Bazalgette Holdings Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements for the six months ended 30 September 2026

Interim Operational Review

The Group

The Directors present the Interim Operational Review for Bazalgette Holdings Group (the Group) for the six months ended 30 September 2026.

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

Overview

Tideway reached a significant milestone during the period with the successful completion of System Commissioning and achievement of Handover in August 2026, marking the transfer of operational responsibility for the tunnel to Thames Water. The project subsequently entered its final stage, System Acceptance, during which further testing and optimisation of the system will continue to demonstrate the system is operating as intended.

The tunnel is now delivering significant environmental benefits for the River Thames. Since operations commenced, the London Tideway Tunnel (LTT) system reduces sewage discharges from 38 existing Combined Sewage Overflows (CSOs). As at 30 September 2026, the system had prevented more than 22 million tonnes of sewage from entering the River Thames, intercepting over 1,000 sewage spills across 93 storm events.

Tideway remains committed to completing the project safely, maintaining its focus on preventing fatalities and serious injuries both on and off site. There were no lost-time injuries or RIDDOR-reportable incidents during the period, with the Lost Time Injury Frequency Rate (LTIFR) decreasing to zero per 100,000 hours worked. Health, safety and wellbeing arrangements continued to evolve to reflect the increasing focus on operational and maintenance activities.

Following Handover, System Acceptance testing and optimisation works are being undertaken to demonstrate compliance with the design intent and to optimise operational and maintenance performance. Tideway continues to engage closely with Thames Water, Ofwat, the Environment Agency and Defra regarding programme progress and achievement of System Acceptance.

Tideway and Ofwat have recognised that the revised expected timing of System Acceptance extends beyond the current Planned System Acceptance Date of 31 August 2027. Ofwat has confirmed that it does not intend to impose financial penalties in respect of weather-related delay. Discussions are therefore ongoing regarding amendments to the regulatory framework to reflect the revised timetable, including a potential amendment to the Planned System Acceptance Date and an increase to funding.

As Tideway moved into the System Acceptance period, supporting our people remained a priority. Our focus remained on employee engagement, wellbeing, diversity and inclusion, while supporting colleagues through organisational change and Tideway's transition towards its long-term asset stewardship role.

In May 2026, Matt Parr succeeded Andy Mitchell as Chief Executive Officer. Matt has been closely involved in the project for many years, most recently as Deputy CEO.

On costs, our estimate at completion (EAC) is £4.7bn. The impact on customer bills remains unchanged and continues to be well within the range anticipated when the project began in 2015. Tideway continues to maintain strong financial oversight as the project moves through its final stage. Total project costs incurred during the six-month period ended 30 September 2026 were £162.3m (2025: £195.5m).

In early October 2026, the Group issued a £250m 10-year blue bond. The issuance has substantially strengthened Tideway's liquidity position, taking it significantly above its minimum 12-month liquidity target, and the Group continues to benefit from strong financial resilience.

Tideway's credit ratings were affirmed at BBB+ by Fitch in May 2026 and Baa1 by Moody's in June 2026, both with stable outlooks.

Safe, Sustainable Asset Management

Objective	**We manage our infrastructure the right way, prioritising long-term safety and sustainability. We maximise availability of the Thames Tideway Tunnel for the benefit of London.**
Priorities	**Deliver our operations safely**
	Successful project completion - Timely Handover and System Acceptance - Efficient commercial closeout - Establish robust steady state
	Reliable system performance - Establish future industry leading asset information systems - Maximise asset availability - Monitor asset performance

Safe Operations

Tideway remains committed to completing the project and operating the infrastructure safely, with zero fatalities or serious injuries on or off site.

There were 320 thousand hours worked in the six-month period, with no major injuries during construction and no significant incidents as a result of our marine, commissioning, MEICA or architecture and landscaping activities. Accident Frequency Rates, which measure lost-time injuries over a rolling 12-month period, decreased in the period to zero. There were no lost-time incidents, or RIDDOR reportable incidents in the period. The Lost Time Injury Frequency Rate (LTIFR) decreased in the period to zero (per 100,000 hours worked).

Q4 FY 2025/26*			**Q2 FY 2026/27****		
AFR-1	AFR-2	AFR-3	AFR-1	AFR-2	AFR-3
0.18	0.18	0.18	0.00	0.00	0.00

* AFR as measured on 14 March 2026
** AFR as measured on 11 September 2026

During the period, Tideway continued to adapt its health, safety and wellbeing arrangements to support the transition to operational and maintenance activities. This included reviewing working arrangements, emergency preparedness, access and permitting processes, and the responsibilities of the incoming operational supply chain.

Tideway continues to be supported by the Mates in Mind (the mental health charity for UK construction), in recognition of potential for increased stress levels as we transition from construction to operations & maintenance phase stress management is prominent in our health focus. This included identifying key risks and actions to support employee wellbeing and minimise the potential impacts of increased stress.

Successful Project Completion

System Commissioning was certified as complete in July 2026 and Handover achieved in August 2026. At Handover, the Project entered the System Acceptance phase under the Interface Agreement with Thames Water.

Following Handover, Tideway continues to focus on the safe and efficient completion of the project. Major construction work is almost fully complete with remaining activities focused on closing out any outstanding non-conformance and defects, completing architectural and landscaping works, transferring maintenance responsibilities to the maintenance contractors, finalising asset information and discharging remaining consent conditions.

During this period, marine works at Chambers Wharf were completed, with the removal of the cofferdam marking the completion of major marine works in the River Thames. In addition, 24 land plots were handed back to landowners, taking the total to 46 out of 87. These included 10 operational and public realm sites transferred to Thames Water who will take over responsibility for their landscape & architecture maintenance during the operational phase.

The LTT system reduces sewage discharges from 38 existing Combined Sewage Overflows (CSOs). As at 30 September 2026, the system had prevented more than 22 million tonnes of sewage from entering the River Thames, intercepting over 1,000 sewage spills across 93 storm events.

During the period, two discharge events occurred during the final stages of System Commissioning, one as a direct result of a planned commissioning activity when dry weather was originally forecast, the other outside of commissioning, when a penstock failure led to a six-minute discharge at Barn Elms.

All discharge events are reviewed in detail to record lessons learned that are then applied to future operating and maintenance activities.

System Acceptance

Following Handover, System Acceptance testing and optimisation works are being undertaken to demonstrate compliance with the design intent and to optimise operational and maintenance performance. Once the system has been monitored across a range of climatic and operational scenarios and applicable System Acceptance criteria have been satisfied, Thames Water will issue the System Acceptance Certificate.

During this period, Tideway retains responsibility for maintaining the system assets, monitoring their condition and performance, and completing the activities required to achieve System Acceptance. Tideway has responsibility for the maintenance of the above and near ground assets, structures and equipment of the TTT, as well as for the Supervisory Control and Data Acquisition (SCADA) system. These maintenance responsibilities will transfer to Thames Water at System Acceptance.

By September 2026, 17 out of 20 sites had achieved the required peak flow, with evidence relevant to other climatic scenarios also observed. Tideway continues to work with Thames Water to consider how the remaining requirements can be demonstrated, taking account of periods of drier weather and reduced inflows, whilst ensuring that the system’s fitness for purpose is appropriately assured.

Planning for the comprehensive inspection of the tunnel also progressed during the period. With safety a primary consideration, Tideway is developing a remote inspection approach using robotic and drone technology, reducing the need for people to enter confined spaces while improving the quality and efficiency of the inspection.

As Tideway progresses through System Acceptance, its focus remains on completing the activities required to achieve System Acceptance, including system optimisation, climatic and operational testing, completion of residual works and securing outstanding consents from Port of London Authority (PLA).

System Acceptance is expected to occur between February 2028 and August 2028, depending on the timing of satisfaction of the applicable acceptance criteria.

Tideway's Licence currently specifies a Planned System Acceptance Date of 31 August 2027. Completion of certain commissioning and testing activities was delayed as a result of prolonged periods of dry weather and reduced inflows following connection of the tunnel to the Thames Water network in February 2025, which constrained Tideway's ability to undertake certain required testing activities.

Tideway and Ofwat have recognised that the revised expected timing of System Acceptance extends beyond the current Planned System Acceptance Date of 31 August 2027. Ofwat has confirmed that it does not intend to impose financial penalties in respect of weather-related delay. Discussions are therefore ongoing regarding amendments to the regulatory framework to reflect the revised timetable, including a potential amendment to the Planned System Acceptance Date and an increase to funding. Tideway currently anticipates that the regulatory framework will be updated to reflect the revised timetable for System Acceptance, although Ofwat's agreement, and implementation, of any such changes remain subject to the applicable regulatory processes.

Looking Forward

Tideway continues to transition from a project-delivery organisation to a long-term asset steward, developing the systems, processes and capabilities needed to manage and protect our assets over the long term. Beyond System Acceptance, Tideway will retain responsibility for the inspection, maintenance, monitoring and performance of the deep tunnel system, helping to safeguard this critical infrastructure and ensure it continues to deliver long-term benefits for London and the River Thames.

Connected People and Partners

Objective	**We are a responsible Company that fosters a culture of respect and collaboration. We attract, develop and retain the right people, who are trusted by our partners.**
Priorities	Deliver a people and culture programme to support the evolving Tideway company
	Implement a stakeholder engagement strategy to support project closeout and positioning of Tideway's role & ambition
	Demonstrate and communicate our impact
	Maintain robust and reliable Information and Management systems

People and Culture

As Tideway moved into the System Acceptance period, supporting our people remained a priority. Our focus remained on employee engagement, wellbeing, diversity and inclusion, while supporting colleagues through organisational change and Tideway's transition towards its long-term asset stewardship role. Town halls, employee forums and other engagement initiatives gave employees opportunities to shape the business's future and reinforced Tideway's values and culture.

Stakeholder Engagement and Communications

Tideway continued to engage proactively with Thames Water, government and regulatory stakeholders, local communities and other stakeholders as the project moved into the System Acceptance phase. This engagement focused on maintaining trusted relationships, supporting future asset stewardship arrangements and communicating the environmental benefits delivered by the tunnel.

This year, Tideway launched Active Tideway, providing subsidised on-water and riverside activities to increase access to the Thames, with 435 people participating by the end of September 2026.

Also, during the period, the final public realm space at King Edward Memorial Park in Tower Hamlets was opened, meaning all 13 of Tideway's public realm spaces are now open and accessible to the public, creating a lasting legacy of new and improved public spaces that reconnect communities with the River Thames.

In October 2026, The Tideway Benefits Report was published, led by Thames Water. The report provides the first full-year assessment of the environmental benefits delivered by the Thames Tideway Tunnel, including an 86% reduction in storm overflow volumes compared with pre-Tideway levels. The report also found the tunnel had prevented an estimated 84 tonnes of sewage derived litter from entering the river. Alongside this, there were reductions in elevated health risk days (down from 76% to 10%) as well as only a single dissolved oxygen depletion event in 2025 linked to sewage overflow activity, an important measure of river health and vital for marine life.

Tideway also continued to promote the wider social, environmental and economic benefits of the project through community programmes, stakeholder events and ongoing communications. Work continued to develop Tideway's long-term impact approach, helping to demonstrate Tideway's role in protecting and improving London's river environment for future generations, while building on its reputation for successful infrastructure delivery and environmental stewardship.

Alongside this, Tideway launched the inaugural Tideway Prize, a free UK-wide photography competition inviting people to capture their relationship with the River Thames through the theme ‘Standing by the Thames’. The competition encourages people to reconnect with the river and document its people, wildlife, landscapes and everyday life as the River Thames enters a new chapter, with winning and selected photographs to feature in a public exhibition in spring 2027.

Technology and innovation continued to play an increasingly important role in Tideway's transition to long-term asset management. During the period, Tideway established an AI governance framework and commenced implementation of its AI strategy, with an initial focus on governance, building organisational capability and the deployment of AI-enabled tools.

Resilient Finance

Objective	**We deliver efficient, sustainable financing and risk management. We work to secure a regulatory environment that supports us in our commitments**
Priorities	Deliver an effective, resilient and sustainable financing plan which includes fair returns for investors
	Ensure financial control and risk management
	Maintain effective financial reporting and investor engagement
	Secure a supportive regulatory regime

As of 30 September 2026, the Tideway Group had raised £3.5bn of long-term debt, all of which had been drawn. In early October 2026, the Group issued a £250m 10-year Blue Bond under its bond programme. This was the Group's second Blue Bond and reinforced its position as the only corporate issuer of sterling Blue Bonds to date.

This debt issuance has substantially strengthened Tideway's liquidity position, taking it significantly beyond its minimum 12-month liquidity target, and the Group continues to benefit from strong financial resilience. The proceeds from the transaction will be used to refinance the first bond maturity, due in November 2027.

The Group also benefits from a £120m Revolving Credit Facility (RCF), which remains fully undrawn, and £95m of Liquidity Facilities (LF), which support the Liquidity Required Amount as defined in the Master Definitions Agreement (MDA). As a result of securing the £95m LF, as of 30 September, only £0.3m is required to be held in the Debt Service Reserve Accounts (DSRAs) to satisfy the liquidity requirement.

As of 30 September 2026, the Group had total liquidity of £439.0m, comprising £319.0m of unrestricted cash and the £120.0m undrawn RCF. Cash and liquidity continued to be managed prudently and effectively in accordance with the Investment Management Strategy.

On 30 September 2026, Tideway's financial ratios remained robust and fully compliant with all covenant requirements. The ratio of Senior Net Debt to Adjusted RCV (gearing) was 67.6 per cent, while the ratio of Net Cash Flow to Senior Debt Interest (interest cover ratio) was 3.3 times, compared with covenant limits of 70.0 per cent and 1.3 times, respectively (see the Interim Financial Performance Review section for further details of debt covenant requirements).

Tideway's credit ratings were affirmed at BBB+ by Fitch in May 2026 and Baa1 by Moody's in June 2026, both with stable outlooks.

Distributions totalling £32.0m were paid during the six months to 30 September 2026. In addition, £7.6m of interest was capitalised, increasing the shareholder loan balance to £993.4m.

During the current interim period, the Group adopted IFRS 16 'Leases' following Handover in August 2026, which marked the transfer of operational responsibility for the Tunnel to Thames Water. Further details of the accounting treatment and its financial impact are set out in the Financial Performance Review section.

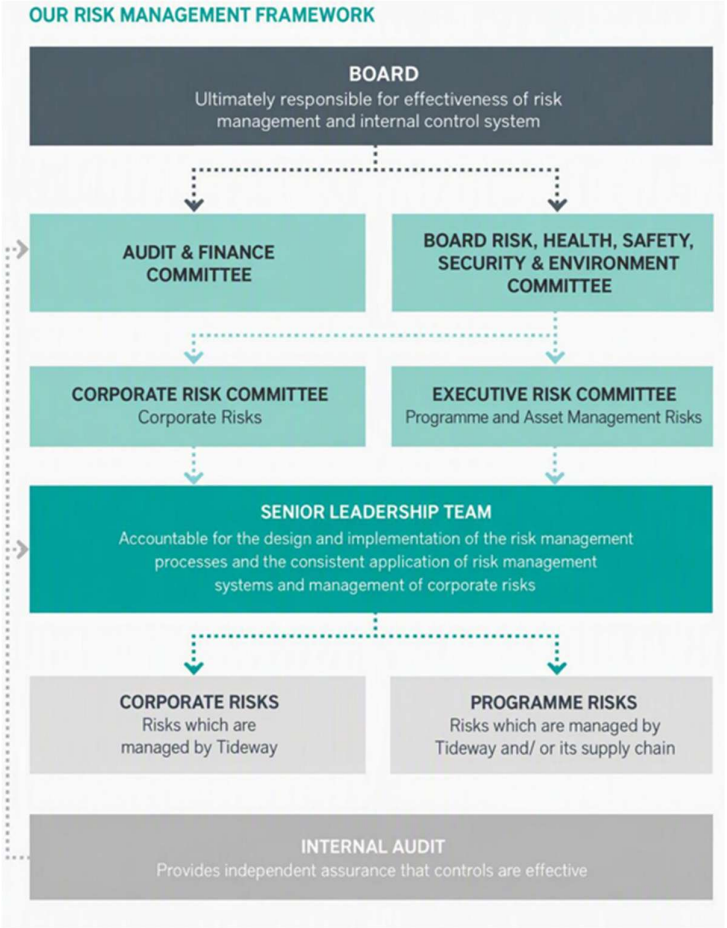
Tideway is monitoring the impact of Thames Water's corporate position. We have received confirmation from Ofwat that the existing statutory and regulatory protections would continue to apply should Thames Water's status change.

We continue to monitor political and regulatory developments and engage proactively with policymakers and regulators regarding upcoming reforms in the water sector. We advocate for any reforms to be applied appropriately to Tideway while maintaining positive relationships and open communication with key stakeholders through the Liaison Committee and other forums.

Risk Management

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

Tideway's principal risks are those that could have a material adverse impact on the business, reputation and/or financial condition of the project. The principal risks are health, safety and wellbeing; programme and asset management operations; high impact, low probability events; credit rating; inflation; reputation; the performance of Thames Water; political and regulatory. As Tideway continues its transition from project delivery to long-term asset management, the nature and relative significance of individual risks is expected to evolve over time, reflecting the move from construction and completion activities towards the long-term operation, management and stewardship of the asset. These principal risks are under continual review as part of the Risk Management Framework.



Interim Financial Performance Review

Accounting policies

Our condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (IAS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards ("UK-Adopted IFRS"). The Interim Financial Statements are prepared on a historical cost basis except for certain financial instruments that are measured at fair value. The Group's accounting policies are consistent with those disclosed in the Group's Annual Report for the year ended 31 March 2026, except for the finance lease accounting policy adopted during the current interim period as set out in note 1 to the Interim Financial Statements.

During the construction phase of the project and up to Handover, expenditure which is directly attributable to bringing the Thames Tideway Tunnel into its intended use are capitalised as an asset under construction within the Consolidated Statement of Financial Position. Similarly, any regulated revenue amounts received and due to receive from Thames Water Utilities Limited (Thames Water), are accounted for as advance payment liability and deferred income on the Consolidated Statement of Financial Position.

At Handover, the asset under construction, accrued income, deferred income and advance payment liability are de-recognised and a finance lease receivable is recognised. The finance lease receivable is accounted for in accordance with IFRS 16 'Leases' and is initially measured at an amount equal to the net investment in the lease, comprising the present value of future lease payments and unguaranteed residual value accruing to the lessor, discounted using the imputed discount rate implicit in the lease. Upon initial recognition of the finance lease receivable, the Group recognised a loss of £2.8m.

Following Handover, expenditure that qualifies as Allowable Project Spend will continue to be capitalised up to System Acceptance and recognised as part of the finance lease receivable. Excluded Project Spend comprising net interest expense and other financing related costs are recognised in the income statement on an accrual basis.

Under finance lease accounting, regulatory allowable revenues received and receivable from Thames Water are allocated between three components and are separately accounted for as (i) principal repayment of finance lease receivable; (ii) other income; and (iii) variable lease income. Finance lease income is recognised in the income statement using the imputed discount rate implicit in the finance lease determined at Handover.

Non-GAAP Measures

In our financial reporting, we use certain measures that are not required under International Financial Reporting Standards (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 accrual 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.

On costs, our estimate at completion (EAC) is £4.7bn. The impact on customer bills remains unchanged and well within the range set out when the project began in 2015. Tideway continues to maintain strong financial oversight during project completion.

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

Consolidated Income Statement

During the six-month period ended 30 September 2026, the Group reported a profit before tax of £20.0m (2025: £1.7m) with no dividends paid or proposed (2025: £nil).

The profit before tax of £20.0m comprised variable lease income of £1.5m debit, finance income of £28.8m (2025: £nil), finance costs of £20.6m (2025: £nil), fair value gains on derivative financial instruments of £16.1m (2025: £1.7m) and loss on recognition of finance lease receivable of £2.8m.

No taxable profit was generated in the period (2025: £nil) and the estimated current tax charge for the period is £nil (2025: £nil). A deferred tax credit of £26.6m (2025: £nil) was recognised on the temporary differences attributable to the carried forward disallowed interest expenses, tax losses and financial instruments arising during the current interim period.

Reported profit for the period reflects only one-month financial impact of finance lease accounting following its commencement in September 2026, together with movement in the fair value in the Group's derivative financial instruments and the deferred tax credit recognised in the current interim period.

These derivative financial instruments are long-term swaps which we entered into with financial institutions to reduce the Group's exposures to interest rate risk and associate our finance costs to inflation for BTL's regulatory period. This ensures that we benefit from the economic hedge formed with our revenue and RCV which are linked to inflation.

The movement in fair value of these financial instruments is recognised in the Condensed Consolidated 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, are not qualified for capitalisation during the construction period up to Handover.

Condensed Consolidated Statement of Financial Position

The movement of the carrying value of the tunnel asset under construction during the current interim period is shown in the table below.

Asset Under Construction (£m)	Six months ended 30 September 2026	Six months ended 30 September 2025
Net Book Value Brought Forward	6,105.7	5,775.9
Additions (Capitalised Costs)*	140.1	195.5
De-recognised on the recognition of finance lease receivable	(6,245.8)	-
Net Book Value Carried Forward	-	5,971.4

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

As of the commencement date of finance lease accounting, costs of £6,245.8m were capitalised within the asset under construction in the Condensed Consolidated Statement of Financial Position. This represents £140.1m of costs incurred from April 2026 to August 2026, and £6,105.7m incurred in the prior periods up to 31 March 2026 (refer to Note 4 to the Interim Financial Statements). The total carrying value of asset under construction of £6,245.8m was de-recognised upon the recognition of finance lease receivable at lease commencement date.

Upon the recognition of finance lease receivable, the asset under construction, accrued income, deferred income and advance payment liability were de-recognised, and a finance lease receivable of £5,422.8m and a loss of £2.8m were recognised.

Finance lease receivable on initial recognition	£m
Asset Under Construction	6,245.8
Accrued income	(4.5)
Deferred income	(17.8)
Advance payment liability	(797.9)
Loss on recognition of finance lease receivable	(2.8)
Total	5,422.8

The table below shows the movement of the carrying value of the finance lease receivable during the current interim period.

Finance lease receivable (£m)	Six months ended 30 September 2026	Six months ended 30 September 2025
Net Book Value Brought Forward	-	-
Add: Initial recognition	5,422.8	-
Add: Additions	2.5	-
Add: Finance lease income	27.8	-
Less: Principal repayment	(12.3)	-
Net Book Value Carried Forward	5,440.8	-

The table below reflects the split of costs between the Direct costs, Indirect costs and Excluded costs for the period from April 2026 to August 2026 (commencement date of finance lease accounting) and for September 2026.

	Six months ended 30 September 2026			
Analysis of Costs (£m)	From 1 April 2026 to 31 August 2026	From 1 September 2026 to 30 September 2026	Total	Six months ended 30 September 2025
Direct Costs	22.2	(1.0)	21.2	42.4
Indirect Costs	16.2	3.5	19.7	26.2
Total Allowable costs capitalised	38.4	2.5	40.9	68.6
Excluded costs capitalised	101.7	-	101.7	126.9
Excluded costs recognised in the profit or loss	-	19.7	19.7	-
Total Costs	140.1	22.2	162.3	195.5

For the period from April 2026 to August 2026, total capitalised costs were £140.1m (2025: £195.5m). The decrease primarily results from lower Direct costs as the project approaches completion. Excluded costs were also lower than in the prior period reflecting the capitalisation of only five months of such costs in the current interim period, up to Handover.

The costs incurred in September 2026 following the commencement of finance lease accounting include Total Allowable costs of £2.5m which were added to the finance lease receivable and Excluded costs of £19.7m which was recognised in the income statement.

For the six-month period ended 30 September 2026, the Allowable Costs of £40.9m (2025: £68.6m) includes £21.2m (2025: £42.4m) of Direct costs and £19.7m (2025: £26.2m) of Indirect costs. These are explained further below.

Direct costs
Direct costs are primarily the Main Works Contractors (MWCs) costs and the System Integrator Contractor (SIC) costs directly related to tunnel commissioning, landscaping and architectural works and marine works.

Indirect costs
The largest indirect costs are resource costs of £14.0m (2025: £18.5m). This represents the cost to employ an average of 119.1 Full Time Equivalents (FTEs) across the six-month period. These FTEs are either employed directly by the Group or contracted by the Group via our programme manager, Jacobs. Other indirect costs include non-resource costs such as information systems, office, insurance, Government Support Package and other running costs.

Excluded costs
Excluded costs for the six-month period 30 September 2026 were £121.4m (2025: £126.9m). Comprise primarily £119.5m of net interest expense (including shareholder loan interest of £39.6m) and £1.9m of costs mainly related to financing activities. Excluded costs have decreased in the period compared with 2025 reflecting lower inflation during the period which reduced interest expense on our index-linked debts.

Costs and net cash outflow comparison

The table below shows both the Allowable costs and Excluded costs and the equivalent Allowable Project Spend and Excluded Project Spend for the six months ended 30 September 2026.

	Six months ended 30 September 2026			Six months ended 30 September 2025		
Analysis of Project Costs and the equivalent Net Cash Outflows (£m)	Costs	Timing Differences	Cash Outflow	Costs	Timing Differences	Cash Outflow
Direct Costs	21.2	3.0	24.2	42.4	15.5	57.9
Indirect Costs	19.7	5.4	25.1	26.2	(0.1)	26.1
Total Allowable	40.9	8.4	49.3	68.6	15.4	84.0
Excluded Costs	121.4	(64.3)	57.1	126.9	(79.6)	47.3
Total	162.3	(55.9)	106.4	195.5	(64.2)	131.3

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

Cash

Cash at 30 September 2026 was £64.3m, which was £1.5m lower than the £65.8m cash at 31 March 2026. The table below shows the movements in cash as per the IFRS Cash Flows Statement.

Cash Flows (£m)	Six months ended 30 September 2026	Six months ended 30 September 2025
Cash used in operation before changes in working capital	**(1.5)**	**-**
Decrease/(Increase) in trade and other receivables	11.4	(3.5)
Increase in finance lease receivable	(2.5)	-
Decrease in trade and other payables	(3.0)	(5.5)
Increase in advance payment liability/regulatory allowable revenue received	56.1	62.6
Net cash from operating activities	**60.5**	**53.6**
Construction of infrastructure asset	(82.1)	(120.0)
Funds placed in short-term deposits	(155.0)	(240.0)
Short-term deposits matured	205.0	80.0
Interest received	0.7	-
Net cash used in investing activities	**(31.4)**	**(280.0)**
Proceeds from new borrowings	-	248.8
Repayment of borrowings	(13.9)	(13.8)
Repayment of lease liabilities	(0.1)	(0.1)
Interest paid	(16.6)	-
Net cash (used in)/from financing activities	**(30.6)**	**234.9**
Net (decrease)/increase in cash and cash equivalents during the period	**(1.5)**	**8.5**
Cash and cash equivalents at the start of the period	65.8	111.9
Cash and cash equivalents at the end of the period	**64.3**	**120.4**

The “Construction of infrastructure asset” under investing activities included cash flows up to the commencement of finance lease accounting. Cash flows following the commencement of finance lease accounting are classified under operating activities.

Net cash flows from operating activities of £60.5m (2025: £53.6m) mainly represent movements in working capital and are mainly driven by timing of payments to our MWCs and the receipt of regulated revenue payments from Thames Water.

Net cash flows used in investing activities of £31.4m (2025: £280.0m) show the gross cash outflows used in constructing the TTT as well as movements to and from short-term deposits which represent money market funds where cash is held on deposit for a period longer than three months.

The net cash outflows from financing activities of £30.6m (2025: cash inflows of £234.9m), which reflects loan amortisation and shareholder loan interest payment during the period. Following the commencement of finance lease accounting, shareholder loan interest payments are classified as interest paid.

Financial key performance indicators (KPIs)
Under its Common Terms Agreement (CTA), Tideway must comply with a set of financial covenants including to calculate two key ratios, Senior Regulatory Asset Ratio (Senior RAR) and Funds from Interest Cover Ratio (FFO ICR) and report compliance with certain thresholds in specified circumstances. The performance of the two ratios at 30 September 2026 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%.

			As at 30 Septermber	
Senior RAR			**2026**	**2025**
a	Net Debt - Per CTA		3,921.7	3,758.3
b	RCV - Per CTA [1]		5,798.9	5,506.6
c	Senior RAR	a/b	67.6%	68.3%

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

	As at 30 Septermber	
Reconciliation to the financial statements (£m)	**2026**	**2025**
Cash	64.0	120.2
Short term deposits	255.0	305.0
Borrowings	(3,994.1)	(3,957.5)
Accretion on Index Linked Financial Instruments	(249.4)	(229.9)
Lease liabilities	(1.2)	0.0
Other adjustments [1]	4.0	3.9
Net Debt - Per CTA	(3,921.7)	(3,758.3)

1 Adjustments for Premium on £75m bond (series 17) and £150m bond (series 13), partly offset by Discount on £250m bond (series 11), Discount on £300m bond (series 18) and Discount on £250m bond (series 19).

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 12 months to the reporting date.

			Six months ended 30 September	
FFO ICR			**2026**	**2025**
d	Net Cash Flow - per CTA		135.6	130.8
e	Debt Interest - per CTA		41.2	29.7
f	FFO ICR	d/e	3.3	4.4

Reconciliation to the financial statements (£m)	**2026**	**2025**
Increase in Accrued income 2026/27 [1]	11.3	-
Increase in Advance payment liability 2026/27/regulatory allowable revenue received [1]	56.1	-
Increase in Advance payment liability 2025/26 [1]	66.5	62.7
Increase in Advance payment liability 2024/25 [1]	-	65.5
VAT adjustment per CTA	1.7	2.6
Net Cash Flow per CTA	135.6	130.8

Reconciliation to the financial statements (£m)	**2026**	**2025**
Net interest (exc. shareholder interest) paid 2026/27	18.1	-
Net interest (exc. shareholder interest) paid 2025/26	22.1	8.1
Net interest (exc. shareholder interest) paid 2024/25	-	20.6
Commitment fees paid 26/27	0.6	-
Commitment fees paid 25/26	0.4	0.5
Commitment fees paid 24/25	-	0.5
Debt Interest per CTA [2]	41.2	29.7

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

2 Part of "Construction of infrastructure asset" and "Interest paid" within the Condensed Consolidated Cash Flow Statement

Statement of directors' responsibilities in respect of the financial statements

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

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

The directors of the Company who were in office during the period and up to the date of approval of these condensed consolidated interim financial statements were:

- Andrew Cox
- Alistair Ray
- Daniel Pires
- Amanda Woods
- Edward Randolph

The Directors' responsibility statement was approved and signed by order of the Board by:

Edward Randolph

Director

23 November 2026

Condensed Consolidated Income Statement

	Notes	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Variable lease income		(1.5)	-	-
Operating costs		-	-	-
		(1.5)	-	-
Loss on recognition of finance lease receivable	5	(2.8)	-	-
Finance income	2	28.8	-	-
Finance costs	2	(20.6)	-	(0.2)
Gains/(losses) on financial instruments	2	16.1	1.7	(13.9)
Profit/(loss) before tax		**20.0**	**1.7**	**(14.1)**
Taxation	3	26.6	-	359.9
Profit for the period/year		**46.6**	**1.7**	**345.8**

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Profit for the period/year	46.6	1.7	345.8
Other comprehensive income for the period/year	-	-	-
Total comprehensive income for the period/year attributed to owners of the parent	**46.6**	**1.7**	**345.8**

The accompanying notes on pages 24 to 41 which are an integral part of these Interim Financial Statements.

Condensed Consolidated Statement of Financial Position

	Notes	30 September 2026 £m Unaudited	30 September 2025 £m Unaudited	31 March 2026 £m Audited
Non-current assets				
Property, plant and equipment	4	1.2	5,971.5	6,105.7
Finance lease receivable	5	5,278.8	-	-
Other receivables	6	1.4	2.5	1.2
Deferred tax assets	10	386.5	-	359.9
		5,667.9	5,974.0	6,466.8
Current assets				
Trade and other receivables	6	37.0	31.0	31.0
Finance lease receivable	5	162.0	-	-
Cash and cash equivalents	7	64.3	120.4	65.8
Short-term cash deposits	7	255.0	305.0	305.0
		518.3	456.4	401.8
Total assets		**6,186.2**	**6,430.4**	**6,868.6**
Current liabilities				
Trade and other payables	8	(52.9)	(79.2)	(74.1)
Advance payment liability	8	-	-	(741.8)
Lease liabilities		(0.3)	-	-
Borrowings	9	(27.7)	(27.6)	(27.7)
Derivative financial instruments	11	(5.2)	(9.4)	(5.2)
		(86.1)	(116.2)	(848.8)
Non-current liabilities				
Other payables	8	(12.5)	(12.6)	(12.8)
Advance payment liability	8	-	(675.3)	-
Lease liabilities		(0.9)	-	-
Borrowings	9	(4,945.1)	(4,899.4)	(4,908.2)
Derivative financial instruments	11	(169.3)	(145.3)	(173.1)
		(5,127.8)	(5,732.6)	(5,094.1)
Total liabilities		**(5,213.9)**	**(5,848.8)**	**(5,942.9)**
Net assets		**972.3**	**581.6**	**925.7**
Equity				
Share capital		509.7	509.7	509.7
Retained earnings		462.6	71.9	416.0
Total equity		**972.3**	**581.6**	**925.7**

The accompanying notes on pages 24 to 41 which are an integral part of these Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2026 (audited)	509.7	416.0	925.7
Profit for the period	-	46.6	46.6
Total comprehensive income for the period	**-**	**46.6**	**46.6**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**
Balance at 30 September 2026 (unaudited)	**509.7**	**462.6**	**972.3**

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2025 (audited)	509.7	70.2	579.9
Profit for the period	-	1.7	1.7
Total comprehensive income for the period	**-**	**1.7**	**1.7**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**
Balance at 30 September 2025 (unaudited)	**509.7**	**71.9**	**581.6**

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2025 (audited)	509.7	70.2	579.9
Profit for the year	-	345.8	345.8
Total comprehensive income for the year	**-**	**345.8**	**345.8**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**
Balance at 31 March 2026 (audited)	**509.7**	**416.0**	**925.7**

At 30 September 2026, £457.4m of consolidated retained earnings was considered non-distributable (31 March 2026: £417.6m). The remaining £5.2m represents the residual element of consolidated retained earnings after excluding these non-distributable amounts.

The accompanying notes on pages 24 to 41 which are an integral part of these Interim Financial Statements.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Cash flows from operating activities			
Profit/(loss) before tax	20.0	1.7	(14.1)
Adjustment for:			
Fair value (gains)/losses on derivative financial instruments	(16.1)	(1.7)	14.1
Loss on recognition of finance lease receivable	2.8	-	-
Finance income	(28.8)	-	-
Finance costs	20.6	-	-
	(1.5)	-	-
Movements in working capital:			
Decrease/(increase) in trade and other receivables	11.4	(3.5)	(6.7)
Increase in finance lease receivable	(2.5)	-	-
Decrease in trade and other payables	(3.0)	(5.5)	(16.3)
Increase in advance payment liability/ regulatory allowable revenue received	56.1	62.6	129.2
Cash generated from operating activities	**60.5**	**53.6**	**106.2**
Net cash flows from operating activities	**60.5**	**53.6**	**106.2**
Cash flows from investing activities			
Construction of infrastructure asset	(82.1)	(120.0)	(213.0)
Funds placed in short-term deposits	(155.0)	(240.0)	(310.0)
Short-term deposits matured	205.0	80.0	150.0
Interest received	0.7	-	-
Net cash flows used in investing activities	**(31.4)**	**(280.0)**	**(373.0)**
Cash flows from financing activities			
Proceeds from borrowings	-	248.8	248.8
Repayment of borrowings	(13.9)	(13.8)	(27.7)
Principal repayments of lease liabilities	(0.1)	(0.1)	(0.2)
Interest paid	(16.6)	-	(0.2)
Net cash flows (used in)/from financing activities	**(30.6)**	**234.9**	**220.7**
Net (decrease)/increase in cash and cash equivalents during the period/year	**(1.5)**	**8.5**	**(46.1)**
Cash and cash equivalents at beginning of the period/year	65.8	111.9	111.9
Cash and cash equivalents at end of the period/year	**64.3**	**120.4**	**65.8**

Construction of infrastructure asset included capitalised interest and swap accretion paid of £48.3m (six months ended 30 September 2025: £51.4m) and capitalised interest received of £5.9m (six months ended 30 September 2025: £5.6m).

The accompanying notes on pages 24 to 41 which are an integral part of these Interim Financial Statements.

Notes to the Interim Financial Statements

1. Material Accounting Policy Information

Basis of preparation

The unaudited condensed consolidated interim financial statements of Bazalgette Holdings Group (Interim Financial Statements) comprise Bazalgette Holdings Limited (BHL or the Company), Bazalgette Tunnel Limited (BTL), and Bazalgette Finance plc (BF).

These Interim Financial Statements consolidate those of BHL and its subsidiaries (together referred to as the "Group") and comprise their unaudited financial statements for the six months ended 30 September 2026.

These Interim Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK and as issued by the International Accounting Standards Board (IASB) and the Disclosure Transparency Rules (DTR) issued by the Financial Conduct Authority. These Interim Financial Statements do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and they should be read in conjunction with the Group's last audited consolidated financial statements for the year ended 31 March 2026. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's consolidated financial position and performance since the last financial statements.

These Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, and have been prepared on a basis consistent with the IFRS accounting policies as set out in the Group's Annual Report for the year ended 31 March 2026, except for the adoption of finance lease accounting at Handover during the current interim period.

In preparing these Interim Financial Statements, the directors have made certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 March 2026, except for those in relation to the finance lease accounting as disclosed below.

Notes to the Interim Financial Statements

1. Material Accounting Policy Information (continued)

The relevant accounting policy and judgements and estimates relating to the finance lease accounting are as follows:

Finance lease accounting

During the current interim period, the Group adopted IFRS 16 'Leases', following Handover in August 2026, which marked the transfer of operational responsibility for the Tunnel to Thames Water Utilities Limited (Thames Water).

At the Handover date, the asset under construction, accrued income, advance payment liability and deferred revenue are de-recognised and a finance lease receivable is recognised. The finance lease receivable is accounted for in accordance with IFRS 16 'Leases'. At lease commencement, the finance lease receivable is measured at an amount equal to the net investment in the lease, being the present value of future lease payments and unguaranteed residual value accruing to the lessor, discounted using the imputed discount rate implicit in the lease. Any difference between (i) the carrying value of the assets and liabilities de-recognised at lease commencement and (ii) the net investment in the lease recognised is recorded in the income statement.

The Group adopted the following key parameters and inputs in deriving the future regulated revenue projection for imputed discount rate calculation in accordance with IFRS 16 'Leases':

Term of project	up to 2150 as per our Licence
Inflation up to 2030	based on HMT inflation forecast
Inflation post 2030	2.0% per annum
Allowed rate of return up to 2030	based on BWACC^ 2.497% set out in our Licence
Allowed rate of return post 2030	based on PR 2024 Price Determination published by Ofwat

^ BWACC means 2.497 per cent., being the weighted average cost of capital applied in accordance with Appendix 1 of BTL's Licence for the period up to and including 31 March 2030.

The gross investment in the lease comprises lease payments on revenues up to 2030 which are derived based on the BWACC, and unguaranteed residual value on revenues post 2030 that are subject to future regulatory price review. Once the allowed rate of return is determined for a specific regulatory period, the revenues of the respective regulatory period are then reclassified from unguaranteed residual value to lease payments.

The imputed discount rate implicit in the finance lease that causes the present value of all future regulated revenues to equal the fair value of the tunnel less advance payment liability is calculated as 6.67%. The imputed discount rate is determined at the lease commencement date and shall not be revised subsequently.

The finance lease receivable is subsequently measured at amortised cost less impairment. The Group recognises finance income on the finance lease receivable over the term of the project using the imputed discount rate implicit in the finance lease. A portion of the revenue received from Thames Water by the Group is accounted for as repayment to the principal of the finance lease receivable and the remainder as variable lease income and other income in the income statement.

Notes to the Interim Financial Statements

1. Material Accounting Policy Information (continued)

The unguaranteed residual value included in the finance lease is based on the estimates of revenues that are subject to inflation adjustment, customers billing and collection, and the outcome of future regulatory price review. The difference between actual revenues received and estimated revenues is recognised in the income statement as variable lease income or expense in the period in which they arise.

Once amounts receivable become fixed lease payments as a result of the outcome of a future regulatory price review, any change will be recognised in the income statement.

Following Handover and until System Acceptance, expenditure that is expected to be added to Regulatory Capital Value (RCV) and recovered through future regulatory revenue is recognised as an addition to the finance lease receivable. Excluded costs (being net interest expenses and financing related costs) are expensed to the income statement as and when incurred.

Impairment of finance lease receivables

The Group performs impairment assessment on finance lease receivable in accordance with IFRS 9 ‘Financial Instruments’. The Group recognises a loss allowance for expected credit losses ("ECL") on finance lease receivables at each reporting date.

The Group applies the simplified approach permitted by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses represent the expected credit losses resulting from all possible default events over the expected life of the finance lease receivable.

In measuring expected credit losses, the Group considers reasonable and supportable information available without undue cost or effort, including historical experience, current economic conditions and forward-looking information. The assessment also incorporates the expected recoverability of amounts due under the lease arrangement, including any contractual protections, guarantees or other credit enhancements where applicable.

In assessing expected credit losses, the Group considers the regulatory framework governing Thames Water's obligations together with the long-term nature of our Licence and available contractual protections.

The carrying amount of finance lease receivables is reduced through the recognition of a loss allowance. Impairment gains and losses are recognised in income statement within operating expenses.

Notes to the Interim Financial Statements

1. Material Accounting Policy Information (continued)

Going concern

After considering current financial projections and facilities available to the Group, the Directors of the Company are satisfied that the Group has sufficient liquidity, via its available cash balances and undrawn financing facilities, to meet its operational needs and its liabilities as they fall due and there have been no other material uncertainties identified that would impact the Group's operational ability over the going concern period from the date of approval of these Interim Financial Statements. Therefore, the Directors of the Company consider it appropriate to prepare these Interim Financial Statements on a going concern basis.

These Interim Financial Statements are presented in Pounds Sterling.

Judgements and Estimates

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 Consolidated Statement of Financial Position. It was determined that Thames Water takes over control over the tunnel at Handover. At Handover, the asset under construction is de-recognised and a finance lease receivable is recognised by the Group. 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 Group controls the asset the arrangement falls within the scope of IFRS 16. Consequently, the accounting policies applied to these Interim Financial Statements reflect this arrangement.

Determination of fair value of the Thames Tideway Tunnel at initial recognition of finance lease receivable

The Group is required to determine the fair value of the Thames Tideway Tunnel on the lease commencement date for the initial measurement and recognition of the finance lease receivable. The Directors have adopted the Enterprise Value (EV)/RCV multiple valuation approach for the valuation after taking into consideration the uniqueness of the Thames Tideway Tunnel (TTT) project in terms of its regulatory mechanism and risk profile, and the degree of assumptions and uncertainties involved in other valuation approaches. The Directors applied an EV/RCV multiple referenced to the recent market transactions to BTL’s Regulatory Capital Value at Handover and other adjustments that are necessary to arrive at the fair value of the Thames Tideway Tunnel at lease commencement date.

Notes to the Interim Financial Statements

1. Material Accounting Policy Information (continued)

Determination of fair value of the Thames Tideway Tunnel at initial recognition of finance lease receivable (continued)

The table below summarises the sensitivity of the Group's profit or loss and the imputed discount rate implicit in the lease to the EV/RCV multiple with an increase or decrease in the multiple by 0.05x.

Movement in EV/RCV multiple	Fair value of the tunnel at lease commencement £m	Profit/(loss) and Equity £m	Imputed discount rate implicit in the lease %
+0.05x	6,525.6	282.6	6.41%
-0.05x	5,960.5	(282.6)	6.95%

Forecast on future regulatory revenue in the determination of future lease payments

The Group prepares forecast on its future regulatory revenues over the term of its licence period which constitutes the lease payments and unguaranteed residual payments for the calculation of the net investment value of the finance lease. The Group's forecast is based on observable market inputs that are available on the lease commencement date. The major key assumptions used in the projection are inflation and allowed rate of return. The Group makes assumptions on inflation based on inflation forecasts from HM Treasury and long-term inflation of 2.0% and adopted BWACC (the weighted average cost of capital applied in accordance with Appendix 1 of BTL's Licence for the period up to and including 31 March 2030) of 2.497% up to 2030 and the allowed rate of return based on 2024 Price Determination published by Ofwat for the remaining Licence period.

The table below summarises the sensitivity of the imputed discount rate to the allowed rate of return post 2030 with an increase or decrease of 10 basis points.

Movement in post 2030 allowed rate of return	Post 2030 allowed rate of return %	Imputed discount rate implicit in the lease %
+10bps	4.13%	6.78%
-10bps	3.93%	6.55%

Notes to the Interim Financial Statements

2. Finance income and costs

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Finance income			
Finance lease income	27.8	-	-
Interest income	6.9	7.0	15.2
Capitalised finance income into asset under construction	(5.9)	(7.0)	(15.2)
Net finance income	28.8	-	-
Finance costs			
Interest expense on borrowings*	(126.7)	(126.3)	(233.1)
Interest expense on lease liabilities	-	-	-
Financing fees	(1.3)	(1.4)	2.0
	(128.0)	(127.7)	(231.1)
Capitalised finance costs into asset under construction	107.4	127.7	230.9
Net finance costs	**(20.6)**	**-**	**(0.2)**
Financial instruments at fair value through profit or loss			
Fair value gains/(losses) on index-linked swaps	16.1	1.7	(13.9)
Interest and accretion income/(expenses) on index-linked swaps	0.4	(5.5)	0.4
Net gains/(losses) on financial instruments at fair value through profit or loss	16.5	(3.8)	(13.5)
Capitalised interest and accretion (income)/expenses on index-linked swaps into asset under construction	(0.4)	5.5	(0.4)
Gains/(losses) on financial instruments	**16.1**	**1.7**	**(13.9)**

* Includes accretion costs on index-linked borrowings of £42.4m for six months ended 30 September 2026 (2025: £42.8m).

The interest income, interest expense on borrowings and financing fees and interest and accretion income on index-linked swaps during the period from April 2026 to August 2026 are capitalised into asset under construction which are then de-recognised at Handover. Following Handover, these are no longer capitalised and are recognised into the income statement as and when incurred.

Notes to the Interim Financial Statements

3. Taxation

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Total current tax	-	-	-
Total deferred tax credit	(26.6)	-	(359.9)
Total Income Statement tax credit	(26.6)	-	(359.9)

The Group's effective tax rate for the six-month period ended 30 September 2026 is lower (2025: lower) than the standard rate of corporation tax in the UK due to the items shown below.

Tax reconciliation

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Profit/(loss) before tax	20.0	1.7	(14.1)
Expected tax (charge)/credit using UK corporation tax rate of 25% (2025: 25%)	(5.0)	(0.4)	3.5
Items not (deductible)/taxable [1]	(0.7)	0.4	(3.5)
Temporary differences recognised	32.3	-	-
Previously unrecognised temporary differences recognised	-	-	346.4
Previously unrecognised tax losses recognised	-	-	13.5
Total Income Statement tax credit	26.6	-	359.9

[1] Items not (deductible)/taxable solely relate to loss on initial recognition of finance lease receivable (2025: fair value movements on the Group's derivative liabilities which are disregarded for current tax 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. The deferred tax assets above have been calculated with regards to the Group's tax position based on the future tax rate of 25%.

Notes to the Interim Financial Statements

4. Property, plant and equipment

Group property, plant and equipment comprised the following:

	Right-of-use (ROU) assets £m	Asset under construction £m	Total £m
Net book value at 1 April 2026 (audited)	-	6,105.7	6,105.7
Additions for the period	1.3	140.1	141.4
Depreciation charge for the period	(0.1)	-	(0.1)
De-recognised in the period	-	(6,245.8)	(6,245.8)
Net book value at 30 September 2026 (unaudited)	**1.2**	**-**	**1.2**

	Right-of-use (ROU) assets £m	Asset under construction £m	Total £m
Net book value at 1 April 2025 (audited)	0.3	5,775.9	5,776.2
Additions for the period	-	195.5	195.5
Depreciation charge for the period	(0.2)	-	(0.2)
Net book value at 30 September 2025 (unaudited)	**0.1**	**5,971.4**	**5,971.5**

	Right-of-use (ROU) assets £m	Asset under construction £m	Total £m
Net book value at 1 April 2025 (audited)	0.3	5,775.9	5,776.2
Additions for the year	0.2	329.8	330.0
Depreciation charge for the year	(0.5)	-	(0.5)
Net book value at 31 March 2026 (audited)	**-**	**6,105.7**	**6,105.7**

Asset under construction

During the construction phase of the project which commenced in 2015 and up to Handover, all expenditure which are directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use were capitalised. Majority of expenditure, excluding the fair value movements of certain financial instruments, are considered to have met this requirement. The cumulative total of finance interest and expense costs capitalised project to date at 30 September 2026 was £1,666.5m (31 March 2026: £1,565.3m).

At Handover, the carrying value of asset under construction of £6,245.8m was de-recognised upon the recognition of finance lease receivable.

Notes to the Interim Financial Statements

5. Finance lease receivable

The contractual and regulatory arrangements governing the Thames Tideway Tunnel, including those established under the Licence awarded in 2015, result in the arrangement being accounted for as a finance lease with Thames Water. The arrangements extend for a period of 124 years to 2150.

The Licence contains both lease and non-lease components. The Group, as a lessor, has accounted for the Thames Tideway Tunnel and the ancillary assets as a single lease component.

The consideration for the lease comprises the allowable revenue calculated using BTL's BWACC up to 2030 and then an allowed rate of return determined by a price review of each subsequent regulatory period.

Unguaranteed residual value included in the net investment value of the lease comprise an element of inflationary uplifts and allowed rate of return which might result in the recognition of lease payments in the future.

The Group is exposed to the risk of changes in the unguaranteed lease payments at the end of each reporting period. The Group's future revenue will be determined by the economic regulator for the water sector, currently Ofwat. The methodology for the regulatory determination will be based on that which exists for water and wastewater companies. This was set out by the economic regulator in its 2015 guidance on its approach to the economic regulation of the Infrastructure Provider for the TTT. This will result in Allowed Revenue for BTL being set every five years following a Periodic Review. In conducting the Periodic Review the economic regulator must fulfil its duties, including securing an efficient licensed infrastructure provider, that is able (in particular by securing reasonable returns on their capital) to finance the proper carrying out of those functions.

The Group continues to monitor the changes in macroeconomics, price review methodologies and determinations published by Ofwat for the water sector, and updates on UK water sector reform and implications on Tideway's future regulatory price review.

The Group continues to communicate and engage with regulators and other stakeholders on BTL's current and forecast operating performance, costs, and business plans to ensure BTL is reimbursed with an appropriate level of returns on the delivery of the TTT on a sustainable basis.

The Group is exposed to asset risk in relation to the Tunnel over the term of the Licence period. The Group monitors the operation and performance of the Tunnel through the Supervisory Control and Data Acquisition (SCADA) System and performs regular maintenance and inspection on the Tunnel to ensure it operates as intended throughout its asset life. This income is recognised as other revenue as the service is performed.

At the end of each reporting period, the unguaranteed lease payments are reviewed based on the latest price determination by Ofwat and expectations about future prices and inflation.

The movement of the carrying amount of net investment in the finance lease in current period represents additions upon initial recognition at Handover, finance lease income earned on the imputed discount rate and principal reduction in current period.

Notes to the Interim Financial Statements

5. Finance lease receivable (continued)

Movement of carrying amount of the net investment in the finance lease

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
At beginning of the period	-	-	-
Additions for the period	5,425.3	-	-
Finance lease income for the period	27.8	-	-
Principal reduction for the period	(12.3)	-	-
At end of the period	5,440.8	-	-

Amounts recognised in the income statement

	Six months ended 30 September 2026 £m Unaudited	Six months ended 30 September 2025 £m Unaudited	Year ended 31 March 2026 £m Audited
Finance lease income	27.8	-	-
Variable lease income	(1.5)	-	-
Loss on recognition of finance lease receivable	(2.8)	-	-
	23.5	-	-

Minimum lease payments receivable on lease of the Thames Tideway Tunnel are as follows:

	30 September 2026 £m Unaudited	30 September 2025 £m Unaudited	31 March 2026 £m Audited
Less than one year	162.0	-	-
Between one and two years	170.4	-	-
Between two and three years	162.8	-	-
Between three and four years	79.2	-	-
Between four and five years	-	-	-
More than five years	-	-	-
	574.4	-	-
Unguaranteed residual value	72,940.7	-	-
Less: interest on finance lease	(68,074.3)	-	-
Total finance lease receivable	**5,440.8**	**-**	**-**
Current assets	**162.0**	**-**	**-**
Non-current assets	**5,278.8**	**-**	**-**

Notes to the Interim Financial Statements

6. Trade and other receivables

	30 September 2026 £m Unaudited	30 September 2025 £m Unaudited	31 March 2026 £m Audited
Trade receivables	17.0	12.6	10.7
Accrued income	10.9	10.7	9.2
Other receivables	2.9	3.1	5.3
Prepayments	7.6	7.1	7.0
	38.4	33.5	32.2
Non-current assets	**1.4**	**2.5**	**1.2**
Current assets	**37.0**	**31.0**	**31.0**

Accrued income of £10.9m (31 March 2026: £9.2m) relates to revenue earned that has not been invoiced to Thames Water as at the Condensed Consolidated Statement of Financial Position date. Prepayments include £4.8m (31 March 2026: £5.0m) in relation to the Government Support Package, £0.5m (31 March 2026: £0.2m) in relation to insurance contracts and £1.7m (31 March 2026: £1.8m) financing related costs.

7. Cash and cash equivalents

	30 September 2026 £m Unaudited	30 September 2025 £m Unaudited	31 March 2026 £m Audited
Cash and bank balances	7.3	14.4	6.8
Cash equivalents	57.0	106.0	59.0
Cash and cash equivalents per cash flow statement	64.3	120.4	65.8

Cash equivalents comprise deposits and investments in money market funds with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates their fair value. Short-term deposits with a maturity of greater than three months are presented separately on the Condensed Consolidated Statement of Financial Position. At the Condensed Consolidated Statement of Financial Position date, these totalled £255.0m (31 March 2026: £305.0m).

The Group also holds a Special Purpose Account for receiving insurance claim proceeds. The cash value in the Special Purpose Account was £nil at 30 September 2026 (31 March 2026: £nil).

Notes to the Interim Financial Statements

7. Cash and cash equivalents (continued)

Restricted Cash

The Group has an obligation to maintain a Liquidity Required Amount as defined in the Master Definitions Agreement (MDA), a requirement under the Common Terms Agreement (CTA). The Liquidity Required Amount is intended to ensure that sufficient liquidity is available to meet forecast financing cost payments over the following 12 months and can be satisfied through a combination of committed Liquidity Facilities and amounts standing to the credit of the Debt Service Reserve Accounts (DSRAs).

During the six months ended 30 September 2026, the Group maintained an undrawn committed Liquidity Facility of £95.0m. As at 30 September 2026, the Liquidity Required Amount exceeded the size of the Liquidity Facility and therefore a top-up to DSRAs was required to satisfy the Liquidity Required amount under the CTA. The restricted cash balance held in the DSRAs was £0.3m as at 30 September 2026 (31 March 2026: £nil). Together with the committed Liquidity Facility, this was sufficient to meet the Liquidity Required Amount and cover forecast financing cost payments for the next 12 months.

8. Trade and other payables

	30 September 2026 £m Unaudited	30 September 2025 £m Unaudited	31 March 2026 £m Audited
Trade payables	2.3	1.7	0.6
Contract retentions payable	11.3	11.5	11.3
Accrued expenses	51.8	57.4	56.9
Deferred income	-	21.2	18.1
Advance payment liability	-	675.3	741.8
	65.4	**767.1**	**828.7**
Non-current liabilities	**12.5**	**687.9**	**12.8**
Current liabilities	**52.9**	**79.2**	**815.9**

The advance payment liability and the deferred income were de-recognised upon the initial recognition of the finance lease receivable at Handover during the current period.

9. Borrowings

The Group raises finance under a multi-currency financing platform in both loan and bond formats.

Bonds are issued by Bazalgette Finance plc, a wholly-owned subsidiary of the Company, and lent on a back-to-back basis to BTL.

Notes to the Interim Financial Statements

9. Borrowings (continued)

Some of the finance raised by the Group was in a deferred format which means that the proceeds from the borrowing were not received until a future settlement date. This aligned with the timing of funds required for the project expenditure profile. Where bonds were issued with deferred draw-down dates, the proceeds from these bonds were received from the bond purchaser on the future settlement dates.

All deferred bonds have been fully drawn down.

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

	30 September 2026 £m Unaudited	30 September 2025 £m Unaudited	31 March 2026 £m Audited
Third party borrowings			
£250m 2.375% fixed-rate bond 2027 [o]	249.7	249.4	249.5
£75m 0.828% index-linked bond 2047 [a, b]	103.7	101.0	101.9
£200m 0.740% index-linked bond 2042 [a, c]	245.5	238.5	240.9
£100m 0.688% index-linked bond 2050 [a]	149.5	144.4	147.0
£100m 0.755% index-linked bond 2051 [a]	145.3	140.2	142.7
£100m 0.249% index-linked bond 2040 [a, d]	147.0	141.3	143.5
£125m 0.192% index-linked bond 2049 [a, e]	192.4	186.3	189.0
£25m 1.035% index-linked bond 2048 [a, f]	35.7	34.4	35.0
£25m 0.951% index-linked bond 2054 [a, g]	35.7	34.4	35.0
£50m 0.787% index-linked bond 2052 [a]	71.4	69.0	70.2
£300m 2.860% fixed-rate loan 2032 [h]	300.0	300.0	300.0
£700m (£620m SONIA+1.094% floating-rate [i]; £80m index-linked+0.010%[a]) [n]	681.4	706.0	693.6
£100m 0.010% index-linked loan 2049 [a, m]	144.6	140.3	140.4
£25m 1.042% index-linked bond 2048 [a, f]	35.0	33.7	34.2
£25m 0.954% index-linked bond 2054 [a, g]	35.0	33.7	34.2
£75m 0.010% index linked bond 2036 [a]	109.4	106.8	107.7
£300m 2.750% fixed-rate bonds 2034 [q]	299.2	299.1	299.1
£75m 2.418% fixed-rate loan 2041 [t]	75.0	75.0	75.0
£150m 0.010% index-linked bond 2032 [a]	197.3	191.3	191.5
£75m 0.949% index-linked bond 2052 [a, l]	92.0	89.1	90.0
£50m 0.074% index-linked bond 2049 [a, k]	75.2	72.4	73.1
£50m 0.174% index-linked bond 2049 [a, k]	75.2	72.4	73.1
£50m 6.020% fixed-rate loan 2033 [p]	50.0	50.0	50.0
£150m 6.050% fixed-rate loan 2035 [r]	150.0	150.0	150.0
£50m 6.110% fixed-rate loan 2038 [s]	50.0	50.0	50.0
£250m 5.500% fixed-rate bond 2033 [p]	248.9	248.8	248.9
Intra-group borrowings			
Shareholder loan notes 8.000% fixed-rate 2064 [j]	993.4	978.7	985.8
	4,987.5	**4,936.2**	**4,951.3**
Less: unamortised debt issue costs	(14.7)	(9.2)	(15.4)
Total borrowings	**4,972.8**	**4,927.0**	**4,935.9**
Current liabilities	**27.7**	**27.6**	**27.7**
Non-current liabilities	**4,945.1**	**4,899.4**	**4,908.2**

Notes to the Interim Financial Statements

9. Borrowings (continued)

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

b) This debt amortises from 2038

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

d) This debt amortises from 2036

e) This debt amortises from 2045

f) This debt amortises from 2044

g) This debt amortises from 2050

h) The Group has entered into swap agreements that convert £70m of this debt into index-linked debt

i) The Group has entered into swap agreements that convert £620m of this debt into index-linked debt

j) Borrowing from the BHL's immediate parent Bazalgette Ventures Limited

k) This debt amortises from 2034

l) This debt amortises from 2042

m) This debt amortises from 2040

n) This debt amortises from 2025

o) This debt has a bullet repayment of principal in 2027

p) This debt has a bullet repayment of principal in 2033

q) This debt has a bullet repayment of principal in 2034

r) This debt has a bullet repayment of principal in 2035

s) This debt has a bullet repayment of principal in 2038

t) This debt has a bullet repayment of principal in 2041

Notes to the Interim Financial Statements

10. Deferred tax

	Carried forward interest expense £m	Tax losses £m	Financial instruments £m	Total £m
Deferred tax assets/(liabilities) at 1 April 2026 (audited)	367.1	13.5	(20.7)	359.9
Credit to the income statement	22.7	0.9	3.0	26.6
Deferred tax assets/(liabilities) at 30 September 2026 (unaudited)	**389.8**	**14.4**	**(17.7)**	**386.5**

	Carried forward interest expense £m	Tax losses £m	Financial instruments £m	Total £m
Deferred tax assets/(liabilities) at 1 April 2025 (audited)	17.2	-	(17.2)	-
Credit/(charge) to the income statement	-	-	-	-
Deferred tax assets/(liabilities) at 30 September 2025 (unaudited)	**17.2**	**-**	**(17.2)**	**-**

	Carried forward interest expense £m	Tax losses £m	Financial instruments £m	Total £m
Deferred tax assets/(liabilities) at 1 April 2025 (audited)	17.2	-	(17.2)	-
Credit/(charge) to the income statement	349.9	13.5	(3.5)	359.9
Deferred tax assets/(liabilities) at 31 March 2026 (audited)	**367.1**	**13.5**	**(20.7)**	**359.9**

As of 30 September 2026, the Group recognised net deferred tax assets of £386.5m on temporary differences attributable to the carried forward disallowed interest expenses, tax losses and financial instruments. These are recognised on the basis that there will be sufficient net interest income and taxable profit against which these deferred tax assets could be utilised as the Group adopts IFRS 16 lease accounting on the tunnel from Handover.

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. The deferred tax assets above have been calculated with regards to the Group's tax position based on the future tax rate of 25%.

Deferred tax assets and liabilities have been offset on the Condensed Consolidated Statement of Financial Position. The balances are expected to be recovered or settled after 12 months.

Notes to the Interim Financial Statements

11. Fair value of financial instruments

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

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

	30 September 2026		30 September 2025		31 March 2026	
	Book value £m Unaudited	Fair value £m Unaudited	Book value £m Unaudited	Fair value £m Unaudited	Book value £m Audited	Fair value £m Audited
Financial liabilities at amortised cost						
Non-current						
Borrowings – fixed-rate sterling loans	(1,616.4)	(1,331.4)	(1,604.0)	(1,515.6)	(1,608.7)	(1,350.7)
Borrowings – fixed-rate sterling bonds	(794.6)	(751.2)	(796.0)	(757.3)	(794.1)	(735.9)
Borrowings – index-linked bonds and loans	(1,978.3)	(1,243.1)	(1,916.9)	(1,243.0)	(1,936.3)	(1,269.4)
Borrowings – floating-rate sterling loans	(555.8)	(505.7)	(582.5)	(546.7)	(569.1)	(513.9)
Current						
Borrowings – index-linked sterling bonds and loans	(2.4)	(2.0)	(3.8)	(2.8)	(3.9)	(3.9)
Borrowings – floating-rate sterling loans	(25.3)	(51.4)	(23.8)	(22.8)	(23.8)	(44.6)
Financial liabilities at fair value through profit or loss						
Non-current						
Derivatives – index-linked swaps	(169.3)	(169.3)	(145.3)	(145.3)	(173.1)	(173.1)
Current						
Derivatives – index-linked swaps	(5.2)	(5.2)	(9.4)	(9.4)	(5.2)	(5.2)
Total	**(5,147.3)**	**(4,059.3)**	**(5,081.7)**	**(4,242.9)**	**(5,114.2)**	**(4,096.7)**

Notes to the Interim Financial Statements

11. Fair value of financial instruments (continued)

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

The Group discloses the fair value of its borrowings 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. The Group considers the fair value measurement of all its borrowings 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.

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

The Group 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 of the Group, but these are not considered significant to the valuation. There were no transfers required between the levels of fair value hierarchy in the six months to 30 September 2026.

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

	30 September 2026 Level 2 £m Unaudited	30 September 2025 Level 2 £m Unaudited	31 March 2026 Level 2 £m Audited
Financial instruments at fair value through profit or loss			
Derivative financial liabilities			
Index-linked swaps*	(174.5)	(154.7)	(178.3)
	(174.5)	**(154.7)**	**(178.3)**

* Accrued accretion on index-linked swaps was £249.4m liability (31 March 2026: £237.6m), which forms part of the overall fair value of the derivative financial instruments being presented above.

Notes to the Interim Financial Statements

12. Contingent liabilities

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

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

13. Related parties

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

Amounts outstanding on borrowings from the immediate parent company, Bazalgette Ventures Limited were £993.4m of loan principal and £nil of interest payable at 30 September 2026 (31 March 2026: £985.8m of loan principal and £nil of interest payable). During the six-month period ended 30 September 2026, £32.0m (2025: £33.0m) interest was paid, £7.6m (2025: £6.1m) unpaid interest was capitalised back into the borrowing principal and £nil (2025: £nil) principal was repaid.

14. Subsequent events occurring after the reporting date

On 8 October 2026, the Company's subsidiary, Bazalgette Finance plc, raised £250m through a blue bond issuance, the proceeds of which will be used for refinancing the Group's existing bonds.