

Bazalgette Holdings Limited

Annual report and financial statements
For the year ended 31 March 2026
Registered number 09553510

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Strategic report

The Directors present their Strategic report for Bazalgette Holdings Group (the Group) and Bazalgette Holdings Limited (the Company) for the year ended 31 March 2026.

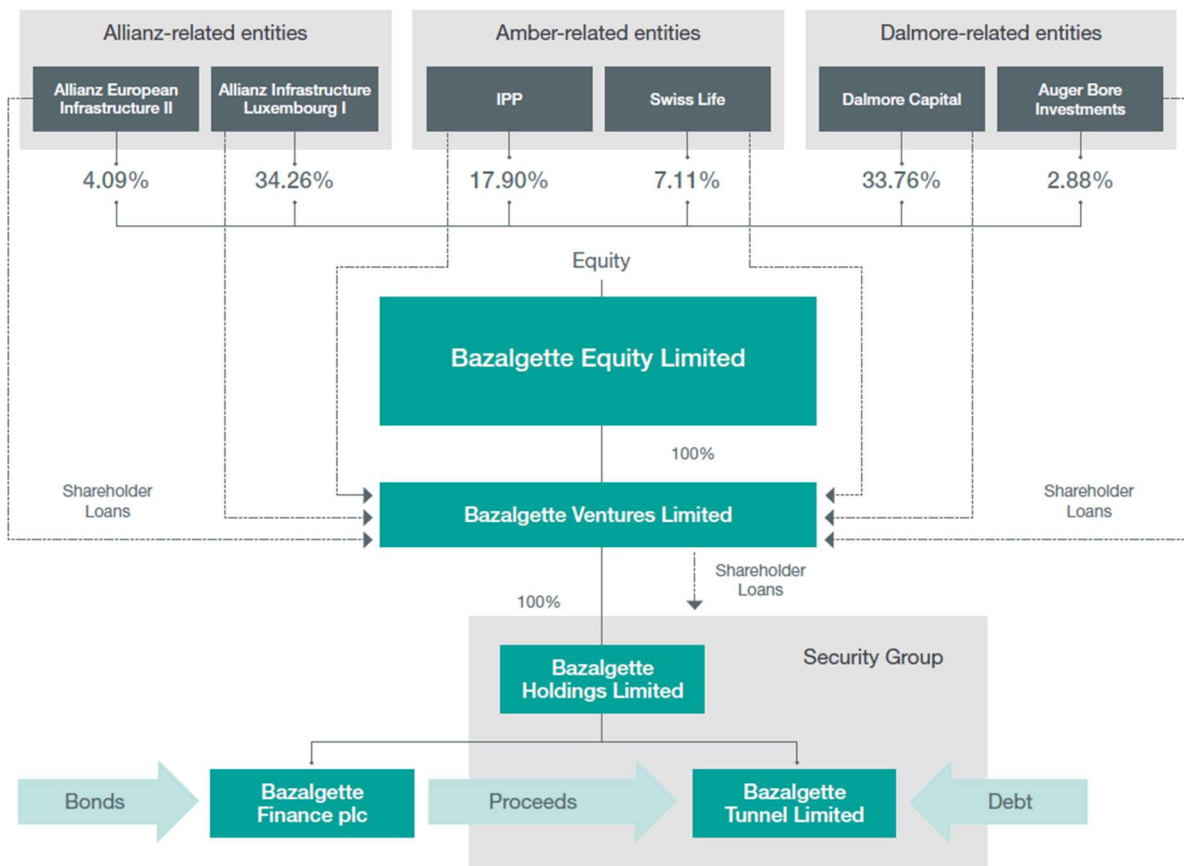
Introduction

Bazalgette Holdings Limited is an intermediate holding company in the Bazalgette Equity group of companies. The Company is a subsidiary of Bazalgette Ventures Limited (BVL) which itself is a subsidiary of the ultimate holding company, Bazalgette Equity Limited (BEL).

As at the 31 March 2026, the Group comprised the Company, Bazalgette Tunnel Limited (BTL) and Bazalgette Finance plc (BF). BTL, trading under Tideway, is an independent regulated company operating within the water sector since it was awarded a licence by Ofwat in August 2015. The emphasis given to BTL, which trades under the name 'Tideway', throughout this report reflects its importance to the overall performance of the Group.

The principal activity of the Company is to act as an intermediate holding company. It does not carry out any activities beyond this role.

As at 31 March 2026, the Bazalgette Equity Limited Group's investors include Allianz Infrastructure Luxembourg I S.a.r.l, Allianz European Infrastructure II Acquisition Holdings S.a.r.l, Dalmore Capital 14 GP Limited, Auger Bore Investments Limited, IPP (Bazalgette) Limited and Bazalgette (Investments) Limited. The Group structure is set out below:



Holding company governance

Each shareholder controlling 10 per cent or more of the ordinary shares of BEL and loan notes of BVL is entitled to appoint one director to the Boards of BEL, BVL and the Company. Each shareholder controlling 20% or more of the ordinary shares of BEL and loan notes of BVL is entitled to appoint an additional director to the Boards of BEL, BVL and the Company. The board of the Company is committed to best practice in corporate governance.

On a day-to-day basis the Chief Executive Officer, the Chief Financial Officer and the Chief Technical Officer of BTL also carry out duties on behalf of the Group with clear governance and controls in place to ensure that decisions that affect individual Group companies are taken in line with this governance framework.

Business review

Our Vision

Reconnecting London with the River Thames.



Our Purpose

Tideway is responsible for 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 in successfully delivering the project and beyond. We have always aimed to transform the way the industry operates, whether that is through our focus on health, safety and wellbeing in the workplace, volunteering with our charity partners, collaborating with our partners, engaging residents on what we are doing or supporting people to develop their skills.

In line with our Purpose and Vision, Tideway has made long-term, public commitments regarding the broader value and benefits it seeks to achieve. Our work reflects our values and how we align with the UN Sustainable Development Goals.



Role	Partners
Programme Manager	<ul style="list-style-type: none"> Jacobs
West Main Works Contract BMB Joint Venture	<ul style="list-style-type: none"> Bam Nuttall Limited Morgan Sindall Plc Balfour Beatty Group Limited
Central Main Works Contract FLO Joint Venture	<ul style="list-style-type: none"> Ferrovial Agroman UK Limited Laing O'Rourke Construction Limited
East Main Works Contract CVB Joint Venture	<ul style="list-style-type: none"> Costain Limited Vinci Construction Grands Projets Bachy Soletanche Limited
System Integrator	<ul style="list-style-type: none"> Amey OWR Limited

As we finish construction and move to Operations & Maintenance our supply chain will transition to a number of new maintenance partners who have been procured during the period and are currently mobilising.

Role	Partners
Service Manager	<ul style="list-style-type: none"> Jacobs
Maintenance Contractor (MEICA & Civils)	<ul style="list-style-type: none"> M Group
SCADA Maintenance	<ul style="list-style-type: none"> Amey OWR Ltd
Ground Water Monitoring	<ul style="list-style-type: none"> Tetra Tech
Scour & Accretion Monitoring	<ul style="list-style-type: none"> Port of London Authority
Asset Protection	<ul style="list-style-type: none"> Lynd
Tunnel Inspection	<ul style="list-style-type: none"> Amentum

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 and a contingent Government Support Package that recognise 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. Principles of the delivery model are being considered for other major projects, both in the water sector and beyond.

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. We are in the System Commissioning stage.

Mobilisation of the MWCs

This started off site, with mobilisation of people, the start of detailed design work, consenting applications and moving on site.

Construction

Excavating deep shafts, followed by tunnelling, tunnel secondary lining and installing mechanical and electronic equipment and architectural and landscaping works.

System Commissioning

After testing of the mechanical and electrical equipment, the SIC completes the connection of the worksites to the overall London Tideway Tunnels (LTT) system, followed by extensive testing in the dry before sewage flows are received. The final physical isolation is removed between the existing Lee Tunnel and the Thames Tideway Tunnel and the CSOs are activated to the new LTT system. Then a series of storm tests are carried out incrementally, culminating in a 30-day period of automated operation. After this final test, the tunnel is inspected, and the operation of the system is handed over to Thames Water. Following completion of the MWCs' activities, the contractors will be demobilised.

System Acceptance Period

This is a proving period 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 deep shafts and tunnel structures and ensure the Thames Tideway Tunnel (TTT) is available to allow flow to pass to the Lee Tunnel. This involves inspecting the deep tunnels and shafts and performing any maintenance as required. For more information, please refer to Safe, Sustainable Asset Management - System Acceptance section.

Engaging with Our Stakeholders

As the project moved fully beyond construction and six new areas of the public realm were completed and opened for use, the Company's approach to stakeholder engagement continued to evolve to reflect this new phase. With limited on-site construction activity, engagement during 2025/26 focused on supporting stakeholders through system testing, commissioning and the transition towards full operational readiness.

The Company continued to engage transparently with a wide range of stakeholders, including local communities, elected representatives, government and regulatory bodies, delivery partners and system operators. Communications during the year focused on commissioning milestones, system performance and progress towards Handover, ensuring stakeholders remained informed about what this phase of the project means for them and for London.

Close working relationships with Thames Water remained central during the year, reflecting the increasing focus on system integration, readiness and long-term operation. The company also continued to engage with the Port of London Authority (PLA) and other river users, supporting safe navigation and coordination as river-based construction activity concluded.

Established governance forums, including the Liaison Committee, continued to support structured engagement with key stakeholders. Engagement with contractors evolved as construction concluded, with a shift in focus from delivery activity to completion, knowledge transfer and the orderly close-out of contracts.

As community impacts reduced significantly, engagement arrangements were adjusted to remain proportionate and appropriate. Regular updates and feedback mechanisms remained in place, while the stakeholder helpline transitioned to an in-house office-hours service, reflecting the project profile. In 2025, we recognised the end of the Thames Tideway Tunnel Forum and reporting group, bringing to a close the long-running relationship that gave local stakeholders representing Local Authorities, environmental and planning bodies consistent access to decision-makers and Tideway employees. This was a key initiative that paved the way for our community engagement and helped build strong, trusted relationships throughout the project.

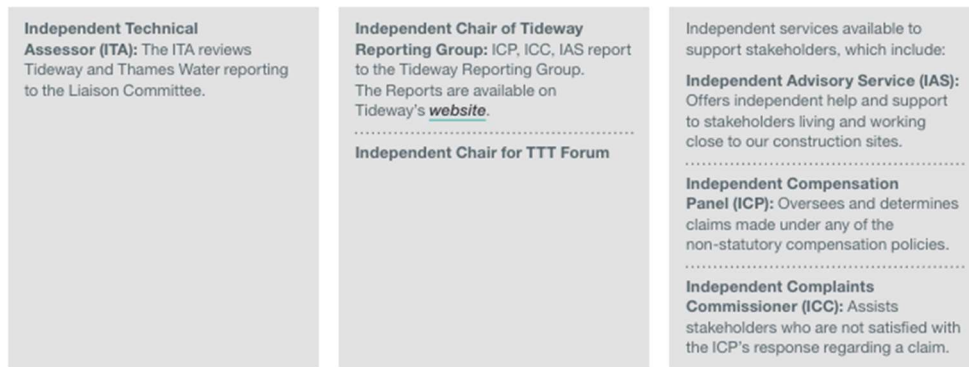
STAKEHOLDER GROUPS



ENGAGEMENT CHANNELS



INDEPENDENT ROLES AND ASSURANCE



Our Business Model

PURPOSE WHAT WE DO

Tideway is responsible for 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.

The Thames Tideway Tunnel is already dramatically reducing CSO discharges, reducing sewage-related litter (and plastics) and improving water quality in the tidal Thames.

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

STAKEHOLDER VALUE

LONDON

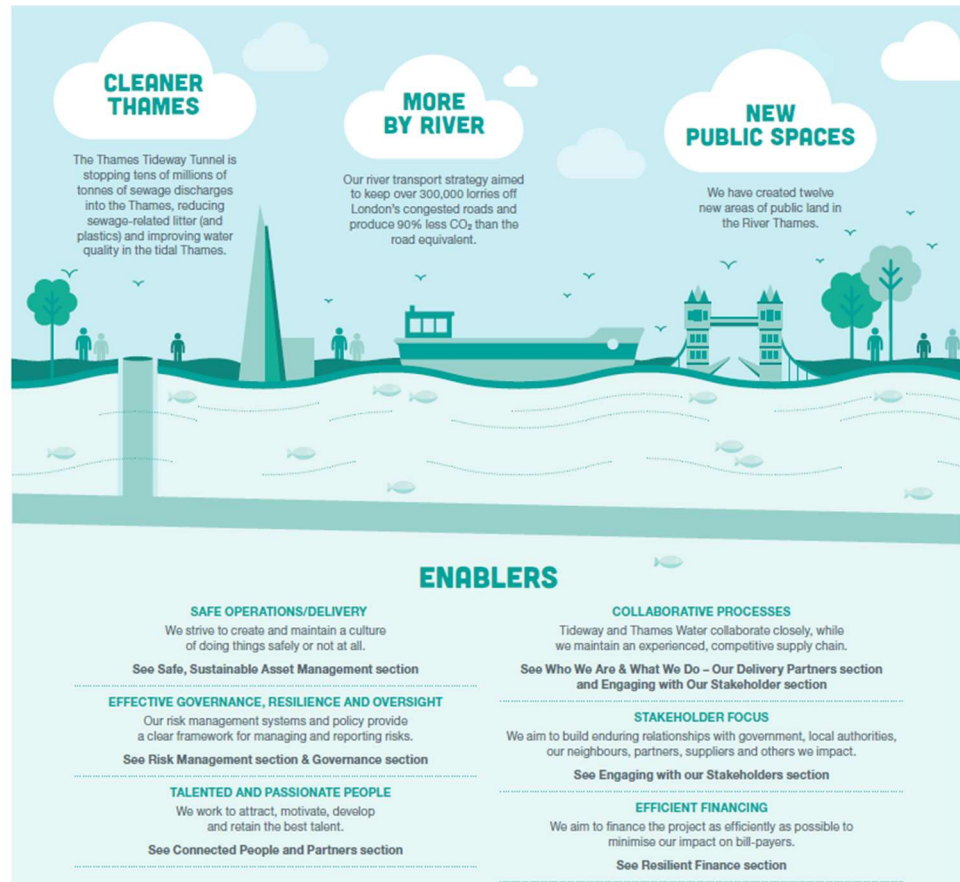
- Reconnecting London with the River Thames
- Ensuring that we leave a positive legacy for London
- Developing the river economy

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 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 our key contracts
- Providing opportunities for companies and workers to develop skills and gain experience

BILL PAYERS

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

INVESTORS

- A fair return for investors

Our Strategy, Objectives & Priorities for 2026/27

As the Group moves toward full operations and long-term asset management, our strategic priorities are evolving to reflect this next phase. With the tunnel now fully operational and the organisation transitioning beyond construction and commissioning, we are shaping an approach that supports our future role as long-term asset steward. In this context, the Senior Leadership Team and the Board have reviewed and agreed the targets and objectives for 2026/27.

These strategic objectives reflect our future challenges while demonstrating our continued commitment to the principles that have always been and will remain important to Tideway. This includes prioritising the safety and wellbeing of our people, protecting the environment, the relationship we have with London and our partners, and ensuring a resilient financial structure supported by a regulatory environment that delivers fair returns for investors.

As we continue to provide the essential infrastructure to protect the River Thames we will focus on

- **Delivering our operations safely**, building upon the firm foundation of the 'RightWay' we achieved during construction
- **Successful project completion and closeout**, with a clear emphasis on establishing the foundations for long-term operations as a regulated utility.
- **Advancing intelligent asset management**, enabling stable, efficient and insight-driven operations across the system and supporting System Acceptance
- **Embedding trust through robust governance and ESG practices**, reinforcing accountability and transparency in all areas of our work.
- **Strengthening our culture and values** and supporting our people as we transition fully into an operating utility.
- **Demonstrating our impact and strengthening our engagement with stakeholders**, maintaining visibility and reputation within the wider infrastructure and water sectors.
- **Enabling continued innovation**, including the thoughtful and responsible adoption of AI and emerging technologies.
- **Seeking to deliver fair returns to our shareholders**, while shaping a policy and regulatory environment that supports long-term value.

Our future objectives and priorities are summarised below:

	Safe, Sustainable Asset Management	Connected People and Partners	Resilient Finance
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.	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.	We deliver efficient, sustainable financing and risk management. We work to secure a regulatory environment that supports us in our commitments
Priorities	<p>Deliver our operations safely</p> <p>Successful project completion</p> <ul style="list-style-type: none"> • Timely Handover and System Acceptance • Efficient commercial closeout • Establish robust steady state <p>Reliable system performance</p> <ul style="list-style-type: none"> • Establish future industry leading asset information systems • Maximise asset availability • Monitor asset performance 	<p>Deliver a people and culture programme to support the evolving organisation</p> <p>Implement a stakeholder engagement strategy to support project closeout and positioning of Tideway's role & ambition</p> <p>Demonstrate and communicate our impact</p> <p>Maintain robust and reliable Information and Management systems</p>	<p>Deliver an effective, resilient and sustainable financing plan which includes fair returns for investors</p> <p>Ensure financial control and risk management</p> <p>Maintain effective financial reporting and investor engagement</p> <p>Secure a supportive regulatory regime that delivers fair returns, a foundation for future investment in the major project pipeline to support value for customers and the safeguarding of the environment</p>
Relevant Principal Risks	<ul style="list-style-type: none"> • Health, safety and wellbeing • Programme delivery • High impact, low probability events • Supply chain failure • Thames Water • Regulatory and Political 	<ul style="list-style-type: none"> • High impact, low probability events • Reputation 	<ul style="list-style-type: none"> • Programme delivery • High impact, low probability events • Credit risk rating • Inflation • Regulatory and political

Safe, Sustainable Asset Management

Objective	We manage our infrastructure the right way, prioritising long-term safety and sustainability. We maximise the availability of the Thames Tideway Tunnel for the benefit of London.	
Priorities	<p>Deliver our operations safely</p> <p>Successful project completion</p> <ul style="list-style-type: none"> - Timely Handover and System Acceptance - Efficient commercial closeout - Establishing steady state operations <p>Reliable system performance</p> <ul style="list-style-type: none"> - Maximise asset availability - Monitoring performance 	
	2025/26 MEASURE	TARGET
	Maintain strong HSW Performance	Safety record better than recent major projects
	Number of Major Injuries	0
	Accident Frequency Rate 3 (AFR-3)*	0.0
	Accident Frequency Rate 7 (AFR-7)*	0.0
	Delivery Against the Best Value for Money Schedule – Schedule Handover	Handover by quarter two 2025/26
		Handover by quarter two 2026/2027

* Definitions: Major injury: any injury involving employees and contractors 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 involving employees and contractors 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, involving employees and contractors. Excludes Road-Traffic accidents to ensure alignment with RIDDOR 2013. Injuries contributing to AFR-7 will automatically be included in AFR-3.

Safe Operations

Tideway remains committed to completing the programme with zero fatalities or serious injuries on or off-site.

There were over 1.1 million hours worked in the year, with no major injuries during construction and no significant injuries as a result of our marine, commissioning, MEICA or architecture and landscaping activities during the year. Accident Frequency Rates, which measure lost-time injuries over a rolling 12-month period, increased in the first half of 2025/26. Despite zero lost-time incidents during the second half of the year, a general reduction in working hours across the programme and two RIDDOR reportable over 7-day incidents (AFR-7) occurring in the first six months of 2025/26, resulted in both 3 days lost time (AFR-3) and AFR-7 increasing to 0.18. The Lost Time Injury Frequency Rate (LTIFR) decreased in the year to 0.18 (per 100,000 hours worked).

Q4 FY 2024/25**		Q4 FY 2025/26***	
AFR-3	AFR-7	AFR-3	AFR-7
0.00	0.00	0.18	0.18

	2025/26	2024/25	2023/24	2022/23
LTIFR****	0.18	0.27	0.26	0.16

** AFR as measured on 14 March 2025.

*** AFR as measured on 13 March 2026.

**** *The Lost Time Injury Frequency Rate (LTIFR), measures the frequency of work-related injuries or illness that results in an employee or contractor taking time off work (per 100,000 hours).*

During 2025/26, 1,133,873 hours were worked. There were five high-potential near misses in the reporting period. Any incident classified as significant is subject to thorough investigation to determine immediate and root causes, so we can identify and 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 nurture this positive culture and are committed to continuing to strive for transformational performance.

With the transition from construction completion (including commissioning) to operations and maintenance, we continue to review our Health, Safety and Wellbeing performance and the application of our RightWay philosophy. RightWay is our safety and culture initiative focused on ensuring worker safety, health, and wellbeing. It promotes a culture of care, continuous improvement, and personal responsibility to create a safe environment during construction and operation and maintenance of the project. We maintain a management focus on safe completion of construction and the safe start of longer-term operations and maintenance. This includes reviewing and amending our HSSE Protocols to ensure effective management controls for System Acceptance phase contracts.

Emergency preparedness arrangements continue to be reviewed and updated as required to reflect the changing phases of the Project including the delivery of crisis management exercises to test our teams. Procurement of emergency response contractors is well progressed to enable a smooth transition as our main works contractors demobilise. Ongoing liaison with the relevant emergency services ensures they have the relevant information to support the longer-term operations.

Tideway continues to share experiences and lessons learned with other projects and organisations. This includes now making the award-winning EPIC (Employer's Project Induction Centre) induction programme available to the wider industry, ensuring there is a lasting legacy from our transformational RightWay programme. During this transition phase, we continue to provide EPIC to all new starters on the project across the supply chain to ensure the same transformational health and safety benefits experienced in the construction phase transfer to the operational and maintenance phase.

We continue to focus on health-related risks and wellbeing associated with both the completion of works and the ongoing operation and maintenance of the asset, ensuring continued work towards achieving parity with safety deliverables. In recognition of the increased stress levels typically associated with the latter phases of the project, Stress Management is prominent in our health focus, identifying key risks and actions to minimise potential impact. This work continues to be supported by the Mates in Mind charity.

Successful Project Completion

During the year, commissioning activities continued following full tunnel availability, including validation of design criteria and progression through the storm testing phase. All Combined Sewer Overflows (CSOs) were activated in February 2025, enabling the tunnel to operate as a fully integrated system. As part of the commissioning plan, the tunnel was initially operated in a 'half-capacity' mode, with penstocks set to close at the half-full level and any residual CSO flows diverting to the river.

Two successful storm tests (Storm Test 1 & 2) were completed during a significant rainfall event on Saturday 19th July 2025, capturing CSO Overflows and validating system functionality of hydraulic, ventilation and control systems under real storm flow conditions. The system responded as designed with the penstocks closing across all sites at different tunnel setting levels.

During the storm tests, crews were mobilised to sites to capture CCTV footage of inflows into hydraulic structures to complement permanent and temporary monitoring equipment installed and to carry out air sampling to validate odour treatment equipment.

For both storm tests, the system responses were predominantly as expected. Whilst there were several observations and individual asset faults during the test, which required minor software changes, these are normal for a commissioning test and overall, the hybrid storm test was a success. As a result, on 21 July 2025, Tideway and Thames Water agreed to move the tunnel set points from half tunnel to full tunnel fill level settings to provide the full system capacity.

With full tunnel capacity now available, the team successfully progressed to Storm Test 3. Storm Test 3 was achieved in January 2026 under dry weather contingency measures. This meant that certain criteria dependent on high tunnel levels could not be fully validated at that time. Heavy rainfall in early June 2026 provided the opportunity to further test the Tunnel and enable additional criteria to be satisfied. Testing and optimisation remains ongoing.

Storm Test 4, the fourth and final, is not reliant on weather and is a hands-off 30-day test of the tunnel's automated control system. The test commenced late March 2026 and was successfully completed in April 2026.

During the year (1 April 2025 – 31 Mar 2026) with the system fully activated and notwithstanding the lower than required inflows required for commissioning, the LTT have intercepted ~13.3 million tonnes of sewerage across over 800 individual CSO interceptions, with the cumulative (from first activation August 2024 to 31 March 2026) being ~19.6 million tonnes across over 1,000 individual CSO interceptions. During the same period, a total of 24 CSO spills to the river occurred, of which 22 were as a consequence of the testing process to ensure that when the tunnel reaches certain fill levels, it responds appropriately. The remaining two were minor unintentional spills associated with the rectification of a construction non-conformance.

Following completion of Storm Test 3, a post-storm test inspection of the infrastructure is required. A targeted risk-based inspection methodology has been developed to minimise confined space entries (health & safety risk) and to limit environmental impact through reduced tunnel outages. This methodology utilises remote drone technologies for all near-surface assets (chambers) and some critical locations within the deep tunnels. This approach enhances the accuracy and speed of asset condition assessments and supports Tideway's broader goals of innovation and operational excellence in managing the TTT infrastructure. Inspection of the assets using drones was completed in April 2026, delivering a very high-quality data set, which did not identify any changes or areas of concern.

Physical construction activity is now limited to minor works associated with architectural and landscaping finishes, control systems adjustments and the demobilisation of temporary marine works in the river. Works are substantially complete at seventeen out of the twenty-one sites, with the remaining four sites processing through final snagging and demobilisation. Of the thirteen public spaces created or refurbished by the project, twelve are now open to the public under the stewardship of Tideway. The remaining site at King Edward Memorial Park is scheduled to open in summer 2026.

Remaining works within the river at three sites relate to reinstatement activities, removal of temporary works (including piles) and returning vessels to their moorings. A workstream is underway to design and commission a control system for a permanent CSO discharge warning system; the physical CSO discharge warning lights are already installed and currently operating under a temporary control system. These river-based works require obtaining ongoing consents from the PLA and this has been challenging during the period and has had an impact on this element of the programme and on the remaining costs. Remaining works are limited in scope and the team continues to review and manage the programme to secure the necessary PLA consents, with mitigations being identified to prevent any material impact on the completion of the works.

The Main Works Contractors in all three delivery areas and the System Integration Contractor are now focused on finalising certification, as-built drawings and models and Operational and Maintenance documentation.

System Acceptance

When storm testing and commissioning are complete, the Handover milestone will be reached, marking the commencement of the System Acceptance phase when Thames Water takes over responsibility for the operation of the tunnel and maintenance of public realm areas. During System Acceptance, Tideway will retain responsibility for maintenance of the System assets, monitoring and testing for climatic and operational scenarios and system optimisation.

Some of the commissioning test criteria that rely on a high fill tunnel level have yet to be tested due to lower-than expected inflows into the tunnel. Discussions are ongoing with Thames Water and other stakeholders to agree an appropriate approach to addressing weather related impacts.

Planning for the System Acceptance Phase is well progressed with Tideway's System Acceptance and Service Manager teams mobilised and finalising a suite of service contracts that underpin operational readiness, including tunnel access, monitoring, maintenance, and rapid response capabilities. The System Acceptance phase maintenance contractor has mobilised and is currently training and shadowing the Main Works Contractors maintenance teams, in readiness for a smooth transition of maintenance responsibilities at Main Works Contractor Completion.

We closely monitor the performance and health of the operational assets under our control as we transition from completion of construction to Operations and Maintenance. This is an important area to manage completion (snagging, defects management) and ensure the availability of the assets with the optimal response for any issues that arise during operations.

A key deliverable for the System Acceptance phase is a comprehensive inspection of the assets. Unlike the post-storm test inspection, this will not adopt a risk-based methodology and will include a full inspection of the deep tunnels. In line with the project's ongoing objective to minimise confined space entries (health & safety risk), limit environmental impact through reduced tunnel outages and maximise the quantity and quality of inspection data, a remote inspection methodology is being developed. This approach will utilise remote drone technologies for all near-surface assets (chambers) and some selected critical locations within the deep tunnels, with the remainder of the deep tunnels inspected using a bespoke tracked robotic system. This approach also enhances the accuracy and efficiency of asset assessments, supporting Tideway's broader goals of innovation and operational excellence in managing the TTT infrastructure.

In light of the below-average tunnel inflows and fill levels observed during commissioning and extrapolating into the System Acceptance period, an alternative approach to System Acceptance is being explored. Given the system's successful operation to date, we are in active discussions with Ofwat, the Environment Agency, Defra and Thames Water to agree the appropriate course of action, to address weather related testing uncertainty, optimise performance, and ensure the project's achievements are recognised.

During and beyond System Acceptance, Tideway has long-term responsibilities for the asset management of the deep tunnel assets, including asset protection, inspection, repairs and maintenance, monitoring and performance reporting. Dedicated resources from within the existing Tideway teams have been appointed to newly established Asset Management roles and are transitioning to form a new permanent team. This team will support the System Acceptance activities and ensure key learning, knowledge and experience is taken forward from the construction phase into the long-term operation phase. Tideway continues to have strong support from Thames Water, the Environment Agency, Ofwat, and the Department for Environment, Food & Rural Affairs in achieving the associated successful project outcomes.

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 an effective people strategy Deliver an effective stakeholder engagement strategy Demonstrate and communicate our impact Maintain robust and reliable systems Manage an effective transition	
	2025/26 MEASURE	ACTUAL
	Deliver an effective stakeholder engagement strategy	<ul style="list-style-type: none"> 100% stakeholder advocacy of the project. Over 1,000 stakeholders engaged in events during the year.
	Media engagement	<ul style="list-style-type: none"> 94.6% positive sentiment across coverage (88.2% in year 24-25). Increase in social media engagement on Instagram & LinkedIn– 868,000 impressions across all platforms, 222% increase in the number of new Instagram followers vs the previous year. Tideway’s final YouTube series was published in the year, and the full series achieved almost 140,000 views.
	Public realm and legacy	<ul style="list-style-type: none"> Six new areas of public realm/artworks marked with community events. 92% of legacy commitments on track or achieved, with a minimum of £40 million of social value generated.
	People and culture	<ul style="list-style-type: none"> Over 600 people from the Tideway team past and present came together to celebrate the project at new public space on Bazalgette Embankment.
	Diversity and inclusivity	<ul style="list-style-type: none"> New leadership team establishes a 50/50 gender balance for the first time. Across the entire Tideway Senior Leadership Team, the gender split is 53% female and 47% male.

Overview

This year, as the new infrastructure continues to protect the River Thames, we continued our transition from a construction-led organisation to one focused on commissioning and the long-term operation of the asset. Our attention was on ensuring we had the organisational capability, culture and partnerships required for safe, reliable progress toward Handover and beyond.

Staying closely connected to our people and partners remains central to this progress, underpinning confidence in our performance and supporting Tideway’s reputation with regulators, investors and Londoners.

As we enter the next phase of steady-state operations, these relationships remain central to our long-term resilience and financial stability.

People and Culture

Our approach to people and culture is key to Tideway’s success as we move through the commissioning phase. Leadership continuity has provided essential stability, enabling the new Senior Leadership Team (SLT) to establish itself and guide the organisation confidently through this

transition. The SLT's collaborative and transparent approach has strengthened alignment across the business and supported colleagues as roles, processes and expectations evolve.

Our enhanced communication channels continue to inform and engage those working on the project, ensuring everyone remains connected to operational progress, business planning and each other.

Wellbeing remains a central part of our 'RightWay' approach to Health Safety and Wellbeing, with support continuing to be available to colleagues both remaining with BTL and those moving on to new roles.

100 per cent of employees have been provided access to My Benefits at Work, and the majority have logged in to the portal, which includes the Employee Assistance Programme. We have 21 active Mental Health First Aiders trained in 2025/26; more training will be offered along with refresher courses.

Embedding an Inclusive and Connected Culture

To ensure our people remained connected and engaged in 2025/26, we refreshed our internal engagement programme – which began with formal updates to employees and a series of in-person briefings and workshops around the transition. These evolved into informal workshops where everyone had a chance to contribute to the way we approach our culture.

A recent culture and wellbeing survey showed a strong appetite for engagement across several areas: participation in our Encompass program, focusing on equality, diversity and inclusion (82 per cent) and leading our volunteering program (62 per cent). These findings establish a clear baseline for understanding people's aspirations for the organisation.

Diversity continues to be a key driver of Tideway's culture and the way we operate across the whole organisation. We have company-wide initiatives in place to attract and recruit diverse talent, ensuring that our recruitment practices promote fairness, inclusion and equal opportunity across all roles and functions. As an example of our focus on diversity, our Senior Leadership Team achieved a 50:50 gender balance for the first time, reflecting our commitment to equity and representation at all levels of the business.

This commitment extends across our entire workforce, with a gender split of 53 per cent female and 47 per cent male as of 31 March 2026. We actively monitor and manage diversity across the organisation to understand trends, identify areas for improvement and inform our people strategy. Alongside this, oversight for diversity strategy and initiatives sits with the Board, with programmes in place to support an inclusive and diverse workforce and enable our people to thrive, contribute fully, and feel valued throughout their careers at Tideway.

Demonstrating the Tunnel's Impact

During 2025/26, the system prevented around 13.3 million tonnes of sewage from entering the Thames, avoiding more than 800 untreated discharges. An online tracker continues to highlight that over 20 million tonnes of sewage have been prevented from spilling into the Thames.

To better understand the Tunnel's impact on river health, we launched a long-term water-quality study measuring several metrics related to river health. We also commissioned qualitative social research into river users' perceptions of the River Thames, a year after full operation of the tunnel. More than a third (38 per cent) of Londoners surveyed¹ felt the Thames water quality has improved compared with a year ago, while 80 per cent of Londoners believed the Thames Tideway Tunnel will have a positive impact on water quality.

*The condition of the Thames isn't great, but I did hear about the new sewer...
so I'm hoping to see a massive difference in the next year.*

¹ An independent survey commissioned by Tideway took place in March 2025, to understand how the health and quality of the Thames is perceived by River Users -a mixed method approach combining a quantitative survey and in-person qualitative interviews was used, across a sample of 414 respondents

Stakeholder Engagement

An independent survey of Tideway's key stakeholders (from relevant Environmental, Political, Business and Community groups) undertaken in August 2025, recorded 100 per cent positive feedback on Tideway's approach to delivering the project, highlighting our responsiveness, clarity, and professionalism during commissioning.

"It was definitely innovative and ambitious, and it will undoubtedly have a major positive contribution to the management of sewage overflows in London." (Environmental Stakeholder).

Our engagement approach in 2025/26 focused on transparency, demonstrating the tunnel's impact on the tidal Thames and our new public spaces.

In September, Tideway delivered a major programme of events to celebrate new public spaces and a new era of river health for the Thames. The programme brought together a broad range of partners, including community groups, members of the Tideway team, and other key stakeholders. It culminated in the completion of works at Bazalgette Embankment, where HRH The Princess Royal officially switched on a monumental new waterwall artwork – an eight-metre-tall installation forming part of a wider series of sculptures on the site. The event was also attended by Secretary of State for Environment, Food and Rural Affairs, Emma Reynolds MP and the Mayor of London, Sir Sadiq Khan.

The same week, more than 800 colleagues, past and present, joined a [large-scale performance on the new embankment](#), celebrating the collective achievement behind this nationally significant project. A breakfast briefing was held to introduce the public art programme now installed across the new spaces in London. Dozens of influential journalists and social media content creators attended, with the event earning high-profile, positive coverage in the media and on social media.

Londoners interested in or impacted by our construction activities remain one of our most important stakeholder groups, and we continued to proactively engage with these communities throughout the year. We published the 46th and final edition of our community newsletter, [River Times](#) – which, since 2017, has been regularly delivered to around 40,000 households.

With construction and on-site activity now drawing to a close, we closed out the Thames Tideway Tunnel Community Forum and its Reporting Group. We would like to extend our sincere thanks to everyone involved for helping to steer the project in the right direction. This has been invaluable in ensuring that residents and local businesses affected by consent through to construction were listened to, considered, and kept informed throughout the process.

Our Helpdesk, which remains active, saw a 47 per cent reduction in contacts and a 73 per cent reduction in complaints, reflecting the decline in local construction impacts.

We continued to award claims made to the Independent Compensation Panel this year, with a total of 331 claims awarded compensation, a 63 per cent increase when compared to 2024/25. The majority of these claims were annual renewals related to ongoing construction activities at our Chambers Wharf site.

This year, Tideway received further significant industry recognition. The project was awarded the 2025 RICS UK Infrastructure Award for its transformative impact and excellence in leadership, sustainability and community collaboration, recognising it as one of the country's most inspirational infrastructure projects.

In addition, Tideway's Independent Compensation Panel won the 2025 John Connell Innovation Award for pioneering work in noise and vibration management during construction. Across digital, social and traditional media, we continued to tell our story, with the project achieving its highest-ever media reach figures for 2025/26², illustrating strong public interest. Our 25th and final episode of 'Tunnel Vision', Tideway's YouTube series, was published in the year, with the full series earning almost 140,000 views. An independently produced documentary, *Beneath Your Feet*, was published on Amazon Prime Video and detailed many stories from the construction phase, highlighting the project's scale and legacy.

Tideway has also maintained strong partnerships with a wide range of river interest groups and organisations throughout the construction phase of the project, regularly engaging members of the public and other stakeholders through events, boat tours and site visits.

Delivering a Lasting Legacy

2025/26 also saw the completion of six additional public realm spaces, bringing the total to 12 of the 13 spaces now open. These new destinations include seven located along the river, with the final space scheduled to open this summer – transforming foreshore locations into accessible spaces, complete with new views, artwork and strengthening Londoners' connection with the Thames.

The [final Legacy Report](#), published in September 2025, confirms that 46 of 54 commitments – created at the outset to ensure the project delivered wider benefits beyond the infrastructure – have now been achieved. This industry-leading approach has delivered long-term environmental and social outcomes from taking lorries off the road as part of our More by River Campaign, to our industry-leading approach to health, safety and wellbeing training as part of our EPIC scheme.

At Rainham Marshes, repurposed spoil is being used to support the creation of a 110-hectare wetland – the largest habitat creation scheme inside the M25. We also funded new interpretation boards and accessibility improvements to the boardwalk at Rainham Marshes to enhance visitor access. Nearly 33,000 people visited during the year, with the RSPB reporting positive feedback.

In November 2025, the Institution of Civil Engineers published a special issue of its Civil Engineering Proceedings dedicated to the Tideway Project. The special issue contained 12 papers – detailing key aspects of project's delivery, ranging from tunnelling and highly constrained working environments to placemaking and social value.

Environmental, Social, Governance and Sustainability

We take a coordinated approach to managing Environmental, Social and Governance (ESG) risks and opportunities, with teams across the business working collaboratively to align with best-practice frameworks such as the Task Force for Climate-related Financial Disclosures.

This approach has led to updates to core policies and enhanced disclosures. Oversight of ESG matters is firmly embedded in our governance structure. The management of ESG issues is overseen by the Board's Audit and Finance Committee and the Risk, HSS&E Committee.

Information on ESG performance can be found in [ESG Databook](#).

Tideway's new values

During the year, we have also taken the opportunity to evolve our values in line with Tideway's new purpose as an asset owner. These are Collaboration, Ambition, Leadership and Respect.

² Figures based on collection of YouTube analytics, HootSuite Analytics for social media (LinkedIn and Instagram) Google analytics for website

AMBITION	for the river, for London and each other
LEADERSHIP	for development and impact
COLLABORATION	between individuals, teams and partners
RESPECT	for people, places and planet

Report from Workforce Director, Mohammed Saddiq

It was a significant year for the Tideway community. As we entered a key period of transition, the focus was on keeping people informed and supported throughout.

Clear and timely communication, both directly with employees and alongside the long-running Employee Forum, was central to this approach. The Forum has played an important role in bringing workforce perspectives to the Executive and Board level, and it will continue to meet biannually. I look forward to working with those involved.

Weekly updates and company-wide sessions helped keep everyone aligned as new structures and responsibilities took shape. They provided regular opportunities for open discussion and helped colleagues understand how the changes supported our future direction. Maintaining this steady flow of communication played an important role in giving people clarity and confidence during the transition.

As we move forward, I remain committed to ensuring our people have a strong voice in shaping Tideway's future and that each individual—whether they stay with the organisation or move on—is treated with fairness, respect and openness.

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 Achieve supportive regulatory regime	
	2025/26 MEASURE	TARGET
	Company Credit Rating	Baa1/BBB+
	Distributions	Achieve 2025/26 financing plan
	Liquidity	12 months
	Credit Metrics	Maintain gearing below 70%
		67.9%
		Maintain interest cover higher than 1.3 times
		4.19 times
	Delivery against the Regulatory Baseline – Cost	£3.5 billion
		£4.7 billion

Cost Estimate at Completion

The cost estimate is currently £4.7 billion, representing a two per cent increase from last year (2025: £4.6 billion). This increase is driven by programme prolongation, primarily reflecting the impact of consent issues for river works, together with variability in rainfall and below average sewage inflows during the commissioning period. These factors have affected the programme delivery and resulted in higher forecasted costs. Notwithstanding this increase, the impact on customer bills remains well within the pre-Licence award estimate of £20-£25 (in 2014/15 prices).

Financing

We delivered all our financing priorities for the year and continued to maintain Tideway's strong financial position.

In July 2025, we raised £250 million through a new bond issuance, further strengthening our liquidity position and ensuring that, as at 31 March 2026, we held more than 19 months of liquidity, significantly above our 12-month target. We have continued to protect our credit ratings and credit metrics, and to maintain a low-risk financing profile.

Our £160 million revolving credit facility (RCF), which remained undrawn throughout the year, was refinanced on 31 March 2026 with a new £120 million RCF structured as a three-year loan with two one-year extension options. The RCF remains undrawn.

Both the latest bond issuance and the RCF have been structured in a blue format, reflecting a shift in Tideway's sustainable financing approach to signify the current stage of the project, with the tunnel already diverting sewage and delivering environmental benefits for the River Thames.

During the year, BTL and Bazalgette Finance plc increased their liquidity facilities (LF) by £20 million, from £75 million to £95 million. Together with the balance of the Debt Service Reserve Account (DSRA), the LF is designed to cover the liquidity required amount equivalent to twelve months of interest, fees, and scheduled amortisation as defined in our financing platform. There is currently no requirement to reserve cash in DSRA.

Following the latest £250 million bond issuance, Tideway's total debt funding stands at £3,961 million, including accretion.

Debt £m	Principal	Accretion	Total Drawn
RPI	1,109	399	1,507
CPI	350	83	433
Floating (EIB)	596	-	596
Nominal	1,425	-	1,425
Total	3,480	482	3,961

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 is listed on the regulated sustainable market of the London Stock Exchange.

Throughout the year, Tideway remained in full compliance with all financing covenants. As at 31 March 2026, the ratio of Net Debt to Adjusted RCV (gearing) stood at 67.9 per cent, while the ratio of Net Cash Flow to Senior Debt Interest (interest cover ratio) was 4.19 times. These compare favourably to the covenant thresholds of a maximum gearing of 70.0 per cent and a minimum interest cover ratio of 1.3x (see the Financial Performance Review section for further details on covenant triggers).

Cash and liquidity were managed effectively and prudently throughout the year, in line with our Investment Management Strategy.

Treasury Policy

The treasury policy incorporates the corporate objective to secure appropriate financing, prudent risk management and the preservation of strong investment-grade credit ratings. All funding activities are undertaken in accordance with the requirements of the Government Support Package, the financing documents and the Licence.

Sustainable Financing

Our sustainable financing strategy aligns Tideway's funding approach with its long-term objective of cleaning up the River Thames and the significant ESG initiatives delivered during construction, which were embedded in Tideway's legacy commitments. To date, we have issued 18 green bonds and one blue bond, all of which are listed on the London Stock Exchange's Sustainable Bond Market. Total green and blue debt issuance amounts to £2,407 million, comprising £2,082 million raised through the green and blue bond issuances and £325 million of green US private placements (USPPs).

The £160 million Sustainability-linked Revolving Credit Facility (RCF) has been refinanced with a new £120 million facility structured as a blue loan.

With the tunnel now operational and delivering measurable improvements in water quality, we have identified blue instruments as the most appropriate instrument to reflect the environmental outcomes now being achieved.

Hedging

Tideway has entered into interest rate swap agreements with commercial banks to hedge exposure on tranches one to eight of the £700 million EIB loan and £70 million of the £300 million US private placement notes. These swaps are all economic hedges that were executed in prior financial years, and no new swaps were entered into during 2025/26.

Distributions

At Licence Award, our shareholders committed a total of £1,274.2 million, comprising of £509.7 million in equity and £764.5 million in shareholder loans. This amount was fully injected into Tideway by 2019 and investments have been debt-financed since. As a result, our gearing increased to our target capital structure as we delivered our investment programme and risks were gradually retired.

Prior to Handover, 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. 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 procurement, reflected in lower charges on their bills.

Total distributions paid during the year were £65 million, comprising a partial payment of interest on the shareholder loan (£26.2 million of distributions were paid in 2024/25). The remaining £13.2 million of interest due was capitalised. The shareholder loan now stands at £985.8 million, bringing total shareholder funds to £1,495.5 million when combined with the £509.7 million of equity.

Liquidity

At 31 March 2026, we had total liquidity of £490.8 million, comprising £370.8 million of unrestricted cash and short-term deposits, and the £120.0 million undrawn RCF. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12-month target.

Ratings

Credit ratings remain at BBB+ by Fitch Ratings and Baa1 by Moody's, both with a stable outlook.

Investment Management

We maintained substantial cash balances throughout the year, averaging £371.4 million on a daily basis. Cash was managed in accordance with the limits and criteria set out in our approved investment management strategy, with a focus on preserving principal, maintaining sufficient liquidity and optimising yield.

Sustainable Finance Reporting

Sustainable finance remains at the core of Tideway's financing strategy. Our sustainable finance disclosures provide investors with information on how proceeds have been allocated, the environmental performance achieved to date, and our continued compliance with the requirements of our Sustainable Finance Framework.

We first introduced our Green Bond framework for the issuance of green bonds in November 2017. This was expanded in 2020 to a Sustainable Finance Framework under which Tideway and Bazalgette Finance plc (BFP) can raise debt to support the financing and/or refinancing of sustainable assets and expenditures across its activities. The Framework was most recently updated in May 2025. It is aligned with the International Capital Markets Association (ICMA) Green Bond Principles (GBP) and with the Loan Market Association (LMA) Green Loan Principles (GLP). It is also aligned with the LMA Sustainability Linked Loan Principles (SLLP). In addition, the framework aligns with the ICMA Practitioner's Guide "Bonds to Finance the Sustainable Blue Economy" (BFSBE) 2023. A key requirement across these standards is the provision of an annual update to investors covering the:

- Allocation of proceeds in the case of green and blue bonds and green and blue loans
- Compliance with the agreed KPI in the case of sustainability-linked loans
- Impact of the project

Green and Blue Issuance

BFP has issued 18 green bonds and one blue bond to date, while Bazalgette Tunnel Limited (BTL) has issued two green USPPs. Further details on each transaction are provided in our [ESG Databook](#). The net proceeds from these green and blue instruments have been applied directly to the design, construction, commissioning and maintenance of the Thames Tideway Tunnel.

Under the ICMA GBP (updated as of June 2025), the project qualifies under the use-of-proceeds categories for "pollution prevention and control" and "sustainable water and wastewater management". Blue bonds are recognised within the GBP as a subset of green bonds, provided they meet the four Core Components of the GBP, and Tideway's activities are fully aligned with these requirements. In addition, ICMA's A Practitioner's Guide: Bonds to Finance the Sustainable Blue Economy (2023) specifies that eligible wastewater management projects must be located within 100 kilometres of the coast, an eligibility criterion met by the Thames Tideway Tunnel.

Blue Revolving Credit Facility

At the end of the fiscal year, the £160 million Sustainability-Linked Revolving Credit Facility (RCF) was refinanced with a £120 million RCF structured as a blue loan and aligned with the ICMA Green Loan Principles, including guidance applicable to blue loans. The blue classification reflects the project's pure-play mission to deliver environmental benefits for the River Thames, supported by its current operational performance with significant volumes of sewage already captured and diverted from the river.

The RCF remained undrawn as at 31 March 2026.

Second Party Opinion

Our green and blue debt instruments are supported by a Second Party Opinion from S&P Global Ratings, most recently updated in June 2025. In this latest assessment, S&P Global Ratings reaffirmed a 'Dark Green' shade for our Sustainable Finance Framework and the instruments issued under it - the highest classification within the S&P Shades of Green methodology. This endorsement underscores the strong green and blue credentials of our financing and highlights the project's strong contribution to environmental sustainability.

Use of Proceeds

The proceeds from the 18 green bonds and the one blue bond, each of which has been fully funded, were on-lent by BFP to BTL and credited to BTL's sole operating bank account. BTL has also received the proceeds from the two green USPPs.

The funds were subsequently drawn to fund the design and construction of the tunnel. While in the operating account, the funds were managed by Tideway's Treasury team in accordance with the BTL's investment management strategy that aims to preserve capital and liquidity. Funds were invested in deposits with Tideway's banks and in liquid money market funds. Further to the Framework, funds were disbursed to pay for Allowable Project Spend (APS), as defined in the Licence, which is the cumulative expenditure incurred for the Thames Tideway Tunnel, constituting the regulatory capital value. The APS is calculated by Tideway and verified on a monthly basis by Mott McDonald, the Independent Technical Assessor (ITA), appointed in connection with the Liaison Agreement, establishing a Liaison Committee with Tideway, Department for Environment, Food and Rural Affairs (Defra) and Thames Water Utilities Limited (Thames Water) as members and the Water Services Regulation Authority (Ofwat) and the Environment Agency (EA) as observers. The ITA has certified £3,849 million of APS during the period between August 2017 and March 2026 as follows:

	£ million
Aug 2017 to Mar 2018	389
2018/19	583
2019/20	605
2020/21	542
2021/22	531
2022/23	510
2023/24	352
2024/25	208
2025/26	129
Total	3,849

The £3,849 million of certified APS is in excess of the £2,407 million allocated to green and blue issuance, which funded between 25 August 2017 and 31 March 2026, confirming that the use of proceeds of the drawn green and blue issuance is in line with the requirements of the GBP.

Impact Reporting

The expected environmental and economic benefits of the project remain as per the original Development Consent Order, which provided the overall permissions to the project, until the Thames Tideway Tunnel is built and starts operations:

- In a typical year, the tunnel will reduce polluting discharges to the river by circa 16 million cubic metres (diverted and captured for treatment).
- The three components of the London Tideway Improvements work conjunctively to reduce discharges in a typical year by about 37 million cubic metres, as described in the Framework.

With the tunnel construction complete and all individual discharge points connected, the system has been operational and diverting sewage since February 2025. Post Handover, we will report the impact in accordance with the Handbook on Harmonized Framework for Impact Reporting published by the GBP, specifically 'Core Indicator B. Wastewater Treatment Projects, #2: Annual amount of raw/untreated wastewater discharges avoided'.

As of the end of March 2026 total of 19.67 million tonnes of sewage have been diverted and prevented from discharging into the River Thames.

Wastewater Management Project	Project Name	Thames Tideway Tunnel
Signed Amount	£ million	2,407
Share of Total Project Financing	%	100
Eligibility for green bonds/loans	% of signed amount	100
Allocated Amount	£ million	2,407
Project lifetime	In years	120+
#2) Annual amount of raw/untreated wastewater discharges avoided	Annual absolute (gross) amount of wastewater avoided before and after the project in million tonnes.	13,295,000 million tonnes avoided in FY25/26 19,674,000 million tonnes avoided to date Ongoing reporting is on our website
Other potential indicators (*)	Dissolved O ₂ levels <5mg/l at monitoring stations. Amount of Sewage Derived Litter (SDL) intercepted (extrapolated from average SDL at Abbey Mills PS). Number of elevated health risk days.	To start in FY26/27 reporting cycle

* We expect Thames Water to publish information as part of its Benefits Realisation Report, with the first report due to be published in 2026.

The amount of raw/untreated wastewater discharges avoided is determined jointly by Tideway and Thames Water using measured flow rates into the tunnel wherever possible, together with full measurements of flows pumped out of the tunnel. The results are then validated through a mass-balance comparison to ensure that inflow volumes reconcile with pump-out volumes.

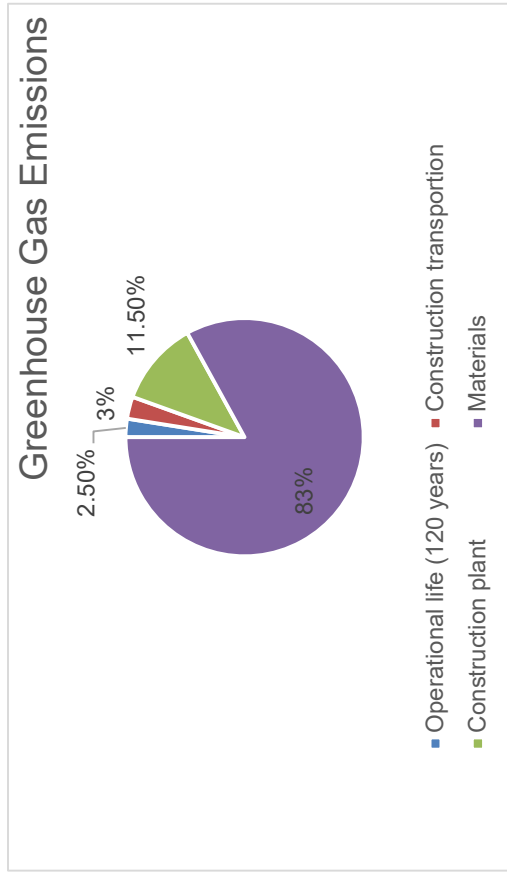
Taskforce on Climate Related Financial Disclosures

The Thames Tideway Tunnel has a significant carbon footprint due to the embedded carbon within the built asset. The [Energy and Carbon Footprint Report](#) that was produced for the Development Consent Order (DCO) in 2013 estimated a total carbon footprint in the decarbonised scenario of approximately 840,000 tCO₂e, with the principal impact being the greenhouse gas (GHG) emissions arising from the construction of the infrastructure, in particular embodied carbon in the manufacturing of materials.

This carbon in materials during the construction phase of the project, which has substantially completed, equated to approximately 83 per cent of the total emissions, with emissions from construction plant and machinery (construction worksite activities, e.g. tunnel boring and emissions from plant and machinery) being around 11.5 per cent of the total emissions. The transport of excavated material and construction materials represents approximately 3 per cent. Emissions during the 120-year operational life of the tunnel represent approximately 2.5 per cent of the total GHG emissions, which we refer to as operational carbon. The assumption made for the baseline is that the UK electricity emission factor would reduce as the grid is decarbonised until the zero-carbon target in 2035. This is consistent with the Government's recent [Clean Power 2030 Action Plan](#) (updated in April 2025).

Operation of the tunnel will be the responsibility of Thames Water, who will report emissions relating to the above and near-ground shafts and kiosks that house the mechanical and electrical equipment to operate the tunnel. Tideway (Bazalgette Tunnel Ltd) is the tunnel asset owner and will report emissions relating to its maintenance.

Through the procurement process, the forecast carbon footprint was reduced to ~770,000 tCO₂e, an expected 8 per cent reduction. Our Main Works Contractors (MWCs) were required to minimise the project's carbon footprint under the Works Information 1000 Environmental Management. This objective was also captured by Tideway in the Legacy Plan developed in 2014 and updated in 2017, which sets out targets for delivering a sustainable legacy. During the construction phase, MWCs reported their actual carbon on a quarterly basis, were held to a baseline figure, and had their data verified by a third party. During the commissioning phase, they report annually on the permanent assets that they control. In 2024, we appointed a third party to undertake a second critical review of our Scope 3 (embedded) emissions against the Greenhouse Gas Protocol guidance on assurance and verification. With construction substantially complete, this was the final critical review. The process did not uncover any material issues and has provided us with certainty in the robustness of our data, and has confirmed that the final Scope 3 (embedded) carbon footprint for the construction phase is 553,625 tCO₂e, 28 per cent below our anticipated carbon footprint. Further details can be found in our 2023/24 and final [Sustainability Report](#).



The ability to reduce the carbon footprint of an infrastructure project of this nature is realised during the conceptual and design stages, with limited scope to effect further reductions during construction and commissioning. Once the tunnel is commissioned and operating, its operational carbon will be minimal as it is a relatively passive asset. Therefore, certain parts of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations cannot be applied easily to a single infrastructure project. In particular, it has not been possible to set carbon reduction targets that meet the criteria of the Science Based Targets Initiative for example, as the carbon footprint is concentrated during the construction and commissioning period, with a natural tailing off towards the end of construction.

COMPLIANCE STATEMENT

Tideway recognises the importance of, and supports, the TCFD. We are committed to ensuring that our climate change disclosures align with TCFD recommendations. Our fifth disclosure, set out below, is structured around the four TCFD themes of governance, strategy, risk management, metrics and targets. In line with the Directors' decision to voluntarily report on TCFD matters as if Tideway were required to comply with the Listing Rules, we confirm, in line with the FCA Listing Rule 14.3.27, that our disclosures are consistent with the TCFD recommendations and recommended disclosures in respect of the financial year ended 31 March 2026.

Tideway undertook climate scenario testing based on the UK Climate Projections 2009 (UKCP09), the best available climate projections for the UK at the time of the original route selection and design decisions. UKCP09 is based upon the Met Office Hadley Centre climate models and provides probabilistic projections of future climate for each decade up to 2100 in overlapping 30-year time periods, along with high, medium and low emissions scenarios. Tideway have used the 10, 50 and 90 percentiles to explore the implications of these uncertainties for the 2050s (2040 to 2069) and 2080s (2070 to 2099) time horizons. As well as climate change, population growth was also assessed to test the resilience of this major infrastructure project to the wide variability of projected climate conditions.

There is an opportunity to update these projections with the UK Climate Projections 2018 (UKCP18), published in 2018 and last [updated](#) in 2022. UKCP18 includes, for the first time, Representative Concentration Pathways (RCPs), a method for capturing assumptions about the economic, social and physical changes to our environment that will influence climate change within a set of scenarios. The conditions of each scenario are used in the process of modelling possible future climate evolution. It provides datasets that represent UK climate under scenarios of 2 °C and 4 °C of global warming, and includes the new UKCP Local (2.2km), providing, for the first time, national climate change information at a resolution similar to that of current operational weather forecast models. Such an update is likely to be undertaken once the tunnel has been operating for a few years.

The tunnel has a 120-year design life. Over its design life, there will be significant changes in climate and population that will influence the performance of the tunnel and whilst the project has not been designed to withstand every possible future scenario, our modelling shows that the tunnel will continue to provide a good level of resilience for London as we see the impacts of climate change.

1. Governance

The governance around climate-related risks and opportunities

Recommended Disclosure	References	Response
<p>a) Describe the Board's oversight of climate-related risks and opportunities</p>	<p>Annual Report Risk, HSS&E Committee terms of reference</p>	<p>The Board is responsible for setting the strategy and risk appetite for the company and its approach to risk management. Important aspects of Tideway's business are subject to scrutiny by the Board's committees, which report their findings to the Board.</p> <p>The Risk, Health, Safety, Security and Environment (Risk, HSS&E) Committee of the Board meets three times a year. The Committee reviews our principal, corporate and delivery risks and risk management processes. All risks, including identified climate-related risks are included within this top-tier risk register. The Committee also has a key role in reviewing, developing and overseeing consistent policy, standards and procedures for managing HSS&E risk, and helping to ensure that Board members are sufficiently informed to discharge their individual and collective responsibilities for HSS&E.</p> <p>The chair of the Risk, HSS&E Committee has experience in managing environmental risk, including climate related.</p> <p>The Audit and Finance Committee of the Board receives updates on developments of ESG and climate-related reporting and regulation as part of its discussion of the Group's Sustainable Financing Strategy and reporting requirements.</p> <p>The Board receives an update from the Chair of each of the Risk, HSS&E and Audit and Finance Committees following each meeting.</p>

Recommended Disclosure	References	Response
<p>b) Describe the management's role in assessing and managing climate-related risks and opportunities</p>	<p>The diagram illustrates the governance and reporting structure for climate-related risks. At the top is the BTL BOARD, which oversees four committees: Audit & Finance Committee, Risk, Health, Safety & Environment Committee, Nomination Committee, and Remuneration Committee. Below the board, the Risk, Health, Safety & Environment Committee is the central hub, receiving input from several sources: Carbon disclosure and expert content (via HSSE bi-annual report), Sustainability subject matter experts (via Integrated Assurance Framework), and Logs environmental risks for construction (via Risk Register). A separate box for Tideway teams (including Design Authority and Operational Integration) and MWCS/Jacobs also feeds into the Risk Register. The Risk Register logs some climate-related risks, which are then reported to the Risk, Health, Safety & Environment Committee.</p>	<p>Our business planning process provides the framework to assessing and managing risks. Most of Tideway's sustainability KPIs were completed as the construction phase of the project came to end and our performance against these, as well as our verified carbon footprint, were reported in the final standalone Sustainability Report. Carbon emissions through the commissioning phase are tracked and reported annually through the Annual Report. Performance is also reported to the Board through a report every six months to the Risk, HSS&E Committee and any issues or risks may also be raised through the Audit and Finance Committee. The Impact and Sustainability Manager oversees the reporting on</p>
	<p>Annual Report</p>	

Recommended Disclosure	References	Response
		<p>sustainability KPIs and carbon emissions and works closely with the Treasury team on the Sustainable Finance Strategy, which has secured £2.5 billion of sustainable financing.</p> <p>To ensure that any lessons are being shared with the wider industry, Tideway were one of the founding members of the knowledge sharing platform i3P and members of our Executive team and subject matter experts have been part of industry working groups on carbon such as the Infrastructure Client Group, the Major Projects Association and the Corporate Forum on Sustainable Finance.</p>

2. Strategy

The actual and potential impacts of climate-related risks and opportunities on our businesses, strategy, and financial planning

Recommended Disclosure	References	Response
<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term</p>	<p>Annual Report</p> <p>Energy and Carbon Footprint Report – DCO document</p> <p>Sustainable Report</p> <p>Finance</p> <p>London Tideway Tunnels Operating Techniques</p>	<p>Conceptual stage</p> <p>During the conceptual stage of the project, climate change was considered as having two principal impacts on the tidal River Thames:</p> <ul style="list-style-type: none"> On the operation of the sewer system with drier summers potentially causing an increase in pollutant build-up which could increase the adverse impacts of the ‘first flush’ in any overflow from the tunnel and wetter winters that could lead to more overflows. On water quality processes in the Tideway with increases in river water temperatures leading to dissolved oxygen depletion to lower dissolved oxygen saturation and faster reaction rates, particularly if residual discharges occur when the tunnel is full. <p>Construction phase</p> <p>The most significant climate change related risks during the construction period were:</p> <ul style="list-style-type: none"> changes in design or the construction methodology to reduce a particular risk which results in increases in carbon. compliance with the DCO, in particular maintenance of flood defences of London during the construction work on 11 of our river-based construction sites.

Recommended Disclosure	References	Response
<p>b) Describe the impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning</p>	<p>Prospectus Licence</p>	<p>Throughout the duration of the project there have been several noteworthy interventions which have resulted in reductions in construction carbon and have contributed to the 28 per cent reduction in our anticipated Scope 3 (embedded) carbon. Some were made during the conceptual and design phases before BTL was awarded the licence to build the tunnel. Examples include changes to the route of the tunnel, use of lower carbon concrete, thinner secondary lining, and a reduction in the transport emissions due to the increased use of the river to transport materials.</p> <p>We have incentivised our contractors to continually strive to improve their carbon impact through, for example, our innovation programme where we ran a specific carbon innovation programme and awarded funding for the use of telematics on site to track driver behaviour to reduce idling.</p> <p>Operational phase</p> <p>During the operational phase, the main physical climate-change related risk will be how well the tunnel design withstands changes in climate, with the risk of drier summers, wetter winters and an increase in the population of London resulting in exceeding the capacity of the tunnel or the treatment centre. However, the tunnel is designed to accommodate climate and population scenarios until at least 2080 as per the DCO Energy and Carbon Footprint report which mitigates this risk.</p> <p>Opportunities to reduce the carbon footprint during the operational phase are limited. In any case, Tideway is only responsible for maintenance of the tunnel while Thames Water will be the operator, which further reduces the opportunity to reduce emissions as it may be reliant on decarbonisation of the grid in 2030.</p> <p>The tunnel is a high-quality asset built to achieve 120 years design life expected to require minimal maintenance of deep level assets contributing to the low carbon footprint during the long operational stage.</p> <p>Once the tunnel is operational, the EA and Thames Water will discuss phasing out current mitigation measures that include the use of two vessels for oxygenation and two skimmers, with consequent reduction in carbon consumed in operating and maintaining these diesel-fuelled vessels.</p> <p>Construction phase</p> <p>Impact is limited given scope, advanced stage of construction and commissioning and because breaching DCO requirements is subject to reasonable endeavours. There are, however, reputational and regulatory risks.</p>

Recommended Disclosure	References	Response
	<p>London Tideway Tunnels operating techniques</p>	<p>Notwithstanding the advance stage of construction, the business remains alert, and possible changes in law could pose non-material near-term financial impact.</p> <p>We continue to look for opportunities to optimise operational performance in the commissioning phase, which includes the potential to reduce emissions – for example, we are exploring the potential to reduce the duration of operation for the fans used as part of the tunnel’s air management system.</p> <p>Operational phase</p> <p>Should the parameters used in the DCO scenarios be exceeded, there would be potentially more frequent discharges in the Thames with limited implications on water quality, biodiversity and public health as annual CSO discharges would see a modest increase (see 2.c) below). Thames Water is responsible for the operation of the tunnel under the London Tideway Tunnels operating techniques agreed with the EA.</p> <p>Tideway will operate in alignment with Ofwat’s climate change principles by continuing to systematically integrate climate-related risks and opportunities into business operations, long-term strategy, and financial planning, ensuring resilience, regulatory compliance, and the delivery of sustainable value under a range of future climate scenarios. We comply with greenhouse gas (GHG) reporting requirements outlined by Ofwat, the water regulator. An updated SWOT analysis - <i>Strengths, Weaknesses, Opportunities, Threats</i> can be found in the Annual Performance Report.</p>
<p>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>Resilience to Change - DCO document</p> <p>Major Infrastructure Resilience to Projected Changes to Population and Climate³</p>	<p>At the time of the original route selection and design decisions, the best available climate projections for the UK were the UKCP09 projections, based upon the Met Office Hadley Centre climate models. UKCP09 provides an estimate of the range of model-related uncertainties in the future projections, along with high, medium and low emissions scenarios. Tideway have used the 10, 50 and 90 percentiles to explore the implications of these uncertainties for the 2050s (2040 to 2069) and 2080s (2070 to 2099) time horizons.</p> <p>Modelling of the future scenario suggests that in a typical year climate change and population growth will mean that by the 2080s the number of CSO discharge events into the tidal Thames will increase from the four that are predicted for 2013 conditions</p>

³ Authors: D. Crawford, A. Hon, A.P. Hagger, paper presented in 2016 at WeITec2016 conference

Recommended Disclosure	References	Response
		<p>to five for the median projection, with a range from four (10 percentile) to eight (90 percentile) events for the medium emissions scenario.</p> <p>The main tunnel would therefore continue to provide a good level of service (compared to the frequency of more than 50 events in a typical year before the tunnel was connected) in a plausible range of future conditions.</p> <p>If the projected small increase in frequency of CSO discharge events does begin to occur over the coming decades, then there are feasible adaptations to the London Tideway Improvements that could be implemented in a timely and incremental way. These include further incremental Sewage Treatment Works improvements which could be undertaken to treat projected additional sewage flow; integration with possible flood alleviation tunnels; and catchment scale implementation of Sustainable Drainage Systems (SuDS) or green infrastructure.</p> <p>SuDS is not a feasible response to deal with previous or future CSO discharges. SuDS could, however, augment the CSO control achieved by the project and partially mitigate against climate change.</p>

3. Risk management

How we identify, assesses and manage climate-related risks

Recommended Disclosure	References	Response
<p>a) Describe the organisation's processes for identifying and assessing climate-related risks</p>	<p>Annual Report</p>	<p>During construction, the Tideway Risk Management process aligned with the process the Association of Project Management stipulated as to be considered good practice.</p> <p>The Tideway Risk Management process identifies and assesses risks, including climate-related risks pertaining to the delivery and commissioning phases, within an ongoing review and reporting cycle. Our works planning and sequencing takes into consideration potential higher frequency of tidal surges and closures of the Thames Barrier.</p> <p>Risks identified and assessed at (1.) site level with project delivery teams (Project Manager and Main Works Contractor), Asset Management/Design Authority and Engineering, (2.) Area wide and Programme wide level (3.) Corporate and Executive risk reviews (Asset Management and Operations, Regulatory, Legal, Finance, Impact and Engagement, IS).</p>

Recommended Disclosure	References	Response
<p>b) Describe the organisation's processes for managing climate-related risks</p>	<p>Annual Report Annual Performance Report</p>	<p>Risks are assessed quantitatively against project scoring schemes and qualitatively against corporate scoring schemes for probability and impact (Health and Safety, Direct Cost, Time, Reputation, Environment, Non-Project/Whole Life Costs etc.). Assessments are conducted by suitably skilled and experienced professionals, consulting subject matter experts (Project Managers, Quantity Surveyors, Engineering Leads etc.) as required.</p> <p>The risk process after Handover will be significantly different as BTL transitions to the long-term phase of maintaining the asset (that will be operated by Thames Water). The approach to risk and strategies post-Handover are being developed ready for implementation following Handover.</p> <p>Within Tideway, Risk Management is an active and iterative process that involves identifying and implementing response strategies for either threats or opportunities. The intent is to reduce or eliminate threats or enhance opportunities.</p> <p>Each risk has an overarching management strategy and detailed response actions including the assigned response owners and timescales for review/closeout. These response actions are specific, 'time bound', appropriately allocated and monitored.</p> <p>Tideway is at the end of the commissioning stage and with the tunnel already in use and undergoing testing, most of the high impact low probability (HILP) risks associated with the construction of the project have been retired. The Risk Management processes described above covers all risks identified on the programme, including climate-related risks.</p> <p>Supply Chain and stakeholders</p> <p>During construction, our MWCs reported their Scope 3 (embedded) carbon on a quarterly basis, were held to a baseline figure, and had their data verified by a third party. During the commissioning phase they report annually on the permanent assets that they control, as agreed with Ofwat, the water regulator.</p> <p>We comply with greenhouse gas (GHG) reporting requirements outlined by Ofwat. We have updated our SWOT analysis - <i>Strengths, Weaknesses, Opportunities, Threats</i>. Our SWOT analysis of our data and methodology focuses on our scope 3 (embedded) emissions and can be found in the Annual Performance Report.</p> <p>The EA, another of our regulators, has placed climate risk at the centre of its operation and regulation.</p> <p>Our equity and debt investors have an increased focus on integrating ESG factors into the investment processes and expect reporting on climate and other matters following</p>

Recommended Disclosure	References	Response
<p>c) Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management</p>	<p>Annual Report</p>	<p>recognisable international standards. Our three shareholders are members of the Principles for Responsible Investment.</p> <p>Within the Tideway Risk Management process all risks, including climate-related risks, are managed and reviewed in a hierarchy with risks escalated for management review and response as required.</p> <p>The Board Risk and HSSE Committee is supported by a Corporate Risk Committee and an Executive Risk Committee that considers on a rolling basis the programme and corporate risks.</p> <p>Tideway ran a programme of three mandatory carbon training workshops for Tideway Executives.</p>

4. Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Recommended Disclosure	References	Response						
<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes</p>	<p>Sustainability Statement</p> <p>Legacy Plan</p> <p>Sustainable Finance Framework</p> <p>ESG Databook</p>	<p>The origins of our legacy were outlined in the Sustainability Statement, which was submitted as part of our DCO application. The Statement contains 15 objectives under 11 thematic areas used to appraise the sustainability performance of the project. Some of these objectives have been addressed through the planning stage, such as land use, while others will be realised as outcomes of the project during operation, e.g. enhanced river water quality.</p> <p>Our commitments have evolved into 54 metrics within our Legacy Plan under five themes that capture the range of opportunities created by the project - Environment; Health, Safety and Wellbeing; Economy; People; and Place.</p> <p>We completed another three of our 54 legacy commitments in 2025/26, bringing the total closed out to 46 – a total of 85 per cent. We expect to complete a further four at Handover, with four remaining commitments relating to long-term environmental benefits such as water quality. For the project to date, 50 commitments or 92 per cent are achieved or on track. Out of the legacy commitments, four are climate related. Our Legacy Performance Dashboard that can be found on our ESG databook, details the Measure, Target and our Performance against these commitments.</p> <p>The metrics and performance against our environmental and climate commitments, included water, construction waste and beneficial reuse of excavated material.</p> <p>We have aligned ourselves to the World Resources Institute and the World Business Council for Sustainable Development definitions of Scope 2 and 3 emissions.</p>						
<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 Greenhouse Gas emissions and related risks</p>	<p>Annual Report</p>	<p>For the commissioning phase of the project, our Scope 3 emissions are based on energy usage from the new permanent assets used in the operation of the tunnel. Tideway does not have Scope 1 emissions, and our Scope 2 emissions are based on energy usage at our corporate office which is certified 100% renewable electricity. Data is summarised in the table below.</p> <table border="1" data-bbox="1252 212 1332 1344"> <thead> <tr> <th data-bbox="1252 739 1332 1344">Scope 1 emissions - Operational</th> <th data-bbox="1252 492 1332 739">FY 2025/26 tCO2e</th> <th data-bbox="1252 212 1332 492">Project to date tCO2e</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Scope 1 emissions - Operational	FY 2025/26 tCO2e	Project to date tCO2e			
Scope 1 emissions - Operational	FY 2025/26 tCO2e	Project to date tCO2e						

Recommended Disclosure	References	Response																		
		<p>Operation of the tunnel</p> <table border="1"> <tr> <td data-bbox="347 741 437 1357"><u>Total scope 1 emissions</u></td> <td data-bbox="347 495 437 741">N/A until operation</td> <td data-bbox="347 210 437 495"></td> </tr> <tr> <td colspan="3" data-bbox="437 210 528 1357">Scope 2 emissions – indirect emissions (electricity consumption used by Tideway (Bazalgette Tunnel Ltd) controlled offices at Blue Fin Building)</td> </tr> <tr> <td colspan="3" data-bbox="528 210 587 1357">Location based</td> </tr> <tr> <td data-bbox="587 741 646 1357"><u>Total scope 2 emissions</u></td> <td data-bbox="587 495 646 741">22</td> <td data-bbox="587 210 646 495">563</td> </tr> <tr> <td colspan="3" data-bbox="646 210 705 1357">Scope 3 emissions – embedded (cradle to build)</td> </tr> <tr> <td data-bbox="705 741 764 1357"><u>Total scope 3 emissions</u></td> <td data-bbox="705 495 764 741">50</td> <td data-bbox="705 210 764 495">553,710</td> </tr> </table> <p>With construction substantially complete, we have achieved a 28 per cent reduction on our anticipated carbon footprint of ~770,000 tCO₂e. Our verified scope 3 (embedded) carbon emissions is 553,625tCO₂e for the project's construction phase. A third party undertook a critical review of our scope 3 (embedded) emissions against the Greenhouse Gas Protocol guidance on assurance and verification on our scope 3 (embedded) carbon emissions in 2024. Further details can be found in our 2023/24 Sustainability Report.</p> <p>There are some remaining construction emissions as we finish the final architecture and landscaping and other above ground completions. In addition, there will be further scope 3 emissions throughout the commissioning and operational phases. We consider these emissions to be minimal in relation to the overall carbon footprint (projected to be approximately 2.5 per cent of the total carbon footprint) and therefore, they are not being disclosed or subject to a third party Critical Review.</p>	<u>Total scope 1 emissions</u>	N/A until operation		Scope 2 emissions – indirect emissions (electricity consumption used by Tideway (Bazalgette Tunnel Ltd) controlled offices at Blue Fin Building)			Location based			<u>Total scope 2 emissions</u>	22	563	Scope 3 emissions – embedded (cradle to build)			<u>Total scope 3 emissions</u>	50	553,710
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Scope 3 emissions – embedded (cradle to build)																				
<u>Total scope 3 emissions</u>	50	553,710																		

Recommended Disclosure	References	Response
<p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>Resilience to Change - DCO document</p> <p>Sustainable Finance Framework</p> <p>ESG Databook</p> <p>Works Information</p>	<p>The forecast carbon footprint of the project was ~770,000 tCO₂e of which 97.5 per cent is construction carbon as explained in the introduction.</p> <p>Construction phase targets</p> <p>The carbon related Key Performance Indicators (KPIs) were included in the Works Information that are part of the contracts between Tideway and the Main Works Contractors. The carbon related Key Performance Indicators (KPIs) were included in the Works Information that are part of the contracts between Tideway and the Main Works Contractors.</p> <p>Operation phase targets</p> <p>According to the Resilience to Change assessment undertaken as part of the Development Consent Order in 2013, in a typical year, for mid-2020s conditions, the Thames Tideway tunnel will further reduce polluting discharges by circa 16 million cubic metres (avoided and captured for treatment). The tunnel is expected to capture approximately 96 per cent of the overflow volume that used to enter the river in a typical year and reduces the number of individual overflow events at any controlled CSO from over 50 down to four or less. The residual CSO discharge would be approximately 2.4 million tonnes per year.</p>

Financial Performance Review

Accounting Policies

The Group's 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 for certain financial instruments that are measured at fair value. The financial statements are presented in Pounds Sterling. 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. At Handover, the asset under construction will then be de-recognised and converted into a finance lease receivable.

Similarly, during the construction phase, any regulated revenue amounts received and due to receive from Thames Water, will be accounted for as advanced payment liability and deferred income on the Statement of Financial Position. The revenue amounts received from Thames Water are treated as prepaid lease payments. At Handover, these will be de-recognised and converted into a finance lease receivable when the control of the tunnel is transferred to Thames Water. Post Handover 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 Financial Statements 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.

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 £345.8m (2024/25: £3.9m), with no dividends paid or proposed (2024/25: £nil). We recognised net deferred tax assets of £359.9m in current year which mainly relates to the temporary differences arising from carried forward interest expense, tax losses and financial instruments. We did not recognise any taxable profits in the period (2024/25: £nil) and the resulting corporation tax charge for the period was £nil (2024/25: £nil).

We do not consider that the reported profit in the year reflects our business performance, as it results from the deferred tax recognition and the movement in the fair value in the Group's derivative financial instruments. 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 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 13 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

At 31 March 2026, costs of £6,105.7m were capitalised within the asset under construction in the Statement of Financial Position. This represents £329.8m costs during the year and £5,775.9m for the prior periods to 31 March 2025.

Further details on how this expenditure is analysed into Allowable Project Spend and Excluded Project Spend can be found in the Bazalgette Tunnel Limited Annual Report available at www.tideway.london.

Net Debt and Financing

Net debt at 31 March 2026 was £4,885.5m, which was £345.1m higher than the £4,540.4m net debt at 31 March 2025.

Cash and cash equivalents at 31 March 2026 were £65.8m, which was £46.1m lower than the £111.9m cash and cash equivalents at 31 March 2025.

At 31 March 2026, the Group's total borrowings excluding shareholder loans and unamortised debt issue costs were £3,965.5m (2025: £3,679.6m) and lease liabilities outstanding totalled £nil (2025: £0.1m). Shareholder loans outstanding at 31 March 2026 were £985.8m (2025: £972.6m).

Financial Key Performance Indicators (KPIs)

Under its Common Terms Agreement (CTA), the Group 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 for 2025/26 are provided in Tideway's Annual Report within the Financial Performance Review.

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 £129.2m (2024/25: £128.1m) 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 operational use until the control of the tunnel is transferred to Thames Water. The Handover date is when Thames Water obtains control over the tunnel. The significant amounts of expenditure we incur in construction go towards the development of that asset until System Acceptance.

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 tunnel is transferred to Thames Water. This effectively means the accounting for the tunnel as finance lease will commence at Handover and the recognition of finance lease income is matched to the same period where Thames Water obtains the control of 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 transferred to Thames Water, we expect this position to change.

During the current year, we recognised net deferred tax assets of £359.9m which relate to carried-forward disallowed interest expenses, tax losses and financial instruments. The Group has incurred interest expenses since the inception of the project. The Group has concluded that the deferred tax assets will be recoverable when lease accounting is adopted at Handover with the expectation that finance lease income will exceed interest expense going forward and the Group is expected to generate future taxable profit in which the tax losses can be utilised.

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. The Company 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 Groups 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. 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, enabling us to respond effectively to change, mitigate risks where possible, and keep the project and operations on track. We consider emerging issues that may affect the organisation’s future as part of our annual business planning process. Each Director is responsible for identifying and managing emerging risks specific to their Directorate. Emerging risks are identified by horizon scanning by internal experts, directors, managers and staff engaging with external advisors and other third parties and flagging when operational anomalies arise, and stakeholder engagement. This is supported by a Risk Management Strategy, Risk Management Policy and detailed risk management plans that provide directors, management and staff with processes for the identification, recording, analysis and control of risks. As BTL enters a new phase of delivery, we are actively reviewing our approach to assurance to ensure it remains appropriate and fit for purpose.

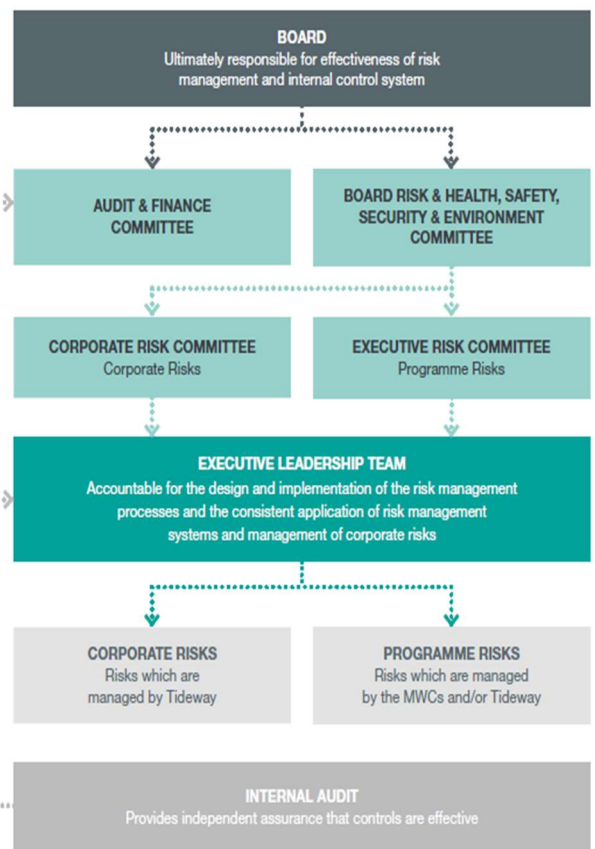
The Board Risk, Health, Safety, Security & Environment Committee reviews our principal risks and risk management processes and reports its findings to the Board. It considers:

- Corporate risks, which may impact the financial and reputational viability of BTL.
- Programme risks, which affect the physical delivery of the tunnel and associated works.
- Principal risks, which bring together corporate and programme risks, with the potential to have the most material impact on the business.

The Committees provide opportunity for review and challenge of both emerging and current risks and plans for their control and mitigation. The Board Risk, Health, Safety, Security & Environment Committee is supported by the Corporate Risk Committee and the Executive Risk Committee, which considers programme risks across the areas, as well as System Integrator and System Commissioning risks.

We apply 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 regularly assessed our principal risks, 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.

While there have been developments across several risks, overall exposure has remained broadly stable. The Regulatory risk exposure was increased to high, reflecting the expectation of substantial changes to water regulators and regulation in the coming years. In this changing environment, focus will be needed to secure a transition to future regulatory arrangements that appropriately reflect Tideway’s activities and risks in its post-construction phase.

Thames Water’s risk exposure remains high, and we continue to note its evolving financial position. We remain confident that the BTL’s revenues are well protected given water industry legislation and the licence obligations that apply to both Thames Water and Tideway. We continue to work effectively with Thames Water to deliver the project’s benefits.

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.

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 in HSW controls 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 preventing us from meeting our time and cost targets.

Mitigation

The 'RightWay' is our safety and culture initiative focused on ensuring worker safety, health, and well-being. It promotes a culture of care, continuous improvement, and personal responsibility to create a safe environment during construction and operation and maintenance of the project. The EPIC programme continues and is complemented by a training programme specifically for the upcoming maintenance phase, which highlights the specific risks and control measures. Several working groups have been established to identify how to manage risks associated with maintenance works, increased interaction with Thames Water networks and architecture and landscaping, e.g., the Safe Asset Access Working Group, a collaborative forum of MWC, Thames Water, PM and Client and the Maintenance Working Group.

Relevant Objective
SAFE, SUSTAINABLE ASSET
MANAGEMENT

Commentary*
NO CHANGE IN RISK LEVEL

MARINE

Description

There is a risk that a single marine incident could affect or harm multiple persons and delay progress.

Effect

A failure in HSW controls could result in damage to third-party assets, significant injury and potentially a loss of life. All of which have the potential to cause significant programme delays, reputational impact and may invite scrutiny / enforcement action from applicable regulators.

Mitigation

Tideway continues to monitor marine risks and has implemented a Marine Assurance Plan and Marine Safety Action Plan. Inspections and surveillance, on vessels and from riverbanks and bridges, by a dedicated client Marine Operations Manager, ensure compliance with Tideway requirements.

Relevant Objective
SAFE, SUSTAINABLE ASSET
MANAGEMENT

Commentary*
NO CHANGE IN RISK LEVEL

2 PROGRAMME DELIVERY

Description

We are completing the delivery of the £4.7 billion capital investment programme and commencing the operations and maintenance phase. While there is experience completing similar projects in London, the completion could take longer than planned and/or cost more.

Effect

A delay in completing the project would delay benefits to Londoners and could attract regulatory enforcement. Cost increases above the regulatory baseline would increase charges to those customers receiving wholesale services from Thames Water, 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.
- Appropriate commercial incentives that target key areas of the programme
- An integrated, proactive approach to risk management with a focus on the transition from construction / commissioning completion to operations and maintenance phase.
- Commercial settlements to ensure the contractors remain focused on delivery, quality and driving costs down.
- Working closely with Thames Water and key stakeholders to achieve Handover, and building on the system's successful operation to date, we are seeking to agree the appropriate course of action to address weather-related testing uncertainty, optimise performance, and ensure the project's achievements are recognised.

Relevant Objective
SAFE, SUSTAINABLE ASSET
MANAGEMENT; RESILIENT FINANCE

Commentary*
NO CHANGE IN RISK LEVEL

* Compared to previous year

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 to 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. Within each consortia, the contractors are jointly and severally liable; the contracts also contain step-in rights, whereby one consortia could replace another, which helps mitigate against financial failure.

Relevant Objective
SAFE, SUSTAINABLE ASSET MANAGEMENT

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 the assets of 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 project.

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 with similar projects in London. In the unlikely event that we make a claim exceeding our insurance limits, the GSP provides support. Tideway is at the end of the commissioning stage and with the tunnel already in use and undergoing testing, most of the HILP risks associated with the project's construction have now been retired. HILP risks associated with the operation of the tunnel continue to be regularly reviewed and monitored.

Relevant Objective
SAFE, SUSTAINABLE ASSET MANAGEMENT; CONNECTED PEOPLE AND PARTNERS; RESILIENT FINANCE

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

Tideway has a licence obligation and financial covenants to maintain an investment-grade credit rating. The loss of this rating could require remedial action that may require restructuring, including raising equity. It may also impact Tideway's ability to raise debt and prevent distributions.

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 the covenants in the licence and financing documents.

Relevant Objective
RESILIENT FINANCE

Commentary*
NO CHANGE IN RISK LEVEL

6 INFLATION

Description

There is a risk that a decrease in inflation or the Retail Price Index (RPI) reform could negatively impact Tideway's business. Inflation had stabilised and was previously expected to move toward the 2 per cent target, but forecasts have now shifted, with upward pressure emerging due to the conflict in Iran.

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. Also, lower inflation could negatively impact on our financial covenants, including those related to gearing.

Mitigation

Tideway has issued 68 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 protect interest cover, gearing ratios and equity returns. The RPI reform will be implemented from 2030, with RPI converging to the Consumer Prices Index including owner occupiers' housing costs (CPIH). At that time, Tideway's Licence is expected to have transitioned to CPIH indexation, with a similar timetable for transition into CPIH being a positive development for Tideway.

Relevant Objective
RESILIENT FINANCE

Commentary*
NO CHANGE IN RISK LEVEL

7 REPUTATION

Description

There is a risk that an operational incident undermines confidence in Tideway's ability to deliver.

Effect

An incident erodes confidence in Tideway's ability to deliver, and adversely impacts the Company's interests.

Mitigation

Tideway continues to take a proactive approach to communications and engagement, reflecting the project's evolution. We have an experienced team in place delivering a proactive, multi-platform communications and engagement strategy as well as responding to issues when required.

Relevant Objective
CONNECTED PEOPLE AND PARTNERS

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 during the Handover and System Acceptance process.

For the operational period (post System Acceptance) the Interface with Thames Water is governed by an Operations and Maintenance Agreement.

Effect

Thames Water's failure to deliver its share of the works, or to support the 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. A 'Strategic Intent' document agreed between the two parties to optimise the System Commissioning, Handover and System Acceptance of the TTT for the benefit of customers and the environment was implemented with the use of phased activations, commissioning and revised climatic scenarios agreed for System Acceptance.

In the past year, System Commissioning has progressed significantly. Given the system's successful operation to date, we are in active discussions with Ofwat, the Environment Agency, Defra and Thames

Water to agree the appropriate course of action, to address weather-related testing uncertainty, optimise performance, and ensure the project's achievements are recognised.

Formal oversight through the Interface Committee, and informal oversight via the Leadership Oversight Group and Leadership Nodes for each delivery discipline, are managing any interface challenges as they arise. 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. Tideway is monitoring the impact of Thames Water's corporate position.

Relevant Objective
SAFE, SUSTAINABLE ASSET MANAGEMENT; RESILIENT FINANCE

Commentary*
NO CHANGE IN RISK LEVEL

* Compared to previous year

9 REGULATORY AND POLITICAL

POLITICAL CLIMATE

Description

Political, institutional and 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 the availability of the tunnel.

Reforms within the Government or to the water sector may affect Tideway's legal and regulatory environment and the requirements it faces. In particular, the water reform bill expected to be progressed by the Government during 2026 is likely to substantially impact Tideway's regulatory and stakeholder landscape.

Mitigation

Mitigations include information gathering and relationship with political stakeholders, legal horizon scanning, and engagement with Defra and the regulator. We engage with reviews of the water sector and economic regulation, and development of new legislation where relevant to Tideway.

Where appropriate, we will highlight differences between Tideway's arrangements and those of incumbent operators, the benefits provided by the competitive bid process and Tideway's model, and Tideway's importance as a benchmark for the successful delivery of major water sector projects.

Relevant Objective

CONNECTED PEOPLE AND PARTNERS; RESILIENT FINANCE

Commentary*

NO CHANGE IN RISK LEVEL

REGULATION

Description

Tideway receives a regulated revenue stream from Thames Water's customers. We must comply with regulatory requirements, including those in our licence granted by Ofwat, and aim to meet other regulatory expectations, such as those set out in Ofwat's Vision and Strategy.

Effect

If we do not meet regulatory requirements, we could face enforcement, including financial penalties or the loss of our licence. Failure to align with regulatory expectations could damage Tideway's relationships with its key stakeholders. Should it not be possible to reach timely agreement with key stakeholders on a revised approach to end of project milestones that recognises the impact of uncertain weather, Tideway could face penalties under its regulatory schedule incentive and increased costs, impacting investor returns. Tideway's licence provides for a post construction review following System Acceptance, resetting base costs and adjusting our RCV to take account of incentive outcomes. This is followed by a full price review in 2030. The nature of the arrangements adopted by the regulator at these reviews may affect financial performance and investor returns.

Mitigation

Tideway's focus is on compliance, high performance, and positive regulatory relationships. We monitor regulatory expectations relevant to Tideway and respond appropriately, and we have a robust licence compliance procedure that minimises the risk of non-compliance.

Tideway is in active discussions with Ofwat, Environment Agency, Defra and Thames Water regarding an approach to end of project milestones which recognises that the system is delivering its intended benefits, notwithstanding weather-related difficulties in completing full testing. Ofwat has confirmed that, under the current regulatory arrangements Tideway should not be subject to penalties under the Licence, or a potential Licence breach, as result of weather-related delays. The conclusion of these discussions is expected to lead to changes in our regulatory framework to support our objective of protecting the river. We are also planning discussions with the regulator during 2026/27 on how Tideway's post-2030 arrangements can best reflect its activities and risks in the operational phase.

Relevant Objective

CONNECTED PEOPLE AND PARTNERS, RESILIENT FINANCE

Commentary*

INCREASED EXPOSURE

Section 172(1) Statement

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

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

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

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

The Strategic Report was approved by the Board on 10 June 2026 and was signed by order of the Board by:



Celia Carlisle
Company Secretary

Part Level 7
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

10 June 2026

Directors' report

The Directors present their report and the audited Group and Company financial statements of Bazalgette Holdings Limited for the year ended 31 March 2026. The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The registered company number is 09553510 and the Company's registered address is Part Level 7, Riverside House, 2a Southwark Bridge Road, London, SE1 9HA.

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.

Financial results and dividends

The Group recorded a profit of £345.8m for the year (2025: £3.9m) of which a loss of £13.9m (2025: a profit of £3.5m) related to the fair value movements of the Group's derivative financial instruments, £nil (2025: £0.4m) of bank interest income and £359.9m (2025: £nil) of deferred tax credit. The Directors do not consider that the reported loss in the year reflects the business performance as the loss reflects the fair value movement of the Group's derivative financial instruments. These are long-term swaps which are entered into with financial institutions to reduce the Group's exposures to interest rate risk and associate our finance costs to inflation for our regulatory period. This ensures that we benefit from the economic hedge formed with our revenue and RCV which are linked to inflation.

During the year, £65.0m (2025: £26.2m) shareholder loan interest has been received from its subsidiary Bazalgette Tunnel Limited and paid onto its immediate parent Bazalgette Ventures Limited. Furthermore, £13.2m (2025: £49.9m) of unpaid shareholder loan interest was capitalised as shareholder loan principal in the year. Further details of the shareholder loan notes are set out in note 11 to the financial statements.

The Company recorded £nil profit for the year ended 31 March 2026 (2025: £nil) and did not pay any dividends in the year (2025: £nil).

Financial risk management

Full disclosure on the Group's financial risk management is set out in note 13 to these financial statements.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Andrew Cox

Christopher Morgan (Resigned 29 August 2025)

Alistair Ray

Daniel Pires

Amanda Woods

Ted Randolph (Appointed 3 September 2025)

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 Group has had in place Directors and Officers Liability insurance for the period.

Going Concern

The Directors believe, after due and careful enquiry, that the Company and Group has sufficient resources to continue in operational existence for at least one year after the financial statements were authorised for issue. Therefore, it is considered to be appropriate to adopt the going concern basis in preparing the 31 March 2026 financial statements. For more information see the basis of preparation in note 1 to the financial statements.

Directors' report (continued)

Employees

The monthly average number of persons employed by the Group (including Directors) during the year was 75 (2025: 84), who were all employed by Bazalgette Tunnel Limited. At the Statement of Financial Position date, the Company did not employ any staff directly.

Details relating to the Group's employment policies and values and how it undertakes engagement with its employees are set out in the Strategic report.

Greenhouse gas emissions

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

Charitable and political donations

The Group made charitable donations totalling £nil during the year (2025: £7,755).

The Group did not make any political donations or incur any political expenditure during the year (2025: £nil).

Payment to suppliers

Payment terms are agreed with suppliers and the Group seeks to pay in accordance with these terms. Bazalgette Tunnel Limited has been granted a Gold Award under the Fair Payment Code. Some of our major suppliers are also Awardees under the Fair Payment Code, and we have encouraged all of our major suppliers to pay their suppliers in line with best practice. The creditor days for the year ended 31 March 2026 were approximately 3 days (2025: 3 days).

Events occurring after the reporting period

Details of any events occurring after the reporting date are included in note 18 to the financial statements.

Future Outlook

The future outlook of the Group is discussed in the Strategic Report. The Company is expected to continue to act as an intermediate holding company within the Group for the foreseeable future. .

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.

Directors' report (continued)

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP continue in office.

This Directors' Report was approved by the board of Directors on 10 June 2026 and signed by order of the Board by:



Celia Carlisle
Company Secretary

Part Level 7
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

10 June 2026

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the parent company financial statements in accordance with UK-adopted international accounting standards. In preparing the group and parent company financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

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

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

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

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

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



Celia Carlisle
Company Secretary

Part Level 7
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

10 June 2026

Independent auditors' report to the members of Bazalgette Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bazalgette Holdings Limited's group financial statements and company's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2026 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Group Statement of Financial Position as at 31 March 2026;
- the Company Statement of Financial Position as at 31 March 2026;
- the Group Income Statement for the year then ended;
- the Group Statement of Comprehensive Income for the year then ended;
- the Group and Company Statement of Changes in Equity for the year then ended;
- the Group and Company Statements of Cash Flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofwat regulations including licence conditions and Environmental regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a

direct impact on the financial statements such as Companies Act 2006, Tax legislation and Employment law. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of journal entries to manipulate the financial results in the year including journals to decrease the value of the asset under construction and journals that credit the profit or loss. Audit procedures performed by the engagement team included:

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Andy Grimby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
10 June 2026

Group Income Statement

For the year ended 31 March

	Notes	2026 £m	2025 £m
Net operating costs	2, 3	-	-
Finance income	4	-	0.4
Finance costs	4	(0.2)	-
(Losses)/gains on financial instruments	4	(13.9)	3.5
(Loss)/profit before tax		(14.1)	3.9
Taxation	5	359.9	-
Profit for the year		<u>345.8</u>	<u>3.9</u>

Group Statement of Comprehensive Income

For the year ended 31 March

	2026 £m	2025 £m
Profit for the year	345.8	3.9
Other comprehensive income for the year	-	-
Total comprehensive income for the year attributable to owners of the parent	<u>345.8</u>	<u>3.9</u>

Notes 1 to 18 form an integral part of these financial statements.

Group Statement of Financial Position
As at 31 March

	Notes	2026 £m	2025 £m
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,105.7	5,776.2
Other receivables	8	1.2	2.7
Deferred tax assets	12	<u>359.9</u>	<u>-</u>
		<u>6,466.8</u>	<u>5,778.9</u>
Current assets			
Trade and other receivables	8	31.0	33.5
Cash and cash equivalents	9	65.8	111.9
Short-term cash deposits	9	<u>305.0</u>	<u>145.0</u>
		<u>401.8</u>	<u>290.4</u>
Total assets		<u>6,868.6</u>	<u>6,069.3</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	(74.1)	(85.2)
Advance payment liability	10	(741.8)	-
Lease liabilities	13	-	(0.1)
Borrowings	11, 13	(27.7)	(27.5)
Derivative financial instruments	13	<u>(5.2)</u>	<u>(8.5)</u>
		<u>(848.8)</u>	<u>(121.3)</u>
Non-current liabilities			
Other payables	10	(12.8)	(11.7)
Advance payment liability	10	-	(612.6)
Borrowings	11, 13	(4,908.2)	(4,617.0)
Derivative financial instruments	13	<u>(173.1)</u>	<u>(126.8)</u>
		<u>(5,094.1)</u>	<u>(5,368.1)</u>
Total liabilities		<u>(5,942.9)</u>	<u>(5,489.4)</u>
NET ASSETS		<u>925.7</u>	<u>579.9</u>
EQUITY			
Share capital	14	509.7	509.7
Retained earnings	14	<u>416.0</u>	<u>70.2</u>
Total equity		<u>925.7</u>	<u>579.9</u>

Notes 1 to 18 form an integral part of these financial statements.

These financial statements on pages 56 to 87 were approved by the Board of Directors on 10 June 2026 and were signed on its behalf by:



Ted Randolph

Director

Company registered number: 09553510

Company Statement of Financial Position
As at 31 March

	<i>Notes</i>	2026 £m	2025 £m
Non-current assets			
Other receivables	8	985.8	972.6
Investments in subsidiary undertakings	7	<u>509.7</u>	<u>509.7</u>
Total assets		<u>1,495.5</u>	<u>1,482.3</u>
Non-current liabilities			
Other payables	10	-	-
Borrowings	11, 13	<u>(985.8)</u>	<u>(972.6)</u>
Total liabilities		<u>(985.8)</u>	<u>(972.6)</u>
Net assets		<u>509.7</u>	<u>509.7</u>
Equity			
Share capital	14	509.7	509.7
Retained earnings	14	<u>-</u>	<u>-</u>
Total equity		<u>509.7</u>	<u>509.7</u>

The Company's profit or loss for the year ended 31 March 2026 was £nil (2025: £nil).

Notes 1 to 18 form an integral part of these financial statements.

These financial statements on pages 56 to 87 were approved by the Board of Directors on 10 June 2026 and were signed on its behalf by:



Ted Randolph
Director
Company registered number: 09553510

Group and Company Statement of Changes in Equity
For the year ended 31 March

	Share capital £m	Group Retained earnings £m	Total equity £m	Share capital £m	Company Retained earnings £m	Total equity £m
Balance at 1 April 2024	509.7	66.3	576.0	509.7	-	509.7
Profit for the year	-	3.9	3.9	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	3.9	3.9	-	-	-
Total contributions by and distributions to owners of the parent	-	-	-	-	-	-
Balance at 31 March 2025 and 1 April 2025	509.7	70.2	579.9	509.7	-	509.7
Profit for the year	-	345.8	345.8	-	-	-
Other comprehensive income	-	-	-	-	-	-
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	<u>509.7</u>	<u>416.0</u>	<u>925.7</u>	<u>509.7</u>	<u>-</u>	<u>509.7</u>

Notes 1 to 18 form an integral part of these financial statements.

Group and Company Statements of Cash Flows
For the year ended 31 March

	Notes	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Cash flows from operating activities before working capital movements		-	-	-	-
(Increase)/decrease in trade and other receivables	8	(6.7)	6.6	-	-
Decrease in trade and other payables	10	(16.3)	(43.9)	-	-
Increase in advance payment liability	10	129.2	128.1	-	-
Cash flows generated from operations		106.2	90.8	-	-
Net cash flows from operating activities		106.2	90.8	-	-
Cash flows from investing activities					
Construction of infrastructure asset	6	(213.0)	(253.7)	-	-
Funds placed in short-term deposits	9	(310.0)	(70.0)	-	-
Short-term deposits matured	9	150.0	155.0	-	-
Interest received		-	0.4	65.0	26.2
Net cash flows (used in)/from investing activities		(373.0)	(168.3)	65.0	26.2
Cash flows from financing activities					
Proceeds from new borrowings	11	248.8	-	-	-
Repayment of borrowings	11	(27.7)	-	-	-
Principal repayments of lease liabilities		(0.2)	(0.5)	-	-
Interest paid		(0.2)	-	(65.0)	(26.2)
Net cash flows from/(used in) financing activities		220.7	(0.5)	(65.0)	(26.2)
Net decrease in cash and cash equivalents during the year		(46.1)	(78.0)	-	-
Cash and cash equivalents at the beginning of the year	9	111.9	189.9	-	-
Cash and cash equivalents at the end of the year	9	65.8	111.9	-	-

Group: Construction of infrastructure asset includes capitalised interest and swap accretion paid of £116.3m (2025: £102.0m) and capitalised interest received of £11.7m (2025: £19.1m).

Notes 1 to 18 form an integral part of these financial statements.

Notes to the financial statements

1 Material accounting policy information

Basis of preparation

Bazalgette Holdings Limited (the “Company”) is a private company limited by shares, incorporated, domiciled and registered in England, the UK, under the Companies Act 2006. The registered number is 09553510 and the registered office address changed from Blue Fin Building, 110 Southwark Street, SE1 0SU to Part Level 7, Riverside House, 2a Southwark Bridge Road, London, SE1 9HA on 11 May 2026.

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

As at the 31 March 2026, the Bazalgette Holdings Group comprised the Company, Bazalgette Tunnel Limited and Bazalgette Finance plc. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as “the Group”). The Company financial statements present information about the Company as a separate entity and not about its Group.

The Group and the Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards (“UK-Adopted IFRSs”). The financial statements are prepared on a historical cost basis except for certain financial instruments that are measured at fair value. 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 Group and the Company’s financial position.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit or loss. The Company had £nil profit or loss for the financial year ended 31 March 2026 (2025: £nil).

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

The financial statements are presented in Pounds Sterling.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Judgements and estimates

In the process of applying the Group and 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 Group and the Company have 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:

Notes to the financial statements (continued)

1 Material accounting policy information (continued)

Judgements and estimates (continued)

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. It was determined that Thames Water will obtain controls over the tunnel at Handover. At Handover, which is when Thames Water takes over the tunnel asset, the asset under construction will be de-recognised and a finance lease receivable will be 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 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 Group 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.

Capitalised Borrowing Costs – borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. The borrowing costs that are capitalised into the asset under construction are those that would otherwise have been avoided if the expenditure on the Thames Tideway Tunnel asset has not been made. Included within our capitalised borrowing costs are accretion on the index linked swaps and payments and accruals of interest on these swaps. This is based on the principle that borrowing costs should include these costs that could have been avoided if expenditure on the Thames Tideway Tunnel asset had not been made. The methodology used to calculate the accrued accretion on the inflation linked swaps is consistent with our approach to calculating accretion on our contractually arranged index linked debt, i.e. it is calculated based on the forecast inflation figure as of the next interest payment date. For borrowing costs that are capitalised into the asset under construction, please refer to note 4 to the financial statements.

Deferred Tax Assets – The deferred tax assets include an amount of £367.1m and £13.5m which relate to carried-forward disallowed interest expenses and tax losses. The Group has incurred interest expenses since the inception of the project. The Group has concluded that the deferred tax assets will be recoverable when lease accounting is adopted at Handover with the expectation that finance lease income will exceed interest expense going forward and the Group is expected to generate future taxable profit in which the tax losses can be utilised. The disallowed interest expenses and tax losses can be carried forward indefinitely and have no expiry date.

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 and Group has sufficient resources for its operational needs and will remain in compliance with relevant financing covenants for the next 12 months from the date of approving these financial statements.

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 £4,660m. For our plausible downside scenario, we modelled an increase in the remaining costs to complete, taking the total to £4,706m. We consider a severe downside case to be a 55% increase in the remaining costs to complete, which equates to a total cost of £4,746m. 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 2026, the Group had total liquidity of £490.8m, comprising £370.8m of unrestricted cash and short-term deposits and the £120m undrawn RCF. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12-month target.

Notes to the financial statements (continued)

1 Material accounting policy information (continued)

Going concern (continued)

The Company has no cash balance, however, the outstanding liabilities in the Company are the shareholder loan funding and the loan from Bazalgette Tunnel Limited. At the balance sheet date, the outstanding loans was £985.8m.

Interest repayments on the loan are met via cash payments from the Company's subsidiary, Bazalgette Tunnel Limited. Consequently, the Company has an interest receivable balance that mirrors the payable. Bazalgette Tunnel Limited is the regulated operating entity in the Group and has significant liquidity.

Over the going concern period, interest will continue to accrue on this debt at 8% per annum of the outstanding balance. If the full cost of interest payable is not met via the level of cash payments from Bazalgette Tunnel Limited, the shareholder loan agreement allows for the capitalisation of outstanding interest into the loan. The shareholder loan matures in 2064 and thus is a liability requiring settlement beyond 12 months from the signing of the financial statements.

Consequently, the Directors are satisfied that the Company and Group 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. Please refer to note 11 "Borrowings" for details of debt maturities.

Property, plant and equipment

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

Asset under Construction – Recognition and measurement

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

The construction phase of the Thames Tideway Tunnel project commenced in 2015 and is expected to be completed at System Acceptance. 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 asset under construction. At Handover, the asset under construction will then be de-recognised and converted into a finance lease receivable.

The Directors consider all expenditure incurred for the construction of Thames Tideway Tunnel asset in the year ended 31 March 2026 to have met the capitalisation criteria.

Asset 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.

Asset under Construction - Depreciation

Assets under construction are not depreciated.

Lease accounting – Lessee

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

The Group 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 Group concludes that a lease is within scope and not excluded via practical expedients, the Group 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 Group's incremental borrowing rate if the interest rate cannot be easily determined from the lease.

Notes to the financial statements (continued)

1 Material accounting policy information (continued)

Lease accounting – Lessee (continued)

The Group applies the following practical expedients under IFRS 16:

- The same discount rate to all property leases as they share similar characteristics;
- Excludes short-term leases with lease terms of less than 12 months;
- Excludes leases of identifiable low-value assets from consideration; and
- The Group 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 asset, being the Group's property leases, are being depreciated over their lease terms.

The Group incurs 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. The borrowing costs that are capitalised are those that would otherwise have been avoided if the expenditure on the Thames Tideway Tunnel had not been made. Borrowing costs that have been capitalised within Property, Plant and Equipment are included within "Asset under Construction" please see note 6 to the financial statements. Please refer to note 4 "Finance Income and Costs" for details of financing costs for the year.

Impairment

The carrying value of the Group'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 Group's RCV and the regulated return that is generated from that.

For non-financial assets, the Group 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 Group'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 revenue is the regulated return on BTL's RCV. BTL's Allowed Revenue is notified to Thames Water, which bills and collects this revenue from its wastewater customers and passes this through to BTL. Revenue is accrued in the period it has been earned, if it has not been invoiced by the Group 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.

Notes to the financial statements (continued)

1 Material accounting policy information (continued)

Employee benefits

Defined contribution pension plans

A defined pension contribution plan is a post-employment benefit plan under which the Group 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 Group 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 Group 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 Group 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.

Notes to the financial statements (continued)

1 Material accounting policy information (continued)

Derivative financial instruments

The Group 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 Group 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. Where a portion of a derivative financial liability cannot be deferred for at least 12 months after the balance sheet date, that portion is presented as a current liability; with the balance being presented as a non-current liability. Where a portion of a derivative financial asset is expected to be realised within 12 months of the balance sheet date, that portion is presented as a current asset; with the balance of the financial asset being shown as a non-current asset.

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 13 to the financial statements.

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 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.

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.

Notes to the financial statements (continued)

1 Material accounting policy information (continued)

Taxation (continued)

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 Group has the right of set off.

New accounting standards and future changes

The Group and the Company have applied the following amendment for the first time for its annual reporting period commencing 1 April 2025:

- Lack of Exchangeability – Amendments to IAS 21.

The above amendment did not have any material effect on these financial statements.

At the date of approval 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 IFRS 9 & IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments;
- Annual improvements to IFRS – Volume 11; and
- IFRS 18 Presentation and Disclosure in Financial Statements.

The Group and the Company have decided not to early adopt any accounting standards or amendments.

2 Auditors' remuneration

	2026	2025
	£000	£000
Audit services		
Statutory audit – Company only	11	11
Statutory audit – Group Companies	370	326
Audit related assurance services		
Regulatory audit services provided by the statutory auditors	22	21
Other non-audit services		
Other regulatory non-audit services	35	33
Other non-audit services*	80	-
	<u>518</u>	<u>391</u>

All of these fees have been capitalised in the Company's subsidiary, Bazalgette Tunnel Limited, in both financial years.

* Other non-audit services of £80k (2025: £nil) related to bond prospectus services.

Notes to the financial statements (continued)

3 Employee costs

The monthly average number of persons employed by the Group (including directors) during the year was 75 (2025: 84).

The Company had no employees during the year (2025: none) and incurred no staff costs (2025: £nil).

The aggregate employment costs of these persons were as follows:

	Group 2026 £m	Group 2025 £m
Wages and salaries	12.6	14.1
Termination benefits	1.9	1.0
Social security costs	1.9	1.9
Contributions to defined contribution pension plan	0.5	0.5
	<u>16.9</u>	<u>17.5</u>
Capitalised into asset under construction	<u>(16.9)</u>	<u>(17.5)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

The Group operates a single defined contribution pension plan which is open to all employees of the Group.

Directors' remuneration

The Directors of the Company did not receive any payment for their services during the year ended 31 March 2026 (2025: £nil). Any qualifying services the directors perform in respect of the Company are considered to be incidental and part of the Directors' overall management responsibilities within the Group.

The remuneration for the Directors to the Group for the current and prior year is included in note 16.

Notes to the financial statements (continued)

4 Finance income and costs

	Group 2026 £m	Group 2025 £m
Finance income		
Interest income	(15.2)	(16.2)
Capitalised finance income into asset under construction	<u>15.2</u>	<u>15.8</u>
Finance income	<u><u>-</u></u>	<u><u>(0.4)</u></u>
Finance costs		
Interest expense on borrowings*	233.1	214.7
Interest expense on lease liabilities	-	-
Financing fees (credit)/expense	<u>(2.0)</u>	<u>6.1</u>
	231.1	220.8
Capitalised finance costs into asset under construction	<u>(230.9)</u>	<u>(220.8)</u>
Net finance costs	<u><u>0.2</u></u>	<u><u>-</u></u>
Finance instruments at fair value through profit or loss		
Fair value losses/(gains) on index-linked swaps	13.9	(3.5)
Interest and accretion income on index-linked swaps	<u>(0.4)</u>	<u>(11.7)</u>
Net losses/(gains) on financial instruments at fair value through profit or loss	13.5	(15.2)
Capitalised interest and accretion income on index-linked swaps into asset under construction	<u>0.4</u>	<u>11.7</u>
Losses/(gains) on financial instruments	<u><u>13.9</u></u>	<u><u>(3.5)</u></u>

* Includes accretion costs on index-linked borrowings of £65.0m for the year ended 31 March 2026 (2025: £61.7m).

Notes to the financial statements (continued)

5 TAXATION

	Group 2026 £m	Group 2025 £m
Total current tax	-	-
Total deferred tax credit	<u>(359.9)</u>	<u>-</u>
Total Income Statement tax credit	<u><u>(359.9)</u></u>	<u><u>-</u></u>

The Company's current tax charge was £nil (2025: £nil).

The Group's effective tax rate for the year ended 31 March 2026 is lower (2025: lower) than the standard rate of corporation tax in the UK due to the items shown below.

Reconciliation of effective tax rate

	Group 2026 £m	Group 2025 £m
(Loss)/profit before tax	(14.1)	3.9
Expected tax credit/(charge) using UK corporation tax rate of 25% (2025: 25%)	3.5	(1.0)
Items not (deductible)/taxable ¹	(3.5)	1.0
Previously unrecognised temporary differences recognised in current year	346.4	-
Previously unrecognised tax losses recognised in current year	<u>13.5</u>	<u>-</u>
Total Income Statement tax credit	<u><u>359.9</u></u>	<u><u>-</u></u>

¹ Items not (deductible)/taxable solely relate to 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 financial statements (continued)

6 Property, plant and equipment

Group property, plant and equipment comprised the followings:

	Right-of-use (ROU) assets £m	Asset under construction £m	Total £m
Cost			
Balance at 1 April 2025	1.0	5,775.9	5,776.9
Additions	<u>0.2</u>	<u>329.8</u>	<u>330.0</u>
Balance at 31 March 2026	<u>1.2</u>	<u>6,105.7</u>	<u>6,106.9</u>
Accumulated depreciation			
Balance at 1 April 2025	(0.7)	-	(0.7)
Depreciation charge	<u>(0.5)</u>	<u>-</u>	<u>(0.5)</u>
Balance at 31 March 2026	<u>(1.2)</u>	<u>-</u>	<u>(1.2)</u>
Net book value			
At 31 March 2026	<u>-</u>	<u>6,105.7</u>	<u>6,105.7</u>
At 31 March 2025	<u>0.3</u>	<u>5,775.9</u>	<u>5,776.2</u>

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. Majority of expenditure, excluding tax and fair value movements in the Income Statement, is considered to have met this requirement in the year ended 31 March 2026. The amount of borrowing costs capitalised during the year was £232.5m (2025: £203.0m) with a capitalisation rate of 100%. Included within the borrowing costs capitalised during the year is accrued accretion income on index-linked swaps of £0.4m (2025: £11.7m) on the basis that this income would not have been earned if the expenditure on the Thames Tideway Tunnel had not been made. The cumulative total of finance interest and expense costs capitalised project to date at 31 March 2026 was £1,565.3m (2025: £1,350.0m).

Right-of-use Assets

The right-of-use assets are being depreciated over the lease terms on the Group's property leases under IFRS 16.

Company

The Company did not hold any property, plant and equipment at 31 March 2026 (2025: £nil).

Notes to the financial statements (continued)

7 Investments in subsidiary undertakings

The Company has held the following investments in subsidiaries in the current year and prior year:

	Nature of entity	Country of incorporation	Class of shares held	Direct ownership 2026	Direct ownership 2025
Direct subsidiaries					
Bazalgette Tunnel Limited	Operating	UK	Ordinary	100%	100%
Bazalgette Finance plc	Financing	UK	Ordinary	100%	100%

All subsidiaries have the same year end as the Company. All subsidiaries have the same registered address as the Company which is the Part Level 7, Riverside House, 2a Southwark Bridge Road, London, SE1 9HA.

8 Trade and other receivables

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Trade receivables	10.7	11.5	-	-
Accrued income	9.2	11.0	-	-
Other receivables	5.3	3.1	-	-
Prepayments	7.0	10.6	-	-
Amounts owed by group undertakings (note 16)	-	-	985.8	972.6
	<u>32.2</u>	<u>36.2</u>	<u>985.8</u>	<u>972.6</u>
Non-current assets	1.2	2.7	985.8	972.6
Current assets	31.0	33.5	-	-

Accrued income of £9.2m (2025: £11.0m) 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 £5.0m (2025: £6.7m) in relation to the Government Support Package and £0.2m (2025: £1.1m) in relation to insurance contracts and £1.8m (2025: £2.8m) financing related costs.

The Group's non-current assets consist of £1.2m (2025: £2.7m) of prepayments at 31 March 2026. The table below analyses both the Group and Company's non-current assets at 31 March 2026 into recovery maturity groupings based on the remaining periods up to their expected future fully recovered date, at the Statement of Financial Position date.

Amounts owed by group undertakings includes loans made to the Company's immediate subsidiary, Bazalgette Tunnel Limited. The loan has the same economic terms and maturity and fair value measurement as the shareholder loan notes disclosed in note 13.

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Between one and two years	1.2	2.7	-	-
Between two and five years	-	-	-	-
More than 5 years	-	-	985.8	972.6
Total	1.2	2.7	985.8	972.6

Notes to the financial statements (continued)

9 Cash and cash equivalents

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Cash and bank balances	6.8	15.9	-	-
Cash equivalents	<u>59.0</u>	<u>96.0</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents per cash flow statement	<u>65.8</u>	<u>111.9</u>	<u>-</u>	<u>-</u>

Cash equivalents comprise deposits and investments in money market funds with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates their fair value. Short-term deposits with a maturity of greater than three months are shown separately on the Statement of Financial Position. At the Statement of Financial Position date these totalled £305.0m (2025: £145.0m).

The Group also holds a Special Purpose Account for receiving insurance claim proceeds. The cash value in the Special Purpose Account was £nil at 31 March 2026 (2025: £0.2m).

Restricted Cash

The Group is required under the Master Definition Agreement (MDA), a CTA requirement, to maintain a Liquidity Required Amount through a combination of committed Liquidity Facility (LF) and amounts standing to the credit of the Debt Service Reserve Account (DSRA).

The Group holds DSRAs to maintain committed liquidity sufficient to cover projected financing cost payments for a period of 12 months from the Statement of Financial Position date. During the year, the Group increased the LF by £20m, resulting in a total committed credit line of £95m to meet the Liquidity Required Amount under the CTA requirement.

As at 31 March 2026, the size of the LF is sufficient to cover the Liquidity Required Amount, therefore, no requirement to hold cash in the DSRAs, and the restricted cash value in the DSRAs was £nil as at 31 March 2026 (2025: £7.0m).

10 Trade and other payables

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Trade payables	0.6	9.1	-	-
Contract retentions payable	11.3	11.4	-	-
Other payable	56.9	55.9	-	-
Deferred income	18.1	20.5	-	-
Advance payment liability	<u>741.8</u>	<u>612.6</u>	<u>-</u>	<u>-</u>
	<u>828.7</u>	<u>709.5</u>	<u>-</u>	<u>-</u>
Non-current liabilities	12.8	624.3	-	-
Current liabilities	<u>815.9</u>	<u>85.2</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

10 Trade and other payables (continued)

The advance payment liability represents deferred revenue that has been invoiced to and settled by Thames Water. The deferred income of £18.1m (2025: £20.5m) 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. This advance payment liability and deferred income will be de-recognised and converted into a finance lease receivable when the control of the Thames Tideway Tunnel is transferred to Thames Water at Handover.

The table following analyses both the Group and Company's non-current liabilities at 31 March 2026 into relevant maturity groupings based on the remaining periods up to their future payable dates. The amounts disclosed represent the contractual undiscounted cash flows.

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Less than one year	815.9	85.2	-	-
Between one and two years	3.8	615.0	-	-
Between two and five years	9.0	9.3	-	-
More than 5 years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>828.7</u>	<u>709.5</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

11 Borrowings

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

Some of the finance raised by the Group was in a deferred format which means that the proceeds from the borrowing were not received until a future settlement date so as to align when funds were raised with the construction expenditure profile of the project. Where bonds were issued with deferred draw down dates, the proceeds from these bonds were only 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.

	2026 £m	2025 £m
Third party borrowings		
£250m 2.375% fixed-rate bond 2027 ^o	249.5	249.2
£75m 0.828% index-linked bond 2047 ^{a, b}	101.9	98.7
£200m 0.740% index-linked bond 2042 ^{a, c}	240.9	235.1
£100m 0.688% index-linked bond 2050 ^a	147.0	141.5
£100m 0.755% index-linked bond 2051 ^a	142.7	137.3
£100m 0.249% index-linked bond 2040 ^{a, d}	143.5	139.0
£125m 0.192% index-linked bond 2049 ^{a, e}	189.0	182.0
£25m 1.035% index-linked bond 2048 ^{a, f}	35.0	33.8
£25m 0.951% index-linked bond 2054 ^{a, g}	35.0	33.8
£50m 0.787% index-linked bond 2052 ^a	70.2	67.5
£300m 2.860% fixed-rate loan 2032 ^h	300.0	300.0
£700m (£620m SONIA+1.094% floating-rate ⁱ ; £80m index-linked+0.010% ^a) ⁿ	693.6	717.6
£100m 0.010% index-linked loan 2049 ^{a, m}	140.4	135.3
£25m 1.042% index-linked bond 2048 ^{a, f}	34.2	33.0
£25m 0.954% index-linked bond 2054 ^{a, g}	34.2	33.0
£75m 0.010% index linked bond 2036 ^a	107.7	104.6
£300m 2.750% fixed-rate bond 2034 ^q	299.1	299.0
£75m 2.418% fixed-rate loan 2041	75.0	75.0
£150m 0.010% index-linked bond 2032 ^a	191.5	184.9
£75m 0.949% index-linked bond 2052 ^{a, k}	90.0	87.5
£50m 0.074% index-linked bond 2049 ^{a, l}	73.1	70.9
£50m 0.174% index-linked bond 2049 ^{a, l}	73.1	70.9
£50m 6.020% fixed-rate loan 2033	50.0	50.0
£150m 6.050% fixed-rate loan 2035	150.0	150.0
£50m 6.110% fixed-rate loan 2038	50.0	50.0
£250m 5.500% fixed-rate bond 2033 ^p	248.9	-
Intra-group borrowings		
Shareholder loan notes 8.000% fixed rate 2064 ^l	985.8	972.6
	4,951.3	4,652.2
Less: unamortised debt issue costs	(15.4)	(7.7)
Total borrowings	4,935.9	4,644.5
Current liabilities	27.7	27.5
Non-current liabilities	4,908.2	4,617.0

Notes to the financial statements (continued)

11 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 (requires repayment of debt accretion) from 2038
- c) This debt amortises from 2033 and contains a collar mechanism that limits total accretion repayment within a predetermined range
- d) This debt amortises from 2036
- e) This debt amortises from 2045
- f) This debt amortises from 2044
- g) This debt amortises from 2050
- h) The Group has entered into swap agreements that convert £70.0m of this debt into index-linked debt
- i) The Group has entered into swap agreements that convert £620.0m of this debt into index-linked debt
- j) Borrowing from the Company's immediate parent Bazalgette Ventures Limited
- k) This debt amortises from 2042
- l) This debt amortises from 2034
- m) This debt amortisation 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

Company

In addition to the shareholder loan of £985.8m (2025: £972.6m), the Company has a £64k (2025: £61k) borrowing from its direct subsidiary Bazalgette Tunnel Limited. The borrowing carries a floating interest rate of SONIA+78bps and a maturity of 2027.

12 Deferred tax

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

During the current year, the Group recognised net deferred tax assets of £359.9 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 when the Group begins to adopt IFRS 16 lease accounting on the tunnel at 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 Company's tax position based on the future tax rate of 25%.

Deferred tax assets and liabilities have been offset on the statement of financial position. The balances are expected to be recovered or settled after 12 months.

Notes to the financial statements (continued)

12 Deferred tax (continued)

As at 31 March 2025, the Company did not recognise for the above deferred tax assets of £307.6m on gross deductible temporary differences of £1,230.2m as follows:

	2026 £m	2025 £m
Gross unrecognised temporary differences		
Trade losses	-	52.2
Aggregate disallowed net interest expense (post 1 April 2017)	-	1,178.0
	<u>-</u>	<u>1,230.2</u>

13 Financial instruments

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

Financial Assets

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Financial assets at amortised costs				
Trade and other receivables	25.2	25.6	-	-
Cash and cash equivalents	65.8	111.9	-	-
Short-term deposits	305.0	145.0	-	-
Amounts owned by group undertakings (note 16)	-	-	985.8	972.6
Total	<u>396.0</u>	<u>282.5</u>	<u>985.8</u>	<u>972.6</u>

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 2026 and at 31 March 2025, and therefore not recognised within the year.

Financial Liabilities

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
Financial liabilities at fair value through profit or loss				
Derivative financial instruments – Current	5.2	8.5	-	-
Derivative financial instruments – Non-current	173.1	126.8	-	-
Other financial liabilities				
Trade and other payables	68.8	76.4	-	-
Lease liabilities	-	0.1	-	-
Borrowings – Current	27.7	27.5	-	-
Borrowings – Non-current	4,908.2	4,617.0	985.8	972.6
Total	<u>5,183.0</u>	<u>4,856.3</u>	<u>985.8</u>	<u>972.6</u>

Notes to the financial statements (continued)

13 Financial instruments (continued)

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

	Book value 2026 £m	Fair value 2026 £m	Book value 2025 £m	Fair value 2025 £m
Group				
Financial liabilities at amortised cost				
Non-current				
Borrowings – fixed-rate sterling loans	(1,608.7)	(1,350.7)	(1,597.7)	(1,473.8)
Borrowings – fixed-rate sterling bonds	(794.1)	(735.9)	(548.8)	(474.0)
Borrowings – index-linked sterling bonds and loans	(1,936.3)	(1,269.4)	(1,877.6)	(1,172.2)
Borrowings – floating-rate sterling loans	(569.1)	(513.9)	(592.9)	(539.9)
Current				
Borrowings – index-linked sterling bonds and loans	(3.9)	(3.9)	(3.7)	(3.7)
Borrowings – floating-rate sterling loans	(23.8)	(44.6)	(23.8)	(55.4)
Financial liabilities at fair value through profit or loss				
Non-current				
Derivative financial instruments – index-linked swaps	(173.1)	(173.1)	(126.8)	(126.8)
Current				
Derivative financial instruments – index-linked swaps	(5.2)	(5.2)	(8.5)	(8.5)
Total	<u>(5,114.2)</u>	<u>(4,096.7)</u>	<u>(4,779.8)</u>	<u>(3,854.3)</u>
Company				
Financial liabilities at amortised cost				
Non-current				
Borrowings – Shareholder loan notes	(985.8)	(797.6)	(972.6)	(918.0)
Total	<u>(985.8)</u>	<u>(797.6)</u>	<u>(972.6)</u>	<u>(918.0)</u>

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 cashflows 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.

Notes to the financial statements (continued)

13 Financial instruments (continued)

Financial instruments at fair value through profit or loss

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

The Group considers the fair value measurement of 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 Group 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:

	2026	2025
	Level 2	Level 2
	£m	£m
Financial instruments held at fair value		
Derivative financial liabilities		
- Index-linked swaps*	<u>(178.3)</u>	<u>(135.3)</u>
	<u>(178.3)</u>	<u>(135.3)</u>

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

* Accrued accretion on index-linked swaps at 31 March 2026 was £237.6m liability (2025: £209.2m), which forms part of the overall fair value of the derivative financial instruments being presented above.

Notes to the financial statements (continued)

13 Financial instruments (continued)

Capital risk management

The Group's principal objectives in managing capital are:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders,
- Maintain an optimal capital structure to reduce the cost of capital,
- To finance the Group while minimising risk. The Group will adopt a low-risk financing strategy and maintain at all times a robust investment grade credit rating;
- Minimise financing risk through pre-funding, management of maturities and interest rate risk;
- Financing will be a mix of some or all of commercial bank debt, bonds (public and private), EIB loans, lease financing and other instruments. Financing could be raised on a real and/or nominal basis;
- The Group's weighted average cost of capital will be minimised by reducing risk, including interest rate, inflation, credit spread, maturity risk, liquidity and currency risk;
- Hedging and pre-financing may be used to reduce risk. The Group will not engage in speculative treasury activity; and
- The Group will manage its financing activities in compliance with the constraints imposed by the Government Support Package, financing documents and the Group's Licence.

The Group 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 Group monitors financial covenants on a regular basis, taking into consideration risk, financing, legal and regulatory constraints and optimal level of execution within the capital structure.

The Group monitors capital on the basis of the following gearing ratio:

- Net Debt divided by Adjusted RCV.

During the year 31 March 2026, the Group's strategy, which was unchanged from prior years, was to maintain a gearing ratio of less than 70% and the gearing ratios at 31 March 2026 and 31 March 2025 were as follows:

	2026	2025
	£m	£m
Net Debt *	3,828.3	3,626.7
Adjusted RCV *	5,636.7	5,333.0
Gearing %	67.9%	68.0%

The Group's gearing level and its interest cover ratios remain in line with the Group's capital management strategy and is fully compliant with the financing arrangements.

The Group's subsidiary, Bazalgette Finance plc raised £250.0m through a blue bond issuance during the year (2025: £nil), bringing total bond issuance to £2,081.7m (2025: £1,831.7m).

The Group's £160m revolving credit facility (RCF) was refinanced on 31 March 2026 with a new £120m RCF that is structured as a Blue 3-year loan with the option to agree two one-year extensions to the maturity. The RCF remained undrawn as at 31 March 2026.

During the year, the Group increased the Liquidity Facility (LF) by £20m to a total of £95m. The LF, together with the Debt Service Reserve Accounts (DSRA), are designed to meet the CTA requirement to maintain a Liquidity Required Amount sufficient to cover projected financing cost payments over a 12-month period. As at 31 March 2026, the size of the LF is adequate to meet the Liquidity Required Amount, therefore no requirement to hold cash in the DSRA.

* As defined in the Company's Common Terms Agreement (CTA).

Notes to the financial statements (continued)

13 Financial instruments (continued)

Management of financial risk

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fund on a timely basis its capital expenditure programme or service its debt. At 31 March 2026, the Group had total liquidity in excess of £490.8m (2025: £409.9m), comprising £370.8m (2025: 249.9m) of unrestricted cash and short-term deposits and the £120m (2025: £160m) undrawn RCF. This, combined with expected revenue collections, provides 19 months of liquidity, including the RCF, which is significantly in excess of our 12-month target.

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 tables below analyse the Group's interest-bearing borrowings (including shareholder loan notes) 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 and accretion.

	2026 £m	2025 £m
Borrowings		
Less than one year	(199.6)	(185.7)
Between one and two years	(449.1)	(183.2)
Between two and five years	(572.2)	(784.1)
More than 5 years	<u>(9,051.7)</u>	<u>(8,798.1)</u>
Total	<u>(10,272.6)</u>	<u>(9,951.1)</u>
	2026 £m	2025 £m
Derivative financial instruments		
Less than one year	26.5	29.9
Between one and two years	25.0	25.3
Between two and five years	(218.4)	(73.3)
More than 5 years	<u>(68.8)</u>	<u>(177.4)</u>
Total	<u>(235.7)</u>	<u>(195.5)</u>

For the maturity profile of financial instruments recognised as liabilities, other than borrowings and derivative financial instruments, refer to note 10 to the financial statements.

Notes to the financial statements (continued)

13 Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk for the Group principally arises from trading (the supply of services) and treasury activities (the depositing of cash).

A default on a financial asset is when the counterparty fails to make contractual payments as per pre-agreed payment terms.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group's exposure to trading risk is predominantly with Thames Water which is the Group'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 Group generates an annual revenue return on its RCV, which 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. The risk of Thames Water failing to pay Tideway's revenue is currently considered low. However, the Group's exposure to Thames Water is reviewed on a regular basis given Thames Water's current financial position and the potential scenario of a Special Administrator choosing not to pay an element of Tideway's revenue is also carefully assessed. This would not be consistent with Thames Water's licence and would be expected to lead to a breach and enforcement action.

Placements of cash on deposit expose the Group to credit risk against the relevant counterparties. The investment management strategy provides clear investment limits for money market funds and money market deposits. The strategy 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 Group's maximum exposure to credit risk is the carrying amount of financial assets excluding the derivative financial assets and therefore the maximum exposure at 31 March 2026 was £396.0m (2025: £282.5m). Analysis of this amount can be found in the financial assets section of this note.

Market risk – Interest rate risk

The Group's financing 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 Group's debt which bears a fixed, floating or an index-linked rate of interest.

The Group's deferred revenue and operating cash flows are substantially independent of changes in market interest rates. All debt at 31 March 2026 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 Group'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 Group'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 Group continues to recognise the expected transition from RPI to CPIH from the next regulatory period starting in 2030 as the underlying measure of inflation for price control periods.

Notes to the financial statements (continued)

13 Financial instruments (continued)

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 2026 of the Group's profit and equity to changes in RPI for the Group's index-linked derivatives only. Given that all borrowing costs that are directly attributable to the construction of the TTT are capitalised into asset under construction, the sensitivity analysis excludes the Group's index-linked borrowings. This analysis also excludes any RPI impact on the Group'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 a 1% increase or decrease in the year-on-year RPI inflation rate as shown in the table below. This analysis assumes all other variables remain constant.

	2026 £m +1%	2026 £m -1%	2025 £m +1%	2025 £m -1%
(Loss)/profit	(35.9)	37.1	(44.3)	42.4
Equity	(35.9)	37.1	(44.3)	42.4

Financial guarantees

Bazalgette Holdings Limited ("BHL") is part of the security group for the purposes of the Tideway financing platform. Companies in the Group (other than BHL) raise debt in external debt markets through the issuance of secured bonds and loans. BHL guarantees the financial indebtedness of Bazalgette Tunnel Limited. On transition to IFRS 17, the Group has made the election to apply the requirements in IAS 32 'Financial Instruments: Presentation', IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' to these financial guarantee contracts. Where BHL enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Group treats any guarantee contract as a contingent liability until such a time as it becomes probable that the relevant member of the Group will be required to make a payment under the guarantee and the amount can be reliably measured.

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

	Notes	2026 £m	2025 £m
Cash and cash equivalents	9	65.8	111.9
Borrowings (a), (b) & (c)	11	(4,951.3)	(4,652.2)
Lease liabilities		-	(0.1)
Net Debt		<u>(4,885.5)</u>	<u>(4,540.4)</u>

- (a) Borrowings includes the £985.8m Shareholder loan notes (2025: £972.6m) which is excluded in the Group's CTA Net Debt figures per the Financial Performance Review section of the Annual Report.
- (b) Borrowings excludes £237.6m of accretion on index-linked swaps (2025: £209.2m) which are captured in Derivative Financial Instruments, however this accretion on index-linked swaps is included in the Group's CTA Net Debt Figures per the Financial Performance Review section of the Annual Report.
- (c) Borrowings excludes £15.4m of unamortised debt issue costs (2025: £7.7m) which is excluded in the Group's CTA Net Debt figures per the Financial Performance Review section of the Annual Report.

Notes to the financial statements (continued)

13 Financial instruments (continued)

Net Debt Reconciliation

		Liabilities arising from financing activities			Other assets	
	Notes	Borrowings £m	Lease liabilities £m	Sub-total £m	Cash and cash equivalents £m	Total £m
At 1 April 2024		(4,540.9)	(0.8)	(4,541.7)	189.9	(4,351.8)
Proceeds from new borrowings (Presented as cash flows from financing activities)		-	-	-	-	-
Lease liability payment (Presented as cash flows from financing activities)		-	0.5	0.5	(0.5)	-
Interest received		-	-	-	0.4	0.4
Net transfers from short-term deposits (Presented as cash flows from investing activities)		-	-	-	85.0	85.0
Cash flows from operating activities (Presented as cash flows from operating activities)		-	-	-	90.8	90.8
Cash flows used in construction of infrastructure asset (Presented as cash flows from investing activities)		-	-	-	(253.7)	(253.7)
Other changes*						
Accretion interest expense on index-linked borrowings	4	(61.7)	-	(61.7)	-	(61.7)
Capitalised interest on shareholder loan notes	11, 16	(49.9)	-	(49.9)	-	(49.9)
Bond premium/discount unwinds	4	0.3	-	0.3	-	0.3
Derecognition of lease liabilities on early termination of lease		-	0.2	0.2	-	0.2
At 31 March 2025 and 1 April 2025		(4,652.2)	(0.1)	(4,652.3)	111.9	(4,540.4)
Proceeds from new borrowings (Presented as cash flows from financing activities)		(248.8)	-	(248.8)	248.8	-
Repayment of borrowings (Presented as cash flows from financing activities)		27.7	-	27.7	(27.7)	-
Interest paid		-	-	-	(0.2)	(0.2)
Lease liability payment (Presented as cash flows from financing activities)		-	0.2	0.2	(0.2)	-
Net transfers from short-term deposits (Presented as cash flows from investing activities)		-	-	-	(160.0)	(160.0)
Cash flows from operating activities (Presented as cash flows from operating activities)		-	-	-	106.2	106.2
Cash flows used in construction of infrastructure asset (Presented as cash flows from investing activities)		-	-	-	(213.0)	(213.0)
Other changes*						
New lease liabilities		-	(0.1)	(0.1)	-	(0.1)
Accretion interest expense on index-linked borrowings	4	(65.0)	-	(65.0)	-	(65.0)
Capitalised interest on shareholder loan notes	11, 16	(13.2)	-	(13.2)	-	(13.2)
Bond premium/discount unwinds	4	0.2	-	0.2	-	0.2
At 31 March 2026		(4,951.3)	-	(4,951.3)	65.8	(4,885.5)

* Other changes include non-cash movements, including accretion interest expense on index-linked borrowing, capitalised interest on shareholder loan notes, bond premium/discount unwinds, early termination of lease, new leases and interest received during the year.

Notes to the financial statements (continued)

14 Capital and reserves

Called-up share capital – Parent Company

	Ordinary shares 2026 No.	Ordinary shares 2025 No.
Allotted, called-up and fully paid ordinary shares of £1 each		
Issued for cash at the beginning of the year	<u>509,672,601</u>	<u>509,672,601</u>
Issued for cash at the end of the year	<u>509,672,601</u>	<u>509,672,601</u>

The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to vote at meetings of the Company in line with the details of the Shareholders agreement. Further information on the role of the shareholders is outlined in the Group's Strategic Report section of the Annual Report.

Retained earnings

	Group 2026 £m	Group 2025 £m	Company 2026 £m	Company 2025 £m
At the beginning of the year	70.2	66.3	-	-
Profit for the year	<u>345.8</u>	<u>3.9</u>	<u>-</u>	<u>-</u>
At the end of the year	<u>416.0</u>	<u>70.2</u>	<u>-</u>	<u>-</u>

The retained earnings at 31 March 2026 comprises a non-distributable reserve of £414.7m (2025: £68.7m) arising from deferred tax recognition and fair value movement of derivative financial instruments.

15 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 the Consolidated Statement of Financial Position but are monitored to ensure that should a possible obligation become probable and a transfer of economic benefits to settle an obligation can be reliably measured, then a provision for the obligation is made. There were no contingent liabilities at the Statement of Financial Position date.

16 Related parties

Group

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

The Group'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 the immediate parent company, Bazalgette Ventures Limited, are disclosed in note 11 to the financial statements.

Notes to the financial statements (continued)

16 Related parties (continued)

Key management personnel

Key management personnel comprise the executive directors of BTL. The aggregate remuneration of key management personnel to the Group was as follows:

	2026 £m	2025 £m
Short-term benefits	2.3	2.2
Long-term benefits	<u>-</u>	<u>3.1</u>
Total remuneration	<u>2.3</u>	<u>5.3</u>

Short-term benefits represent the amount of base salary and fees, taxable benefits and annual bonus received by the directors during the year.

Long-term benefits represent the value of long-term incentive plan (LTIP) schemes and retention arrangements that have been awarded to directors in the year based on the performance conditions.

Included in the above aggregate remuneration value are contributions made under the Group's defined contribution pension plan totalling £18k (2025: £18k). The number of BTL directors for whom pension contributions were made totalled three (2025: three).

The aggregate remuneration of key management personnel disclosed above include the following amounts to the highest paid director within the Group:

	2026 £m	2025 £m
Remuneration for qualifying services	<u>1.0</u>	<u>2.5</u>
	<u>1.0</u>	<u>2.5</u>

Further information can be found in the Remuneration report of Bazalgette Tunnel Limited's Annual Report which is available at www.tideway.london.

Company

Amounts outstanding on borrowings from Bazalgette Ventures Limited totalled to a principal of £985.8m and interest payable of £nil (2025: principal of £972.6m and interest payable of £nil) as at 31 March 2026. During the current year, £65.0m (2025: £26.2m) interest was paid, £13.2m (2025: £49.9m) unpaid interest was capitalised back into the borrowing principal and £nil principal was repaid (2025: £nil repaid).

Amounts outstanding on borrowings from Bazalgette Tunnel Limited totalled to £64k (2025: £61k) as at 31 March 2026.

Amounts outstanding on loans made to Bazalgette Tunnel Limited totalled to loan principal of £985.8m and interest receivable of £nil (2025: principal of £972.6m and interest receivable of £nil) as at 31 March 2026. The loan carries the same terms as the shareholder loans disclosed in note 11 to the financial statements. During the current year, £65.0m (2025: £26.2m) of interest was received, £13.2m (2025: £49.9m) unpaid interest was capitalised back into the borrowing principal and £nil principal was received (2025: £nil received).

Key management personnel

The directors of the Company are considered to be the key management personnel. They did not receive any payment for their services during the year ended 31 March 2026 (2025: £nil). The Company had no employees during the year to 31 March 2026 (2025: no employees).

Notes to the financial statements (continued)

17 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary of Bazalgette Ventures Limited. The Company's ultimate controlling parent is Bazalgette Equity Limited, which is also the largest group in which the Company is consolidated.

The registered office of both Bazalgette Equity Limited and Bazalgette Ventures Limited changed from Blue Fin Building, 110 Southwark Street, SE1 0SU to Part Level 7, Riverside House, 2a Southwark Bridge Road, London, SE1 9HA on 11 May 2026.

Copies of the consolidated financial statements for the Bazalgette Equity group are available at www.tideway.london.

18 Subsequent events occurring after the reporting date

No material events have occurred between the year end date and the signing of these financial statements that would require the Company to adjust the financial statements or require disclosure in these financial statements.