 2023, are set out here.

Executive Director Base Salary Arrangements	
Purpose and strategy	The overall remuneration package is set to attract and retain Directors of the appropriate calibre, to reflect the organisation's size, complexity and external market competition and company values.
Operation	The base salary of the Executive Directors is reviewed by the Remuneration Committee annually and is normally fixed for 12 months. There is no right to an annual increase. Increases are set by reference to: • individual performance; • internal and external comparators; and • market conditions.
Opportunity	Base salary increases are reviewed at the same time as those across the Company and will usually be in line with market increases. The Remuneration Committee will consider differences to this where there is: • increase in role scope or responsibility, including a promotion; • external market data showing that the salary is not competitive; and/or • a risk of not attracting or retaining executives.
Performance metrics	The individual's performance, external market and internal relativities will determine the salary level. Salary levels for the Executive Directors for 2022/23 are set out later in this report.

Executive Director Annual Bonus Arrangements	
Purpose and strategy	Incentivises and rewards performance against annual targets, which support the Company's strategic direction and personal development.
Operation	Annual targets included Health, Safety and Wellbeing, project milestones, public perception, employee engagement, as well as personal targets. Targets are set annually by the Remuneration Committee and notified to the Board. The Remuneration Committee approves the assessment of achievement. All bonuses are discretionary and can be removed or adjusted at the Committee's discretion.
Opportunity	Maximum bonus opportunities CEO – 100% CFO – 80% CTO – 80% Awards for 2022/23 were: CEO – 70% CFO – 56% CTO – 56%
Performance metrics	See below

Objective	Requirement	2022/23 Minimum	Achievement
Health Safety and Wellbeing	Maintain Strong HSW performance	Safety record better than other recent major projects. Improved performance on 2022-23.	Improved against a range of targets.
Schedule Cost and Quality	Monthly Schedule Performance	Deliver schedule milestones. Complete tunnelling.	Tunnelling completed. 79% of milestones achieved.
	Year-end position in line with outturn budget (Estimate at Completion)	In line with EAC forecast.	Business plan EAC was exceeded, single largest reason was unanticipated level of inflation.
	Asset Quality, Fitness for Purpose & Durability	No Significant delays due to quality issues.	Active review and management in place.
Vision Legacy and Reputation	Support from stakeholders	No material schedule impact as a result of stakeholder intervention.	Stakeholder engagement and media continues to be 99% positive or balanced. 93% of legacy targets achieved (target 85%).
Company and People	Organisation changes delivered against plan, whilst preserving a values driven, skilled, diverse and engaged workforce	Subjective (evidence of effective organisation transition including surveys/polls and feedback from the Workforce Engagement Director with Employee Reps).	Engagement survey data positive scores, respect and recognition 89%, clear and promising direction 86%, confidence in leaders 86%. Positive feedback from employee reps to Workforce Director.
Personal objectives	Achievement of personal objectives	As per individual plan.	As per individual plan.

These targets are shared with all staff.

- The Committee has discretion to weight each of the above requirements as it sees fit.
- The Committee has assessed that the Company achieved 70 per cent of its goals overall, as EAC and schedule performance were given more weight by the Committee. A range of inputs, including the project's health and safety record, performance schedules, employee surveys and independent research detailing our reputation in the external market are used.
- The Committee has discretion to reduce the bonus to zero if there is a significant health and safety or regulatory breach.
- Personal objectives comprise a combination of strategic, project and development measures to support the delivery of project milestones. Company priorities and personal development of the individual.

Committee Reports

Remuneration Committee

EXPLANATION OF PERFORMANCE METRICS CHOSEN

The metrics chosen were designed to ensure that all staff members remained engaged with the project's priorities, of time and budget, whilst underpinning the Company's core values of transformational health and safety, stakeholder and employee engagement. Delivering the operational tunnel will ensure improved environmental goals of a cleaner river Thames.

Company targets for Directors and Executive Management are 50 per cent of the bonus opportunity, with individual targets making up the other 50 per cent. For other employees, the split is 25 per cent Company targets and 75 per cent personal targets. Individual targets focus on all areas of the Company, project delivery and personal development.

Executive Director In Service Benefits	
Purpose and strategy	Ensures the overall package is competitive and supports the recruitment and retention of suitable Directors.
Operation	Executive Directors receive benefits in line with market practice, which include car allowance, medical insurance and life insurance. Other benefits, dependent on individual circumstances, could include travel, accommodation or relocation allowances.
Opportunity	Benefits are determined at an appropriate level based on external market data and, in the case of other benefits, personal circumstances.
Performance metrics	Not applicable.

Executive Director Retirement Benefits	
Purpose and strategy	Ensures the overall package is competitive, within current pensions and taxation parameters, to provide post-employment benefits.
Operation	Executive Directors receive a Company contribution towards their pension of £4,000 per annum, in line with current government tax relief taper limits.
Opportunity	The Executive Directors have fully portable self-invested personal pensions.
Performance metrics	Not applicable.

The Company may terminate the contract of any Executive Director in line with their contract of employment, which includes provision for payment in lieu of notice. Employment contracts may be terminated without payment in circumstances of gross misconduct.

Executive Director Termination Policy	
Base salary + benefits	Payment made up to termination date.
Annual bonus	There is no contractual entitlement to a bonus payment. If the Director is under notice or left employment at the time of payment, the Committee may use its discretion to make a bonus award. Typically, in the market this would be pro-rated for time and based on the performance assessed at the end of the bonus year.
Long-term incentive plan	Treatment would be in line with plan rules and at the Remuneration Committee's discretion.

Executive Director LTIP Arrangements Applicable to the CEO, CFO	
Purpose and strategy	To reward performance and delivery and retain Directors over the life of the project, right through to final commissioning and handover of the tunnel at completion, in line with Company values and legacy commitments.
Operation	The LTIP is split into three Tranches. Each Tranche is designed to encourage completion of the project as swiftly as possible, within budget and without compromising health and safety or quality, and to deliver our stated legacy aims.
Opportunity	**Tranche 1** is awarded on the date on which the final tunnel boring machine at the three main drive sites starts to tunnel and is payable over a three-year period. The maximum amount that may be paid under Tranche 1 of the LTIP is 225 per cent of 2016/17 base salary in the first available payroll occurring after its award and 112.5 per cent of 2016/17 base salary in each of the following two years. **Tranche 2** is awarded on the Tunnelling Completion Date (broadly defined as the date on which all tunnelling is complete). The maximum amount that may be paid under Tranche 2 is up to 150 per cent of the base salary pertaining at the tunnelling start date, on the first available payroll occurring after award, and up to 300 per cent (subject as set out below) of such base salary in the following year. **Tranche 3** is awarded at Handover and is payable as to two-thirds at Handover of the tunnel and one third at System Acceptance. Amounts paid out depend on the timing of system wide Handover and acceptance of the tunnel, the costs of achieving this. LTIP3 is calculated as up to 200% of salary for each of the years from scheme introduction to Handover.
Performance metrics	100 per cent of the Tranche 1 LTIP will be awarded if the Committee is satisfied that tunnelling has started at all the main drive sites before a specified date (the Pre Licence Award Date (LAD)) which is before the date scheduled when the Company's Licence was awarded. The award will reduce to nil if no tunnelling has occurred by the date (the LAD) scheduled when the Company's Licence was awarded. The reduction between 100 per cent and nil will be calculated on a site-by-site basis. The award will reduce by 20 per cent for each site that has not started tunnelling by the LAD or such lesser percentage (calculated on a straight-line basis, per tunnel if tunnelling commencement occurs between LAD and Pre LAD.) The Committee has discretion to increase or reduce the award by up to a further 20 per cent, depending on the length of tunnel bored by the LAD. **Achievement Tranche 1:** Based on tunnelling start dates and overall tunnel completed the amount awarded under this LTIP was 44% in September 2019. The performance amounts payable to the CEO and COO are disclosed in the remuneration tables for the financial year 2020-21. The final payment was made in September 2021 and is now closed. 100 per cent of the Tranche 2 LTIP will be awarded if the Committee is satisfied that the six individual Tunnelling Completion dates have occurred on or before a specified date. The award will reduce to nil if the Individual Tunnelling Completion Date has not occurred by the specified date and will reduce on a straight-line basis if the Individual Tunnelling Completion Date occurs between those two dates. **Achievement Tranche 2:** Based on tunnelling completion dates for all 6 tunnels, the amount awarded under this LTIP was 86%. The amounts payable to the CEO, CFO and COO are disclosed in the remuneration tables for 2022-23. The first payment was made in May 2022, and the second and final payment will be in May 2023. **Achievement Tranche 3:** 100% of LTIP3 will be paid if the Committee considers that Handover and System Acceptance has or will occur on the date scheduled at Licence Award (the LAD) and agreed forecast costs have been met. The award is adjusted downwards if either the schedule or cost are not met. It is projected that the LTIP3 targets will not be met and that no payments will be made under this scheme. The Committee has discretion to reduce all or any tranche of the LTIP to zero for, inter alia, health and safety or regulatory breaches or malus.

Committee Reports
Remuneration Committee

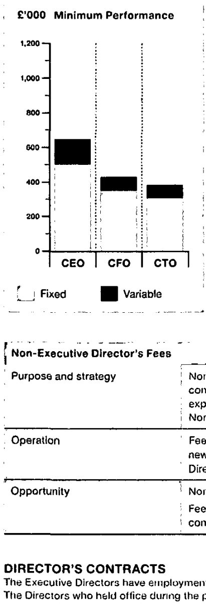
Executive Director Retention Arrangements Applicable to the CEO, CFO and CTO	
Purpose and strategy	To reward performance and delivery and retain Directors over the life of the project, right through to final commissioning and handover of the tunnel at completion, in line with Company values and legacy commitments.
Operation	The Retention bonus is split into three tranches. Each is designed to encourage completion of the project as swiftly as possible, without compromising health and safety or quality, and to deliver our stated legacy aims of cleaning up the river.
Opportunity	Tranche 1 (25%) is awarded on the date that the tunnel achieves is Precommisioning Commencement date, tranche 2 (37.5%) at Handover and the tranche 3 (37.5%) on Systems Acceptance. *The overall maximum opportunity to Systems Acceptance is:* CEO 7.9x salary CFO 8.3x salary CTO 7.1x salary Salary is calculated as at April 2022.
Performance metrics	Completion of project milestones. The Committee has discretion to reduce all or any tranche of the retention to zero for, inter alia, health and safety or regulatory breaches or malus.

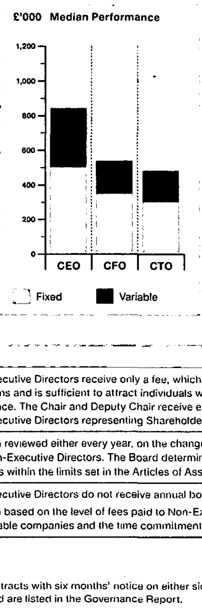
POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

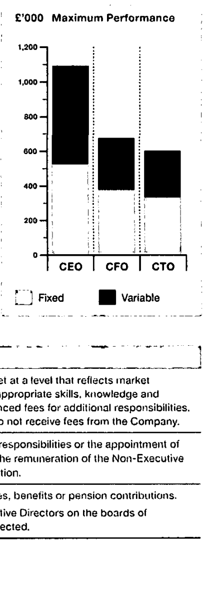
Here we set out the potential remuneration for Executive Directors in various bonus award scenarios.

	Fixed Pay	Annual Bonus
Minimum performance	Fixed elements of remuneration are base salary, benefits and pensions	30% of potential annual bonus achieved
Median performance	Individual performance would be expected to have a positive impact on base salary – see pay and conditions for Executive Directors	70% of potential annual bonus achieved
Maximum performance		120% of potential annual bonus achieved

Here is the relative split of remuneration between fixed (base salary, benefits and pensions) and variable elements (annual bonus) for the Executive Directors under the three scenarios.







Non-Executive Director's Fees	
Purpose and strategy	Non-Executive Directors receive only a fee, which is set at a level that reflects market conditions and is sufficient to attract individuals with appropriate skills, knowledge and experience. The Chair and Deputy Chair receive enhanced fees for additional responsibilities. Non-Executive Directors representing Shareholders do not receive fees from the Company.
Operation	Fees are reviewed either every year, on the change of responsibilities or the appointment of new Non-Executive Directors. The Board determines the remuneration of the Non-Executive Directors within the limits set in the Articles of Association.
Opportunity	Non-Executive Directors do not receive annual bonuses, benefits or pension contributions. Fees are based on the level of fees paid to Non-Executive Directors on the boards of comparable companies and the time commitment expected.

DIRECTOR'S CONTRACTS

The Executive Directors have employment contracts with six months' notice on either side. The Directors who held office during the period are listed in the Governance Report.

The Independent Non-Executive Directors have service contracts with three months' notice on either side. Details of their appointment to the Board can be found in the Governance Report.

Committee Reports

Remuneration Committee

REMUNERATION

The total remuneration earned by each Director is shown in the following tables. These tables have been audited by KPMG.

Year Ended 31 March 2023	Base Salary £'000	Taxable Benefits £'000	Annual Bonus £'000	LTIP £'000	Pension Contributions £'000	Total £'000
Andy Mitchell	468	16	464	1,774	5	2,727
Mathew Duncan*	330	32	247	835	-	1,444
Roger Bailey	305	16	228	-	5	554
Sir Neville Simms	275	10	-	-	-	285
Mark Sneesby**	-	-	-	1,224	-	1,224
Richard Morse	100	-	-	-	-	100
Mike Putnam	67	6	-	-	-	73
John Holland-Kaye	67	-	-	-	-	67
Michael Queen	67	-	-	-	-	67
Baroness Ruby McGregor-Smith	67	-	-	-	-	67
Total	1,746	80	939	3,833	10	6,608

Year Ended 31 March 2022	Base Salary £'000	Taxable Benefits £'000	Annual Bonus £'000	LTIP £'000	Pension Contributions £'000	Total £'000
Andy Mitchell	489	15	215	206	3	928
Mathew Duncan	325	29	114	-	-	468
Roger Bailey	290	15	66	-	3	374
Sir Neville Simms	275	10	-	-	-	285
Mark Sneesby	170	4	214	143	2	533
Richard Morse	100	-	-	-	-	100
Mike Putnam	64	6	-	-	-	70
John Holland-Kaye	64	-	-	-	-	64
Michael Queen	64	-	-	-	-	64
Baroness Ruby McGregor-Smith	64	-	-	-	-	64
Total	1,905	79	609	349	8	2,950

Fees for the Independent Non-Executive Directors have been set in line with the policy described and were reviewed in July 2022 when fees were increased by £4k. A further review in January 2023 made no further changes.

RECRUITMENT REMUNERATION POLICY

We use the policy detailed above when deciding on the overall remuneration package for externally recruited Directors. The Committee has the discretion to include other components outside of the policy, if this is necessary to facilitate the hiring of individuals of the right calibre and experience.

This report was approved by the Board of Directors on 24 August 2023.

Michael Queen
Chair of the Remuneration Committee

* Mathew Duncan received a grossed up payment in lieu of a pension contribution.

** Mark Sneesby resigned in September 2021, this in year payment reflects cash settlement of an LTIP.

Relationship with Shareholders

OUR OWNERS

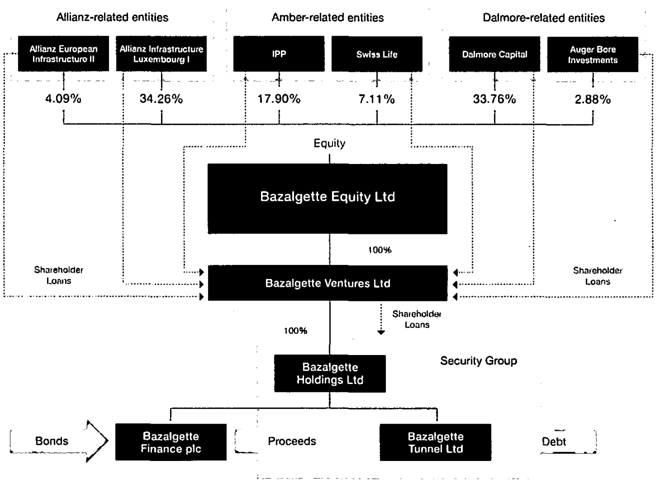
Tideway is owned by a consortium of investors. Here we set out our equity investors and their equity interests as at August 2023.

Shareholder and Shareholding	Description
Allianz Infrastructure Luxembourg I S.a.r.l. **34.26%** Allianz European Infrastructure II Acquisition Holdings S.a.r.l **4.09%**	The Allianz Group is one of the world's leading insurers and asset managers with more than 122 million* private and corporate customers in more than 70 countries. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing around €683 billion** on behalf of its insurance customers. Furthermore, its asset managers PIMCO and Alliance Global Investors manage about €1.6 trillion of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we are among the leaders in the insurance industry in the Dow Jones Sustainability Index. In 2022, over 159,000 employees achieved total revenues of. €152.7bn and an operating profit of €14.2bn for the group. *The investment in Tideway is funded from* the balance sheets of various Allianz Group insurance companies and the Allianz European Infrastructure Fund II, managed by Allianz Capital Partners GmbH.
Dalmore Capital 14 GP Limited **33.76%** Auger Bore Investments Limited **2.88%** (Both Dalmore related entities)	Dalmore Capital is an independent fund manager, with a focus on long-term, limited-volatility infrastructure investments, particularly in the UK. Dalmore has interests in over 130 infrastructure assets and has assets under management of over £5.7bn. For its investment in Tideway, Dalmore established dedicated investment vehicles which have secured commitments from some of the UK's leading pension funds, as well as from a number of European infrastructure investors.
IPP (Bazalgette) Limited **17.90%** Bazalgette (Investments) Limited **7.11%** (Both Amber related entities)	Amber Infrastructure is an international infrastructure specialist, focused on investment origination, development, asset management and fund management. With approximately €5.5 billion of funds under management, Amber invests across eight funds and a number of managed accounts, including International Public Partnerships Limited (INPP, a London Stock Exchange listed infrastructure company), for public and private sector investors. Amber's core business focuses on sourcing, developing, advising, investing in and managing infrastructure assets across the public, transport, energy, digital and demographic infrastructure sectors that support the lives of people, homes and businesses internationally. Amber is headquartered in London with offices in Europe, North America and Australia and employs over 170 infrastructure professionals. Amber manages the IPP and Swiss Life Holding AG (Swiss Life) investments in Tideway which are held through IPP (Bazalgette) Limited and Bazalgette (Investments) Limited respectively. Swiss Life Asset Managers is the third-largest manager of institutional assets in Switzerland, with over 2,500 employees and more than 165 years of experience in managing the assets of the Swiss Life Group. Assets under management amount to CHF 250.1bn as of 31 December 2022, with CHF 144.7bn attributable to Swiss Life's insurance business and CHF 105.4bn to third-party asset management. The core competencies of Swiss Life Asset Managers lie in actively managed solutions in Infrastructure, Real Estate, Fixed Income, Equities and Multi-Asset classes.

The Shareholder Directors are the primary conduit by which the Board interacts with the Shareholders and understands their views, both individually and collectively. As described in the Governance Standards section, a number of arrangements are in place to ensure Tideway maintains an independent Board for the purposes of strategic and risk management decisions. Matters reserved to Shareholders are detailed below, together with a description of the one occasion in the year when these reserved powers arose.

TIDEWAY GROUP STRUCTURE

Bazalgette Tunnel Limited is part of a group of companies. Its immediate parent company is Bazalgette Holdings *Limited, which is in turn wholly owned by Bazalgette Ventures Limited, and its ultimate holding company is* Bazalgette Equity Limited. The structure of the Tideway group of companies and their role is described here.



* Including non-consolidated entities with Allianz Customers.
** As of 31 December 2022

Relationship with Shareholders

THE ROLE OF EACH COMPANY

Name	Registration Number	Place of Registration	Description
Bazalgette Tunnel Ltd	9553573	England and Wales	The Infrastructure Provider entity licensed by Ofwat to design, build, commission and maintain the regulated assets of the Thames Tideway Tunnel. It lies within the security ring-fence.
Bazalgette Holdings Ltd	9553510	England and Wales	Bazalgette Tunnel Limited's immediate holding company, established to act as the vehicle where the Secretary of State would inject funds if required. It lies within the security ring-fence.
Bazalgette Ventures Ltd	9553461	England and Wales	The holding company of Bazalgette Holdings Limited. It was established to act as the vehicle for shareholder loan funding.
Bazalgette Equity Ltd	9553394	England and Wales	The ultimate holding company of the group. It was established to act as the vehicle for shareholder share capital funding.
Bazalgette Finance plc	9698014	England and Wales	A sister company of Bazalgette Tunnel Limited and financing subsidiary of Bazalgette Holdings Limited, established to be the issuer of public market bonds. It lends on the proceeds of any bond Issuance to Bazalgette Tunnel Limited.

RELATIONSHIP WITH SHAREHOLDERS

Each shareholder controlling 10 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint one Director to the Boards of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited.

Each shareholder controlling 20 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint a second Director to the Boards of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited.

Each shareholder controlling 20 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint one Observer to the Board of Bazalgette Tunnel Limited.

Each shareholder controlling 30 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint a second Observer to the Board of Bazalgette Tunnel Limited.

The Observers are entitled to attend Board and Committee meetings and to speak with the permission of the Chair of the Board but are not entitled to vote.

SHAREHOLDER RESERVED MATTERS

There are a limited number of matters reserved by the Board for approval by Shareholders. These matters require the approval of Shareholders holding either 75 per cent or 90 per cent of Tideway's equity. Each Shareholder has the number of votes on such matters equal to its shareholding in Bazalgette Equity Limited.

The Shareholder reserved matters are described in full, below, together with a summary of the nature of each matter. Although these matters are reserved to the Shareholders, the Board expresses its view before any Shareholder decisions are taken. The Board retains responsibility for all matters related to Tideway's strategy and is accountable for all aspects of Tideway's business.

In the year, matters reserved to Shareholders arose just once in the Board's decision-making activities, relating to the procurement of a new external auditor, to be appointed for the statutory and regulatory audit and related services for the Tideway group companies from 2023/24 onward.

SHAREHOLDER RESERVED MATTERS REQUIRING 75% APPROVAL

Nature of Matter	Description
General corporate	Matters relating to the issue of any shares in any Tideway group company.
Incurring of commitments, liabilities etc.	Unless contemplated by the Annual Business Plan or Budget.
Acquisitions or disposals	Including capital expenditure over 5% of the regulatory capital value of the Project ("RCV") (see Tideway's Annual Performance Report for value), or not contemplated by the annual Business Plan or Budget.
Accounts, auditor	The change of Tideway's accounting reference date, the removal or appointment of the auditor and any change to the accounting policies, except where required as a consequence of a change in IFRS, GAAP or law.
Manner of carrying on business	Entering into or materially changing a material contract, to the extent not contemplated by the annual Business Plan or Budget. Substantial alteration in the nature of the business or cessation of the business. Approval of or making amendments to the Project Licence, Business Plan or Budget, which would result in additional expenditure or indebtedness over 5% of RCV. Entering into any guarantee in excess of 5% of RCV. The appointment to the Board or removal of an Executive Director, as recommended by the Nomination Committee. The conduct of litigation and claims involving any Tideway group company, where the potential liability may exceed 5% of RCV. Any material submission or application to Ofwat, whether pursuant to the Licence or otherwise. Any request that Ofwat refer a matter to the Competition and Markets Authority. The submission of any material tax claim, disclaimer, election or consent. The issuances or withdrawal of notices pursuant to the Government Support Package. The replacement of a Main Works Contractor, System Integrator or Project Manager during the Construction Period. The appointment of a Tideway representative to the Liaison Committee and any voting in relation to material variations to the scope of the project. The approval of or entry into a related party transaction.

SHAREHOLDER RESERVED MATTERS REQUIRING 90% APPROVAL

Nature of Matter	Description
Partnership, joint venture or other agreement	Entering into any partnership or other profit-sharing agreement in excess of a materiality threshold.
Articles and Board composition	A change to the articles, acting contrary to the articles or a change to the Board composition requirements in the Shareholders' Agreement.
Share denomination	Any consolidation or redenomination of any shares.
Share redemptions or buybacks	The redemption or purchase by any Tideway group company of any share or the reduction of its share capital or any uncalled or unpaid liability in respect thereof, capital redemption reserve or share premium account.
Winding-up or liquidation	Any proposal for the winding-up or liquidation of any Tideway group Company.
Control of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited	Any arrangement whereby the Directors no longer determine the general policy, scope of activity and operation or major decisions of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited.
Paying up of share capital or debentures	The paying up of any share capital or debenture or debenture stock of any Tideway group company by way of capitalisation or application of any profits or reserves.
Schemes or arrangement and de-mergers	The proposal of any compromise or arrangement within the meaning of section 895 of the Companies Act 2006 or any arrangement pursuant to which any Tideway group company is to make a distribution of the kind described in section 1075 of the Corporation Tax Act 2010.

Directors' Report

The Directors present their Annual Report and the audited Company financial statements of Bazalgette Tunnel Limited (the Company) for the year ended 31 March 2023.
The Company is incorporated and domiciled in the United Kingdom. The registered company number is 09553573 and the Company's registered address is Cottons Centre, Cottons Lane, London, SE1 2OG.

The financial statements are the Company's statutory financial statements as required to be delivered to the Registrar of Companies. This Directors' report includes certain disclosures as required under the Companies Act 2006.

OWNERSHIP AND RELATIONSHIP WITH ASSOCIATED COMPANIES

Bazalgette Tunnel Limited is owned by a consortium of investors. These investors are Dalmore Capital 14 GP Limited, Auger Bore Investments Limited, Allianz Infrastructure Luxembourg I S.a.r.l, Allianz European Infrastructure II Acquisition Holdings S.a.r.l, IPP (Bazalgette) Limited and Bazalgette (Investments) Limited. Further information on our equity investors and their equity interests as set out in the Governance Report.

DIRECTORS

The Directors who held office during the year, and thereafter, are listed in the Governance Report.

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 Company had in place Directors and Officers Liability Insurance for the year.

CORPORATE GOVERNANCE

Full disclosure on the Company's Corporate Governance activities is set out in the Governance Report and is incorporated by reference into this Directors' Report.

PRINCIPAL ACTIVITIES

The Company's business is to design, build and maintain the Thames Tideway Tunnel. A full explanation of the Company's principal activities is set out in the Strategic Report.

FINANCIAL RESULTS AND DIVIDENDS

Following the Company's accounting policies (see note 1 to the financial statements), all costs that meet the capitalisation criteria are capitalised and all regulatory revenue received is currently deferred on the Statement of Financial Position. This accounting treatment is expected to continue throughout the construction phase of the project.

The Company recorded a £144.6m profit for the year ended 31 March 2023 (31 March 2022, here after referred to as "2022": £10.9m loss). This is a result of fair value movements on the Company's derivative financial instruments. The tunnel asset under construction totalled £4,832.0m at 31 March 2023 (2022: £4,016.3m).

An explanation of the financial results of the Company are set out in the Financial Performance Review. The Company did not pay any dividends in the year (2022: £nil). During the year, £20.8m (2022: £29.7m) of shareholder loan interest was paid and £nil loan principal was repaid during the year (2022: £nil). Further details of the shareholder loan notes are set out in note 10 of the financial statements.

FINANCIAL RISK MANAGEMENT

Full disclosure on the Company's financial risk management is set out in the financial statements in note 11.

INVOLVEMENT OF EMPLOYEES

Details of how the Company undertakes engagement with its employees is detailed in the Company and People section of the Strategic Report.

The average number of people employed by the Company (including Directors) during the year was 106 (2022: 120). Details relating to the Company's employment policies and values are set in the Strategic Report.

GREENHOUSE GAS EMISSIONS

The Company's approach to identifying and reducing its greenhouse gas emissions is set out in the Strategic Report.

CHARITABLE AND POLITICAL DONATIONS

The Company made charitable donations totalling £19,186 during the year (2022: £27,325). Details of the Company's charitable partnerships are set out in the Strategic Report.

The Company did not make any political donations or incur any political expenditure during the year (2022: £nil).

PAYMENT TO SUPPLIERS

Settlement terms are agreed with suppliers as part of the contract terms and the Company's policy is to pay in accordance with these terms. Our Main Works Contractors originally signed up to the Fair Payment Charter which has since been superseded by the Prompt Payment Code, most of our major suppliers are signatories to this. The creditor days for the year ended 31 March 2023 were approximately 3 days (2022: 11 days).

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of any events occurring after the reporting date are included in note 17 of the financial statements.

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. 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.

OTHER INFORMATION

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

AUDITORS

The external auditor for the 2023 financial year was KPMG LLP. The Independent Auditors' Reporting starting on page 58 sets out the information contained in the financial statements which has been audited by the external auditor. In 2023 the Board of the parent company undertook an external audit tender and Pricewaterhouse Coopers LLP was proposed as the external auditor with the appointment to take effect from, and including, the 2024 financial year. Accordingly resolution to appoint PricewaterhouseCoopers LLP as external auditor from 2024 will be approved following completion of the 2023 financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit and loss 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, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily the Corporate Governance Statement as if the Company were required to comply with the Listing Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Director's Report that complies with that law and those regulations.

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

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principle risks and uncertainties that they face.

The Directors considers the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

M. Duncan

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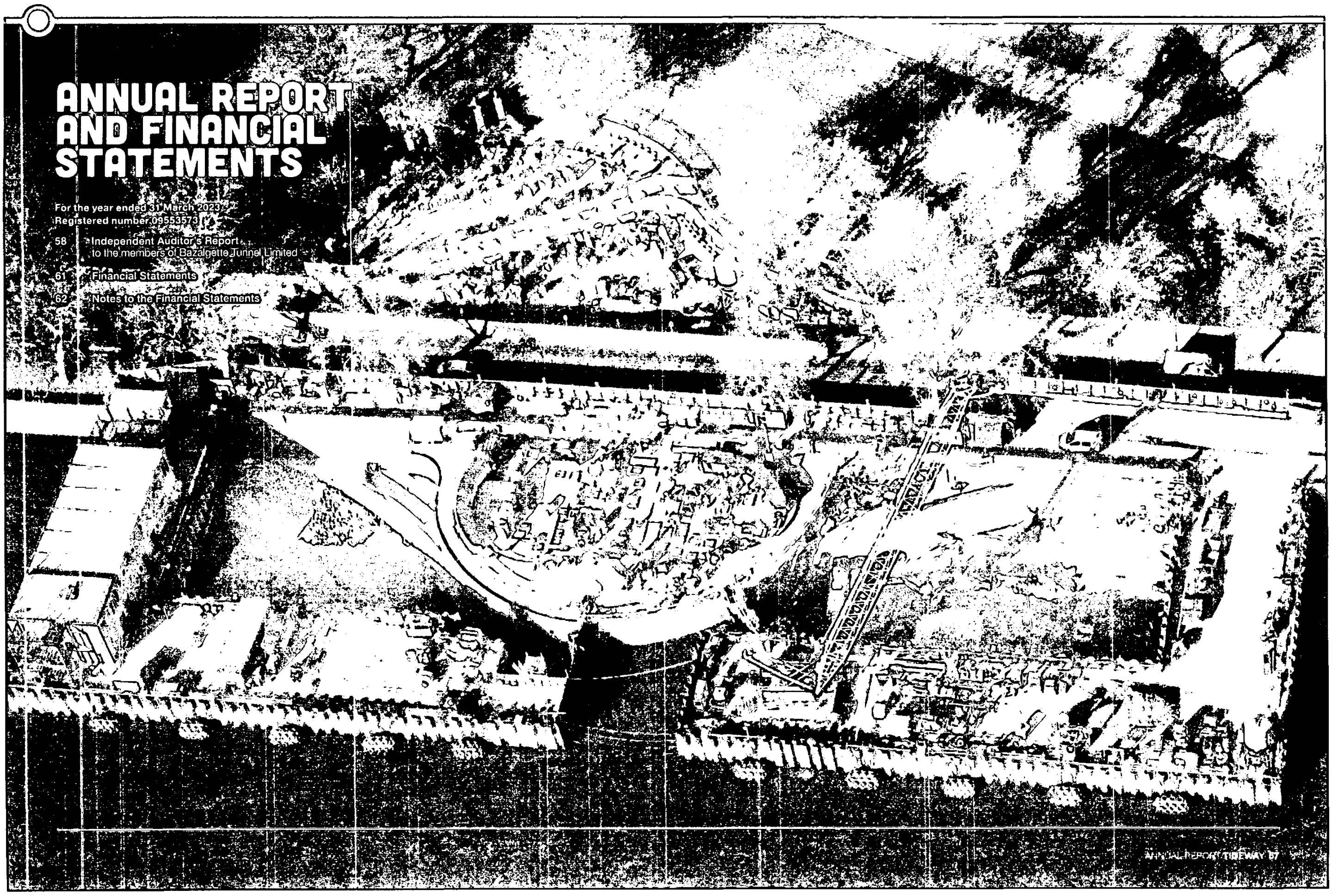
Mathew Duncan
Chief Financial Officer

Cottons Centre London Bridge, London SE1 2QG
24 August 2023



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023
Registered number 09553573

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

1. OUR OPINION IS UNMODIFIED
We have audited the financial statements of Bazalgette Tunnel Limited ("the Company") for the year ended 31 March 2023 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT
Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matter, which is unchanged from 2022, in arriving at our audit opinion above, together with our key audit procedures to address this matter. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Completeness and existence of capitalised costs and capital creditors, and any contingent disclosures arising from contractual mechanisms

Capitalised costs: (£815.7 m; 2022: £785.7 m)

Refer to page 62 (accounting policy) and page 64 (financial disclosures).

THE RISK

Capital costs

The company incurs significant annual expenditure in relation to the construction of the wastewater infrastructure asset. Due to their materiality in the context of the financial statements as a whole, they are considered to be the areas which have the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

As the project is now nearer to completion there is additional judgement required by management over whether any pain / gain mechanism require accounting entries or disclosure in relation to future costs and potential contingent asset or liabilities.

OUR RESPONSE

Our procedures included:

Control design: Testing controls over the payment/ cost verification process which includes observing that for a sample of payments they were agreed to certificates, the amounts matched the invoices received and payments by the Company were authorised.

Test of detail: Inspecting a sample of invoices received before and subsequent to the year end to consider the timing of work performed and therefore whether costs and creditors have been recorded in the correct year.

Test of detail: For a sample of amounts capitalised in the year, inspecting the related invoices to assess that the amount had been incurred.

Involvement of specialists: Involvement of Major Project Advisory (MPA) specialists to review contract positions and the Estimate at Completion (EAC), assess whether compensation events should be included as part of Defined cost, and review the independent Project Manager's assessment of these claims, pain / gain mechanisms and disallowed costs for reasonableness.

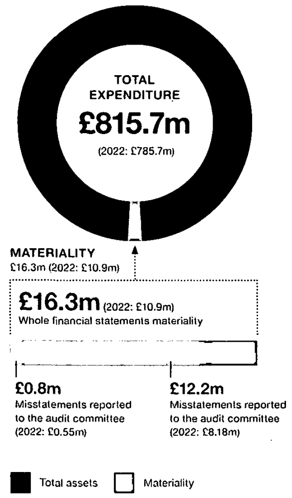
Disclosures: Evaluated the completeness, accuracy and relevant of disclosures with particular regard to EAC and any contingent asset / liabilities.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT
Materiality for the financial statements as a whole was set at £16.3m (2022: £10.9m), determined with reference to a benchmark of total assets, of which it represents 2% (2022: 1.4%). The benchmark has not changed from prior year. Total expenditure continues to be the relevant benchmark given it indicates the activity in the period.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £12.2m (2022: £8.18m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £0.8m (2022: £0.55m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



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

4. GOING CONCERN

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

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

- Adequacy of funding available to the Company including its ability to generate liquid funds to honour its commitments under its lending agreements with reference to management's budgets / forecast; and
- Significant cost overruns to estimate to complete the project that reduces the returns generated from the asset.

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

- We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

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

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

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and Audit and Finance Committee minutes.
- Considering remuneration incentive schemes and performance targets for management.

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

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

- We performed procedures including:
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate. We identified the following areas as those most likely to have such an effect: compliance with Ofwat regulatory legislation, environmental legislation, health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

Independent Auditor's Report

to the members of Bazalgette Tunnel Limited

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the Company were required to comply with the requirements of Schule 8 to The Large and Medium-sized Companies and Groups (accounts and Reports) regulations 2008 (SI 2008 No.410) made under the Companies Act 2006.

in our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the long-term viability statement on page 35 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal Risk disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the long term viability statemen] of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 64, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; *assessing the Company's ability to continue as a going concern*, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Anna Jones
Senior Statutory Auditor

For and on behalf of KPMG LLP,
Statutory Auditor Chartered Accountants, London.
24 August 2023

Financial Statements

COMPANY INCOME STATEMENT
For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Net operating costs	2.3	-	-
Operating result		-	-
Net finance income/(costs)	4	144.6	(10.9)
Profit/(loss) before tax		144.6	(10.9)
Taxation	5	-	-
Profit/(loss) for the year		**144.6**	**(10.9)**

COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Profit/(loss) for the year		144.6	(10.9)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year attributable to owners of the parent		**144.6**	**(10.9)**

Notes 1 to 17 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Property, plant and equipment	6	4,833.8	4,020.1
Trade and other receivables	7	29.2	54.4
Derivative financial instruments	11	50.7	-
		4,913.7	4,074.5
Current assets			
Trade and other receivables	7	82.5	48.2
Cash and cash equivalents	8	107.5	333.7
Short-term deposits	8	220.0	145.0
		410.0	526.9
Total assets		5,323.7	4,601.4
Current liabilities			
Trade and other payables	9	(117.0)	(146.3)
Lease Liabilities		(1.1)	(2.1)
		(118.1)	(148.4)
Non-current liabilities			
Advance payment liability	9	(378.0)	(291.3)
Lease liabilities		(0.3)	(1.3)
Borrowings	10	(4,229.2)	(3,596.8)
Derivative financial instruments	11	-	(93.9)
Other payables	9	(37.7)	(53.9)
		(4,645.2)	(4,037.2)
Total liabilities		(4,763.3)	(4,185.6)
Net assets		560.4	415.8
Equity			
Share capital	12	509.7	509.7
Retained earnings	12	50.7	(93.9)
Total equity		**560.4**	**415.8**

Notes 1 to 17 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 24 August 2023 and were signed on its behalf by:

M Duncan
Director
Company registered number: 09553573

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021	509.7	(83.0)	426.7
Loss for the year	-	(10.9)	(10.9)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(10.9)	(10.9)
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2022	509.7	(93.9)	415.8

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2022	509.7	(93.9)	415.8
Profit for the year	-	144.6	144.6
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	144.6	144.6
Total contributions by and distributions to owners	-	-	-
Balance at 31 March 2023	**509.7**	**50.7**	**560.4**

Notes 1 to 17 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities before working capital movements		-	-
Increase in trade and other receivables	7	(5.9)	(10.5)
(Decrease)/increase in trade and other payables	9	(45.5)	8.1
Increase in advance payment liability	9	86.7	72.9
Cash flows from operations		35.3	70.5
Net cash flows from operating activities		35.3	70.5
Cash flows used in investing activities			
Construction of infrastructure asset	6	(507.7)	(583.7)
Transfer to short-term deposits	8	(75.0)	(90.0)
Net cash flows used in investing activities		(582.7)	(673.7)
Cash flows from financing activities			
Proceeds from new borrowings		323.2	607.8
Lease liability payments		(2.0)	(2.1)
Net cash flows from financing activities		321.2	605.7
Net (decrease)/increase in cash and cash equivalents during the year*		(226.2)	2.5
Cash and cash equivalents at the start of the year	8	333.7	331.2
Cash and cash equivalents at the end of the year	8	**107.5**	**333.7**

Construction of infrastructure asset includes capitalised interest paid of £44.7m (2022: £45.7m) and capitalised interest received of £8.5m (2022: £0.3m).

Notes 1 to 17 form an integral part of these financial statements.

Financial Statements *Notes to the Financial Statements*

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Bazalgette Tunnel Limited (the "Company") is a private company incorporated, domiciled and registered in England, UK. The registered number is 09553573 and the registered office address is 6th Floor, Cotton Centre Cottons Centre, Cottons Lane, London SE1 2QG.

The Company 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 financial statements are prepared in accordance with the historical cost accounting convention except where IFRS require an alternative treatment. Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Company's financial position.

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

The financial statements are presented in Pounds Sterling.

Judgements and estimates

In the process of applying the Company's accounting policies, the Directors are required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Judgements about how the Company has applied an accounting policy could have a significant effect on amounts recognised in the financial statements. Assumptions or other sources of estimation uncertainty (including judgements about estimations) have a significant risk of a material adjustment to carrying values in the next financial year.

The directors consider the significant judgements made in the application of these accounting policies to be as follows:

Accounting for the Thames Tideway Tunnel as a finance lease

The judgement to account for the Thames Tideway Tunnel as a finance lease means that during the construction period of the project, the tunnel is accounted for as an asset under construction, with expenditure on the asset capitalised in the Statement of Financial Position. Following Systems Acceptance, which is when Thames Water accept the tunnel asset, the asset under construction will be de-recognised and a finance lease receivable will be recognised by the Company. In determining the appropriate accounting treatment one of the key questions was establishing which party has control over the asset.

The applicability of both IFRS 16 'determining whether an arrangement contains a lease' and IFRIC 12 'service concession arrangements' were considered. It was concluded that the tunnel arrangements were outside the scope of IFRIC 12 and as the Company controls the asset the arrangements fall within the scope of IFRS 16. Consequently, the accounting policies applied to these financial statements reflect this arrangement.

The Directors consider the assumptions or other sources of uncertainty with a risk of material adjustment to the carrying amounts in the next year are as follows:

Capitalised costs/creditors

The Company has a substantial capital programme and therefore incurs significant annual expenditure in relation to the construction of the Thames Tideway Tunnel asset. All costs incurred are capitalised as assets under construction, this includes assessment of any pain/gain and/or compensation events accrued under the contract. Due to the significance of these costs and their materiality in the context of the financial statements, the directors need to ensure their completeness, existence and validity is appropriately monitored, controlled and recorded.

Going concern

After considering the current financial projections and facilities available, and through modelling plausible and severe sensitivities, the Directors of the Company are satisfied that the Company has sufficient resources for its operational needs and will remain in compliance with relevant financing covenants for at least the next 12 months from the date of approving these financial statements. Further to this, the Directors have assessed the Company's viability over the period to 2030 within the Long-Term Viability Statement section of this Annual Report.

Cash flow forecasts modelled included current, plausible downside and severe downside cost scenarios. The current scenario is consistent with our estimate at completion (EAC) of £4.5bn. For our plausible downside scenario, we modelled a 15% increase in the remaining costs to complete, taking the total to £4.6bn. We consider a severe downside case to be a 20% increase in the remaining costs to complete, which equates to a total cost of £4.6bn. Under the current, plausible and severe downside scenarios the group continues to have sufficient liquidity and is in compliance with covenants throughout the going concern period.

At 31 March 2023, the Company had total liquidity of £549m, comprising £323m of unrestricted cash and short-term deposits, the £160m undrawn RCF and £66m of deferred bonds. This, combined with expected revenue collections, provides liquidity significantly in excess of our 18-month target, including all liquidity required to the project handover.

Consequently, the Directors are satisfied 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.

Property, plant and equipment

Property, plant and equipment comprises assets under the course of construction and right-of-use assets.

Assets under Construction – Recognition and measurement

Additions to assets under construction represent the capitalised costs of project expenditure by the Company.

The construction phase of the Thames Tideway Tunnel project commenced in 2015 and is expected to be completed at System Acceptance (refer to key project dates as outlined in the Strategy report). During the construction phase of the project, expenditure which is directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use will be capitalised within assets under construction. The directors consider that the Company is constructing one asset, that being the Thames Tideway Tunnel, and do not consider there to be other individual assets under construction.

The directors consider all expenditure in the year ended 31 March 2023 to have met the capitalisation criteria.

Assets under construction are measured at cost less any accumulated impairment losses.

Land and property acquired for the Thames Tideway Tunnel project by Thames Water is not included in the Statement of Financial Position because the economic benefit of such assets is retained by Thames Water.

Assets under Construction – Depreciation

Assets under construction are not depreciated.

Lease accounting – Lessee

Right-of-use assets and lease liability – Recognition and measurement

The Company assesses whether its leases are within scope of IFRS 16 using the single recognition model for lessees and applies practical expedients available under the standard. If the Company concludes that a lease is within scope and not excluded via practical expedients, the Company recognises a right-of-use (ROU) asset and a lease liability at lease commencement date.

The ROU asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of the outstanding lease payments at commencement date, discounted using either the implicit interest rate in the lease or the Company's incremental borrowing rate if the interest rate cannot be easily determined from the lease.

The Company applies the following practical expedients under IFRS 16:

- The same discount rate to all property leases as they share similar characteristics. The Company used an incremental borrowing rate of 2.375% at transition to IFRS 16;
- Excludes short-term leases with lease terms of less than 12 months;
- Excludes leases of identifiable low-value assets from consideration: and
- The Company separated non-lease components being services charges from lease components (i.e. rental charges) for property leases.

Right-of-use assets – Depreciation and interest costs on lease liability

The ROU assets recognised on transition to IFRS 16, being the Company's existing property leases at 1 April 2019, continue to be depreciated over the remaining lease terms.

The Company continues to incur interest costs calculated periodically on the outstanding lease liabilities on these property leases.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time that those assets are ready for their intended use. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time is interpreted as being greater than one year.

Impairment

The directors consider assets under construction to consist of a single asset, the Thames Tideway Tunnel. As such, impairment is considered in the context of the whole asset under construction as opposed to review of individual components. The financial statements are presented in Pound Sterling.

The carrying value of the Company's asset under construction is reviewed at each reporting date to determine whether there is objective evidence the asset is impaired by reference to its recoverable amount. The recoverable amount of the asset is deemed to be the Company's RCV and the regulated return that is generated from that.

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.

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.

Revenue

The Company's billable revenue for each financial year is determined by arrangements set out in its licence granted by Ofwat. During the construction period of the Thames Tideway Tunnel the primary component of billable revenue is the regulated return on the Company's RCV. The Company's Allowed Revenue is notified to Thames Water, which bills and collects this revenue from its wastewater customers and passes this through to the Company. Through the construction period, billed revenue is deferred as the services associated with this revenue have not satisfied all the conditions of the five-step revenue recognition model under IFRS 15. Therefore, revenue will be recognised at the point that all conditions are satisfied which will not be until System Acceptance. Revenue is accrued in the period it has been earned, if it has not been invoiced by the Company to Thames Water. Revenues that have been invoiced and collected from Thames Water are treated as an advance payment liability.

Invoiced revenues reflect the actual cash collected by Thames Water from its customers.

Employee benefits

Defined contribution pension plans

A defined pension contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the period during which services are rendered by employees.

Other employee benefits

Other short and long-term employee benefits are measured on an undiscounted basis and are recognised over the period in which they accrue.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or contractual obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Any provisions recognised by the Company are recorded at management's best estimate of the consideration required to settle the obligation at the Statement of Financial Position date.

Financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

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

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Derivative financial instruments

The Company has entered into index-linked swaps to manage its exposure to inflation linked rate risk. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the Statement of Financial Position date. The resulting gain or loss is recognised immediately in the Income Statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Company has not designated any derivatives within hedging relationships and therefore has not applied hedge accounting.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

In addition, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

Further details of the derivative financial instruments fair values, valuation technique and fair value hierarchy level are disclosed in note 11.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position 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.

New accounting standards and future changes

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

- Amendments to IAS 37- Onerous contracts (Cost of fulfilling a contract).

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

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

- 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;
- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 making materiality judgements;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current; and
- FRS 17 Insurance Contracts.

Financial Statements *Notes to the Financial Statements*

2 AUDITOR'S REMUNERATION

	2023 £'000	2022 £'000
Audit services		
Statutory audit – company	266	162
Audit related assurance services		
Regulatory audit services provided by the statutory auditor	23	20
Other non-audit services		
Other regulatory assurance services	22	41
	311	**223**

All of these fees has been capitalised in both financial years.

3 EMPLOYEE COSTS

The average number of persons employed by the Company (including directors) during the year was 106 (2022: 120).

The aggregate employment costs of these persons were as follows:

	2023 £m	2022 £m
Wages and salaries	11.2	13.5
Termination benefits	0.7	0.3
Social security costs	2.0	1.7
Contributions to defined contribution pension plan	0.5	0.5
Capitalised into asset under construction	(14.4)	(16.0)
	-	-

Director's remuneration is disclosed within the Remuneration Report section of this Annual report.

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

4 FINANCE INCOME AND COSTS

	2023 £m	2022 £m
Finance income		
Interest income	(11.4)	(0.6)
Finance costs		
Interest expense on borrowings[1]	364.1	197.4
Interest expense on lease liabilities	0.1	0.1
Financing fees	1.9	2.0
Financial instruments at fair value through profit or loss:		
– Index linked swaps	(144.6)	10.9
Capitalised finance interest and expense into asset under construction	(354.7)	(198.9)
Net finance (income)/costs	**(144.6)**	**10.9**

1 Includes accretion costs on index linked borrowings of £279.9m for the 12 month period to 31 March 2023 (2022: £121.0m).

5 TAXATION

	2023 £m	2022 £m
Total current tax	-	-
Total Income Statement tax expense	-	-

The Company's effective tax rate for the year ended 31 March 2023 is 0% (2022: 0%) which is 19% lower than (2022: 19% lower than) the standard rate of corporation tax in the UK due to the items shown below.

Reconciliation of Effective Tax Rate

	2023 £m	2022 £m
Profit/(loss) before tax	144.6	(10.9)
Expected tax credit/(charge) using UK corporation tax rate of 19% (2022: 19%)	(27.5)	2.1
Items not taxable[1]	27.5	(2.1)
Total Income Statement tax expense	-	-

1 Items not taxable solely relate to fair value movements on the Company's derivative liabilities which are disregarded for current tax purposes

Unrecognised Deferred Tax Assets

As at the Statement of Financial Position date, unrecognised deferred tax assets of £212.4m (2022: £160.0m) have been calculated with regards to the Company's tax position based on the future tax rate of 25%. These deferred tax assets have not been recognised due to uncertainty around the timing of the recoverability of these against future taxable profits. 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.

Factors affecting future tax charge:

The UK corporation tax rate will increase from 19% to 25% effective from 1 April 2023 as the UK government's Finance Bill 2021 was enacted on 24 May 2021. This future increase in the UK corporation tax rate has been reflected in the value of unrecognised deferred tax assets.

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at 31 March 2023:

	Right-of-use assets (ROU) £m	Asset under construction £m	Total £m
Cost			
At 1 April 2022	9.7	4,016.3	4,026.0
Additions	-	815.7	815.7
Balance at 31 March 2023	9.7	4,832.0	4,841.7
Accumulated depreciation			
At 1 April 2022	(5.9)	-	(5.9)
Depreciation charge	(2.0)	-	(2.0)
Balance at 31 March 2023	(7.9)	-	(7.9)
Net book value at 31 March 2023	**1.8**	**4,832.0**	**4,833.8**
Net book value at 31 March 2022	**3.8**	**4,016.3**	**4,020.1**

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 year ended 31 March 2023. The total amount of capitalised finance interest and expense into the asset under construction during the year was £354.7m (2022:£198.9m) with a capitalisation rate of 100%. The cumulative total of finance interest and expense costs capitalised project to date at 31 March 2023 was £924.7m (2022: £570.0m).

Right-of-use Assets

There were no new leases entered into during the period.

The right-to-use assets are being depreciated over the remaining lease terms on the Company's existing property leases under IFRS 16. There were no new leases entered into during the year.

7 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	7.5	13.2
Intra-group loans receivable (see note 15)	22.6	21.2
Accrued income	22.5	17.0
Other receivables	21.5	9.5
Prepayments	37.6	41.7
	111.7	102.6
Non-current assets	**29.2**	**54.4**
Current assets	**82.5**	**48.2**

Accrued income of £22.5m (2022: £17.0m) 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 £14.7m (2022: £17.0m) in relation to the Government Support Package and £5.5m (2022: £5.9m) in relation to insurance contracts and £16.9m (2022: £18.1m) financing related costs.

Non-current assets represent £0.1m (2022: £21.2m) intra-group loans receivable and £29.1m (2022: £33.2m) of prepayments at 31 March 2023. The table below analyses the Company's non-current assets at 31 March 2023 into recovery maturity groupings based on the remaining periods up to their expected future fully recovered date at the Statement of Financial position date.

	2023 £m	2022 £m
Between one and two years	-	21.2
Between two and five years	15.6	19.1
After more than 5 years	13.6	14.1
Total	**29.2**	**54.4**

Financial Statements *Notes to the Financial Statements*

8 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash and bank balances	13.5	5.2
Cash equivalents	94.0	328.5
Cash and cash equivalents per cash flow statement	**107.5**	**333.7**

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 3 months are shown separately on the Statement of Financial Position. At the Statement of Financial Position date these totalled £220.0m (2022: £145.0m).

Restricted Cash:

The Company holds a Debt Service Reserve Account 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 Debt Service Reserve Account was £4.1m at 31 March 2023 (2022: £2.8m) which is sufficient to cover the next 12 months of financing cost payments.

9 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade Payables	38.6	57.4
Contract retentions payable	16.4	47.8
Accrued expenses	50.0	54.6
Accrued intra-group expenses (see note 15)	21.1	12.5
Deferred income	28.6	27.9
Advance payment liability	378.0	291.3
	532.7	491.5
Non-current liabilities	**415.7**	**345.2**
Current liabilities	**117.0**	**146.3**

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 £28.6m (2021: £27.9m) 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.

The Trade payables balance at 31 March 2023 mainly represents invoices payable to the Company's main works contractors totalling £37.6m (2022: £56.1m).

The table below analyses the Company's non-current liabilities at 31 March 2023 into relevant maturity groupings based on the remaining periods up to their future payable date.

	2023 £m	2022 £m
Between one and two years	-	2.9
Between two and five years	415.7	342.3
After more than 5 years	-	-
Total	**415.7**	**345.2**

10 BORROWINGS

The Group raises finance under a multi-currency financing platform in both loan and bond formats. The Company borrows financing directly in loan format.

The Company's sister company Bazalgette Finance plc operates with the sole purpose of raising finance through a multi-currency bond platform for the purposes of the Company's licenced activities. The proceeds from bonds issued under this platform are on-lent to the Company 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 Bazalgette Finance plc to the Company.

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 so as to align when funds are raised with the construction expenditure profile of the project.

Where Bazalgette Finance plc issues bonds with deferred draw dates, the proceeds from these bonds are only passed to the Company when the proceeds are received from the bond purchaser on the future settlement dates.

This note provides information about the Company's borrowings, which are measured at amortised cost. Issue costs for all intra-group borrowings have been borne by the Company.

Intra-group borrowings	2023 £m	2022 £m
£250m 2.375% fixed-rate bond 2027 [a]	248.6	248.3
£75m 0.828% index-linked bond 2047 [a,d,e]	92.6	84.1
£200m 0.740% index-linked bond 2042 [a,d,f]	222.8	216.3
£100m 0.688% index-linked bond 2050 [a,e]	129.5	114.1
£100m 0.755% index-linked bond 2051 [a,d]	125.8	110.8
£100m 0.249% index-linked bond 2040 [a,d,g]	126.6	111.9
£125m 0.192% index-linked bond 2049 [a,d,-]	167.0	147.0
£25m 1.035% index-linked bond 2048 [a,d,i]	30.8	27.2
£25m 0.951% index-linked bond 2054 [a,d,-]	30.8	27.2
£50m 0.787% index-linked bond 2052 [a,d]	61.9	54.5
£25m 1.042% index-linked bond 2048 [a,d,i]	30.2	26.6
£25m 0.954% index-linked bond 2054 [a,d,j]	30.2	26.6
£75m 0.010% index-linked bond 2036 [a,d]	97.9	87.9
£300m 2.750% fixed-rate bond 2034 [a]	298.8	298.7
£150m 0.010% Index linked bond 2032 [a,d]	170.1	-
£75m 0.949% Index linked bond 2052 [a,n]	81.8	-
£50m 0.074% Index linked bond 2049 [a,d,o]	64.7	-
Shareholder loan notes 8.000 % fixed rate 2064 [b]	836.1	799.5
Third party borrowings		
£300m 2.860% fixed-rate loan 2032 [c]	322.7	311.7
£100m 0.010% index-linked loan 2049 [d,h]	124.5	109.8
£75m 2.418% fixed-rate loan 2041	75.0	75.0
£700m Sonia+0.360% floating-rate loan 2051 [l,m]	860.8	719.6
Total borrowings	**4,229.2**	**3,596.8**
Current liabilities	**-**	**-**
Non-current liabilities	**4,229.2**	**3,596.8**

a) Borrowing from Bazalgette Finance plc

b) Borrowing from Bazalgette Holdings Limited

c) The Company has entered into swap agreements that convert £70.0m of this debt into index-linked debt

d) 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)

e) This debt amortises (requires repayment of debt accretion) from 2038

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

g) This debt amortises from 2036

h) This debt amortises from 2045

i) This debt amortises from 2043

j) This debt amortises from 2049

k) This debt amortises from 2040

l) The Company has entered into swap agreements that convert £620.0m of this debt into index-linked debt

m) This debt amortises from 2025

n) This debt amortises from 2042

o) This debt amortises from 2034

Deferred Loans

As at 31 March 2023, the Company had no third-party loans are deferred (2022: £40.0m). Proceeds of £40.0m (2022: £175.0m) from deferred loans were received during the period.

Deferred Purchase Bonds

During the previous financial year ending 31 March 2022, Bazalgette Finance plc placed and received £300m of purchase bonds with no deferral period. No further bond issuances were placed during the year ended 31 March 2023.

As at 31 March 2023, a total of £66.0m (2022: £325.0m) of bonds are still deferred. The bond proceeds will be received within the next 6 months and these bonds have maturities of 2049. Proceeds of £283.0m (2022 £125.0m) from deferred bonds were received during the period.

Financial Statements *Notes to the Financial Statements*

11 FINANCIAL INSTRUMENTS

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

Financial assets

	2023 £m	2022 £m
Financial assets at fair value through profit and loss:		
Derivative financial instruments – Non-current	50.7	-
Financial assets		
Trade and other receivables	74.1	60.9
Cash and cash equivalents	107.5	333.7
Short-term deposits	220.0	145.0
Total	**452.3**	**539.6**

Trade and other receivables above exclude prepayments. Trade and other receivables are classified and measured at amortised cost under IFRS 9. Impairment of these assets as assessed under the simplified expected credit loss model was immaterial at 31 March 2023 and therefore not recognised within the period.

Financial Liabilities

	2023 £m	2022 £m
Liabilities at fair value through profit and loss:		
Derivative financial instruments – Non-current	-	93.9
Other financial liabilities:		
Trade and other payables	516.2	491.5
Lease liabilities	1.4	3.4
Borrowings	4,229.2	3,596.8
Total	**4,746.8**	**4,185.6**

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 table on the following page. 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 2023		31 March 2022	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets at fair value through profit and loss: Non-current				
Derivatives – index-linked swaps	50.7	50.7	-	-
Financial liabilities at amortised cost: Non-current				
Borrowings – fixed-rate sterling loans	(1,233.8)	(1,046.1)	(1,186.3)	(1,216.8)
Borrowings – fixed-rate bonds	(547.4)	(466.6)	(547.0)	(546.7)
Borrowings – index-linked bonds and loans	(1,587.2)	(1,361.5)	(1,143.9)	(1,605.5)
Borrowings – floating-rate sterling loans	(860.8)	(671.4)	(719.6)	(662.2)
Financial liabilities at fair value through profit and loss: Non-current				
Derivatives – index-linked swaps	-	-	(93.9)	(93.9)
Total	**(4,178.5)**	**(3,494.9)**	**(3,690.7)**	**(4,125.1)**

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 cashflows using appropriate available market data and a credit risk adjustment representative of the Company.

Financial Instruments at Fair Value Through Profit and Loss

The Company'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 credit risk. 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)

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 Company considers all its derivative financial instruments to fall within level 2 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 Company but these are not considered significant to the valuation.

The table below sets out the valuation basis of financial instruments held at fair value at 31 March 2023:

	2023 Level 2 £m	2022 Level 2 £m
Financial instruments at fair value		
Derivative financial assets – Index-linked swaps	50.7	-
Derivative financial liabilities – Index-linked swaps	-	(93.9)
	50.7	**(93.9)**

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

Capital Risk Management

The Company's principal objectives in managing capital are:

- To finance the Company while minimising risk – Tideway will adopt a low risk financing strategy. The Company 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/or nominal basis;
- The Company'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 Company will not engage in speculative treasury activity; and
- The Company will manage its financing activities in compliance with the constraints imposed by the Government Support Package, financing documents and the Company's Licence.

The Company seeks to maintain a low risk financing position by preserving the investment grade Baa1 (Moody's)/BBB+ (Fitch) credit ratings. These credit ratings were unchanged in the year, with both Moody's and Fitch maintaining a stable outlook. The Company monitors gearing targets on a regular basis, *taking into consideration risk, financing, legal and regulatory* constraints and optimal level of execution within the capital structure.

The Company's revolving credit facility (RCF) maturing in 2027 of £160m remained undrawn at the Statement of Financial position date (2022: £nil draw down).

The Company's sister company Bazalgette Finance plc did not issue any bonds during the year (2022: £300m) and the total bond issuance continues to stand at £1.8bn (2022: £1.8bn). The bond issuance includes deferred purchase bonds where the remaining £66.0m deferred bond proceeds at 31 March 2023 were received by the Company in May 2023".

Financial Statements *Notes to the Financial Statements*

Management of Financial Risk

The Treasury team, which reports directly to the CFO, substantially manages the Company's financing, including debt, cash management and interest costs for the Company on a day to day basis. The Audit and Finance Committee, which is chaired by a non-executive director (see Corporate Governance report) reviews and reports to the Board on the Company's 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 management of specific financial risks is dealt with as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to fund on a timely basis its capital expenditure programme or service its debt. At 31 March 2023, the Company had total liquidity of £549m, comprising £323m of unrestricted cash and short-term deposits, the £160m undrawn RCF and £66m of deferred purchase bonds (via back to back loans with Bazalgette Finance plc). This, combined with expected revenue collections, provides liquidity significantly in excess of our 18-month target, including all liquidity required to the project handover.

For deferred purchase bonds issued by Bazalgette Finance plc, the Company receives these proceeds at a future settlement date via back to back loans. The Company is therefore exposed indirectly to the counterparties to these deferred bonds on whom it relies to provide funds on the pre-agreed dates. Bazalgette Finance plc evaluates counterparty risk prior to entering into such transactions and manages concentration risk in respect of deferred funding commitments. As part of its risk management, Bazalgette Finance plc has agreed information requirements and covenants with the Deferred Bond Purchasers, and 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. This risk has reduced substantially as a significant amount of the Company's deferred bond funding has already been received.

The Secretary of State for Environment, Food and Rural Affairs, through the Government Support Package, has committed to provide certain contingent financial support during the construction period. Such support is available in exceptional circumstances and includes the Market Disruption Facility providing the Company with a debt facility of up to £500m, for use where it is unable to issue debt in the debt capital markets as a result of market disruption.

The following tables analyse the Company's interest-bearing borrowings and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the Statement of Financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest payable.

	2023 £m	2022 £m
Borrowings		
Within one year	(133.8)	(112.8)
Between one and two years	(130.9)	(116.5)
Between two and five years	(629.0)	(338.9)
After more than 5 years	(7,841.1)	(7,309.6)
Total	**(8,734.8)**	**(7,877.6)**
Derivative financial instruments		
Within one year	40.1	23.3
Between one and two years	36.8	27.2
Between two and five years	67.8	55.5
After more than 5 years	(350.5)	(220.9)
Total	**(205.8)**	**(114.9)**

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk for the Company principally arises from trading (the supply of services) and treasury activities (the depositing of cash).

The Company's exposure to trading risk is predominantly with Thames Water which is the Company's only significant trading counterparty and who constitute the full outstanding balance of trade receivables at the Statement of Financial Position date. As part of its licenced activities, the Company generates an annual revenue return on its RCV, which it subsequently invoices to Thames Water periodically through the financial year. At any time the outstanding trade receivable balance is approximately one month's revenue collection and represents amounts already collected by Thames Water from its customers so the risk of default is considered low.

Placements of cash on deposit expose the Company to credit risk against the counterparties concerned. A treasury policy on investment management strategy provides clear instrument limits for money market funds and money market deposits. The policy sets counterparty concentration and tenor limits through minimum credit rating requirements (as measured by reputable credit agencies).

At the Statement of Financial Position date there were no significant concentrations of credit risk.

The Company's maximum exposure to credit risk is the carrying amount of financial assets and therefore the maximum exposure at 31 March 2023 was £401.6m (2022: £539.6m). Analysis of this amount can be found in the financial assets section of this note.

Market Risk – Interest Rate Risk

The Company's finance strategy defines long term objectives for the management of interest rate risk, in addition to compliance with the hedging policies contained in the Government Support Package, financing documentation and the Licence. These include, amongst other things, restrictions on over hedging and requirements as to the amount of the Company's debt which bears a fixed, floating or an index-linked rate of interest.

During the previous financial year ending 31 March 2022, the Company had LIBOR (London Interbank Offered Rate) exposures on various financial instruments that required transitioning to SONIA (Sterling Overnight Index Average) following the confirmed discontinuation of LIBOR from 1 January 2022. The Company's main LIBOR exposures related to the following:

- £620m floating-rate sterling loans (EIB loan tranches 1-8);
- Index-linked Swaps (linked to £620m EIB Loan tranches 1-8); and
- £160m undrawn RCF.

The Company finalised the process of amending the relevant contractual terms in the EIB loan agreement and the RCF agreement to incorporate the transition to SONIA from January 2022.

The Company had adhered to the ISDA 2020 IBOR Fallbacks Protocol which automatically transitioned the Company's above swaps from LIBOR to SONIA as at 1 January 2022 adopting the ISDA LIBOR fallback methodology and this was agreed and confirmed with all swap counterparties.

The Company's deferred revenue and operating cash flows are substantially independent of changes in market interest rates. All drawn debt at 31 March 2023 is either borrowed or hedged via swaps at fixed or index-linked rates. A sensitivity analysis has not been disclosed as the impact from interest rate movements is considered immaterial.

The finance costs of the Company's index-linked debt instruments and derivatives vary with changes in RPI and CPI rather than interest rates. These financial instruments form an economic hedge with the Company's revenues and RCV, which are also linked to RPI changes. The 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 recognize 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. HM Treasury and the UK Statistic Authority have confirmed that RPI will be aligned with CPIH from February 2030, which aligns well with Ofwat's transition.

Inflation risk is monitored and reported monthly to the Funding and Financing Committee and subsequently to the Audit and Finance Committee.

The table below summarises the sensitivity at 31 March 2023 of the Company's profit and equity to changes in RPI for the Company's index-linked derivatives only. Due to the adopted accounting policy of capitalising borrowing costs that are directly attributable to the construction of the TTT, the sensitivity analysis excludes the Company's index-linked borrowings. This analysis also excludes any RPI impact on the Company's revenues and RCV. The fair value of the Group's index-linked derivatives is based on estimated future cash flows, discounted to the reporting date and these fair values will be impacted by an increase or decrease in RPI as shown in the table below.

This analysis assumes all other variables remain constant.

	2023		2022	
	£m +1%	£m -1%	£m +1%	£m -1%
(Loss)/profit	(56.9)	60.5	(67.4)	62.8
Equity	(56.9)	60.5	(67.4)	62.8

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12 CAPITAL AND RESERVES

Called-up Share Capital

Allotted, called-up and fully paid ordinary shares of £1 each	Ordinary shares 2023 No.	Ordinary shares 2022 No.
At the beginning of the year	509,672,601	509,672,601
Issued for cash	-	-
At the end of the year	**509,672,601**	**509,672,601**

The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to vote at meetings of the Company in line with the details of the Shareholders agreement. Further information on the role of the shareholders is outlined in the Company's Governance section of the Annual report.

Retained Earnings

	2023 £m	2022 £m
At the beginning of the year	(93.9)	(83.0)
Profit/(loss) for the year	144.6	(10.9)
At the end of the year	**50.7**	**(93.9)**

13 CONTINGENT LIABILITIES

There are a number of uncertainties surrounding the Company including potential claims, which may affect the financial performance of the Company. Where claims are possible,but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Company 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 material contingent liabilities at the Statement of Financial Position date.

14 CONTINGENT ASSETS

As at 31 March 2023 there were ongoing commercial negotiations arising in the ordinary course of business under the NEC3 Engineering and Construction Contract. At present the Directors consider an inflow of economic benefit is possible from one or more of the Main Works Contractors. However, the outcome is contingent on the conclusion of the negotiations and more certainty of the total contract values as the project nears completion. The Company has taken the option under paragraph 92 of IAS 37 for non-disclosure of certain information in the extremely rare case where this can be expected to seriously prejudice the entity in a dispute with other parties.

15 RELATED PARTIES

The Company's related party transactions throughout the current financial year were made on terms equivalent to those that prevail in arm's length transactions.

Amounts outstanding on borrowings from Bazalgette Holdings Limited were £836.1m of loan principal (2022: £799.5m) and £16.5m of interest (2022: £8.4m) at 31 March 2023. During the year £36.6m (2022: £79.1m) of loan interest was capitalised back into the intercompany loan principal.

Bazalgette Holdings Limited deferred £16.5m (2022: £8.4m) of outstanding interest payable on the intercompany loan by the Company during the year.

Amounts outstanding on loans from Bazalgette Finance plc are £2,010.1m (2022: £1,581.2m) and interest outstanding on these loans totals £4.8m (2022: £4.1m).

During the year ended 31 March 2023, the Company paid £20.8m (2022: £11.5m) to Bazalgette Finance plc with regards to interest payments under its back to back loan terms.

Amounts outstanding on intra-group loans at 31 March 2023 made to Bazalgette Holdings Limited are £55k (2022: £54k) and made to Bazalgette Finance plc are £22.6m (2022: £21.2m).

Key management personnel

Key management personnel comprise the directors of the Company. The remuneration of the directors is provided in the audited part of the ***Director's Remuneration Report***.

16 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The Company is a wholly owned subsidiary of Bazalgette Holdings Limited. The Company's ultimate controlling parent is Bazalgette Equity Limited which is also the largest group in which the Company is consolidated.

Copies of the consolidated accounts for both the Bazalgette Holdings Group and the Bazalgette Equity Group are available at ***www.tideway.london***.

17 SUBSEQUENT EVENTS OCCURRING AFTER THE REPORTING DATE

Since the financial year end, the Company had signed an agreement for the private placement of £250m fixed rate notes which will be funded in October 2023.

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