Thalia MK HoldCo Limited (formerly AmeyCespa (MK) Holding Co Limited)

Annual report and financial statements

For the year ended 31 December 2021

Company Registration Number 08538303

Contents

Company information

Directors	F Hevia Gonzalez D MacBrayne
Secretary	P J Hatcher
Company number	08538303
Registered office	3rd Floor 3-5 Charlotte Street Manchester England M1 4HB
Auditor	Ernst & Young LLP Statutory Auditor 400 Capability Green Luton Bedfordshire LU1 3LU United Kingdom

Strategic report

The Directors present their strategic report for the Parent Company and the Group together with the audited financial statements for the year ended 31 December 2021. The Group comprises Thalia MK HoldCo Limited (formerly AmeyCespa (MK) Holding Co Limited) ("the Parent Company") and its wholly owned subsidiary, Thalia MK SPV Limited (formerly AmeyCespa (MK) SPV Limited).

Principal activities

On 26 June 2013 the Group entered into a project agreement with Milton Keynes Council for the design, installation, operation and maintenance – via its principal subcontractor, Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited) – of residual waste treatment facilities under a public-private partnership (PPP) concession for a period of 19 years and ten months. There have been no changes in the Company's activities in the year under review.

Business review

The results for the year are shown on page 11 in the income statement. This shows total revenue for the year of £12,566,000 (2020: £13,172,000) and loss from operations of £210,000 (2020: profit £788,000). Net finance expense for the year amounted to £1,401,000 (2020: £1,223,000) and loss after tax was £1,305,000 (2020: £352,000). The increased loss after tax compared to the previous year is predominantly due to reduced revenue in the current year versus the previous year which, in turn, is significantly due to a decrease in third party income recognised during the year, as detailed in note 4 of the financial statements.

The Group's performance reflects the position under the PPP concession contract. The Service Commencement Date occurred on 13 March 2018, signalling the commencement of the operations and maintenance phase of the project. Further detail on the recognition of revenue is included in the accounting policies on page 17.

Future developments

The Group will continue in 2022 to deliver – via its principal subcontractor, Thalia MK ODC Limited – the waste management services that are stipulated under the PPP concession contract and focus on optimising the operational efficiency of the facility.

Effective 30 November 2022, Thalia Waste Management Limited replaced Amey UK Limited (formerly Amey UK plc) as the Company's ultimate holding company in the UK.

There have been no events since the balance sheet date which materially affect the position of the Company.

Performance

Financial performance

The Group has modelled the anticipated financial outcome of the project across its full term. The Group monitors actual financial performance against anticipated performance. The income and expenditure for the year ended 31 December 2021 – which are based on fixed long-term contracts – were in line with the Directors' expectations.

Strategic report *(continued)*

Performance *(continued)*

Safety performance

The Group is committed to providing a safe environment for its sub-contractors and those impacted by its activities. Safety reports are provided at each board meeting. These are reviewed by the Directors who monitor actual performance against anticipated performance using industry benchmarks. Appropriate action is taken where necessary in order to ensure that all matters raised are fully resolved and are compliant with safety regulations.

Key performance indicators

The Directors consider revenue, profit from operations, profit before tax and profit after tax and achievement of milestones under the PPP concession to be the key performance indicators of the Group and are satisfied with the performance in the year.

Financial risk, principal risks and uncertainties

Under the terms of the project agreement, the Group is required to meet certain key performance targets. The Directors review actual performance against those targets on a regular basis to mitigate risks arising from contract activities.

The Group's main commercial risks during the year are attributable to the delivery of the capital infrastructure on the PPP concession contract. The risk of operational revenue deductions on the service and the maintenance elements of the PPP concession contract are passed to the sub-contractors as a pass-through cost, as is the risk of asset renewal expenditure.

The Group's credit risk is primarily attributable to its receivables on the PPP contract which is held with a local authority. This risk is mitigated by maintaining a strong relationship with the Group's customer.

The Group's cash flow risk is managed by monitoring cash flow as part of the day-to-day control procedures. The Directors consider cash flow projections to ensure appropriate facilities are available to be drawn upon as necessary.

At a meeting of the board of Directors on 20 March 2023, F Hevia Gonzalez was authorised to approve and issue the financial statements for the year ended 31 December 2021.

F Hevia Gonzalez
Director
3rd Floor
3-5 Charlotte Street
Manchester
England
M1 4HB

20 March 2023

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2021.

Strategic report

A review of the performance of the Group is included in the strategic report on page 2 by cross-reference, and future developments of the Group are discussed below.

Principal activities

The Group's principal activities are the design, installation, operation and maintenance – via its principal subcontractor, Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited) – of residual waste treatment facilities under a public-private partnership concession for a period of 19 years and ten months from May 2013 to March 2033, pursuant to a project agreement with Milton Keynes Council ("the Authority") dated 26 June 2013.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out in the strategic report on page 3 and form part of this report by cross-reference.

Dividends

The Directors do not recommend the payment of a final dividend (2020: £nil). During the year the Directors did not approve the payment of an interim dividend (2020: £nil).

Policy on slavery and human trafficking

In accordance with the Modern Slavery Act 2015, the Company is committed to ensuring that there is no modern slavery or human trafficking in its supply chain, or in any part of its business, with zero tolerance for non-compliance. A full statement reflecting that commitment can be found on the Thalia Waste Management website (www.thalia.co.uk) and an abridged statement is included in the financial statements of the Company's intermediate parent company, Thalia Waste Management Limited.

Going concern

The Directors have made enquiries and reviewed in detail cash flow projections for the Group covering the period of the next twelve months through to the end of March 2024 and have concluded that financial support is required to continue to operate as a going concern. Ferrofin S.L., a subsidiary of the ultimate parent company, Ferrovial, S.A, has provided a letter of support to confirm it will provide adequate financial support for at least the next twelve months through to the end of March 2024. The financial position and future projections of Ferrofin S.L. have also been assessed to give assurance to the Directors that it is able to provide the level of support required.

Directors

The Directors who held office during the year and to the date of this report unless otherwise stated were as follows:

J G Connelly	Resigned 7 March 2022
F Hevia Gonzalez	
D MacBrayne	Appointed 21 April 2022

Directors' report *(continued)*

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Climate change

The Directors do not consider climate change to be a principal risk or uncertainty at this time, specifically because the Group's core revenue stream, being the provision of waste processing services to Milton Keynes Council, is protected against changes in government policy around climate change under the terms of its project agreement with the local authority, which provides a mechanism to compensate the Group in the event that any legislative change affects the Group's ability to perform its obligations under the agreement. In addition, the Group is not exposed to any future rise in the rate of landfill tax that may arise in an effort by government to promote recycling, as it passes through any landfill tax costs to its customer.

Auditor

Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

At a meeting of the Board of Directors on 20 March 2023, F Hevia Gonzalez was authorised to approve and issue the financial statements for the year ended 31 December 2021.

F Hevia Gonzalez
Director
3rd Floor
3-5 Charlotte Street
Manchester
England
M1 4HB

20 March 2023

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards. The Directors have chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the statement of comprehensive income of the Group for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with FRS 101, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report to the members of Thalia MK HoldCo Limited

Opinion

We have audited the financial statements of Thalia MK Holdco Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, company statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 and Parent Company's ability to continue as a going concern for a period of 12 months to 31 March 2024.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditor's report to the members of Thalia MK HoldCo Limited *(continued)*

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 and Parent 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 and Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Thalia MK HoldCo Limited *(continued)*

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted international accounting standards, FRS 101 "Reduced Disclosure Framework", the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the Company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation, such as Board minutes and correspondence with authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - We performed testing to identify any significant transactions outside the normal course of business. This was performed through testing of journal entries and testing specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of transactions. We evaluated the business rationale of significant transactions outside the normal course of business.
    - We read minutes of meetings of those charged with governance where available.
    - We read financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

Independent auditor's report to the members of Thalia MK HoldCo Limited *(continued)*

Use of our report

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

Ernst & Young LLP

Daniel Foster (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date: 20 March 2023

Consolidated income statement
For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Revenue	4	**12,566**	13,172
Cost of sales		**(11,691)**	(11,362)
Gross profit		**875**	1,810
Administrative expenses		**(1,085)**	(1,022)
Operating (loss)/profit	5	**(210)**	788
Finance expense	7	**(1,401)**	(1,223)
Loss before tax		**(1,611)**	(435)
Tax credit	8	**306**	83
Loss after tax		**(1,305)**	(352)

All of the above relates to continuing activities.

The notes on pages 16 to 27 form part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Loss after tax for the year		**(1,305)**	(352)
Total comprehensive expense for the year attributable to:			
Equity shareholder of the Company		**(1,305)**	(352)

The notes on pages 16 to 27 form part of these financial statements.

Consolidated balance sheet
As at 31 December 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Intangible asset	9	**19,475**	21,206
		19,475	21,206
Current assets			
Trade and other receivables	10	**3,257**	3,999
Cash and cash equivalents		**953**	829
		4,210	4,828
Total assets		**23,685**	26,034
Current liabilities			
Trade and other payables	11	**(4,228)**	(4,942)
Loans and borrowings	12	**(3,199)**	(2,446)
		(7,427)	(7,388)
Net current liabilities		**(3,217)**	(2,560)
Non-current liabilities			
Trade and other payables	11	**(17,744)**	(19,475)
Loans and borrowings	12	**(8,090)**	(7,442)
		(25,834)	(26,917)
Total liabilities		**(33,261)**	(34,305)
Net liabilities		**(9,576)**	(8,271)
Issued capital and reserves attributable to Equity shareholder of the Company			
Called-up share capital	14	**50**	50
Retained losses	15	**(9,626)**	(8,321)
Total shareholders' deficit		**(9,576)**	(8,271)

The financial statements of Thalia MK HoldCo Limited (formerly AmeyCespa (MK) Holding Co Limited), registered number 08538303, on pages 11 to 27 were approved and authorised for issue by the Board of Directors on 20 March 2023 and were signed on its behalf by:

F Hevia Gonzalez
Director

The notes on pages 16 to 27 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Called-up share capital £000	Retained losses £000	Total £000
Balance at 1 January 2020	50	(7,969)	(7,919)
Profit for the year	-	(352)	(352)
Total comprehensive expense for the year	-	(352)	(352)
Balance at 31 December 2020	50	(8,321)	(8,271)
Balance at 1 January 2021	**50**	**(8,321)**	**(8,271)**
Profit for the year	**-**	**(1,305)**	**(1,305)**
Total comprehensive expense for the year	**-**	**(1,305)**	**(1,305)**
Balance at 31 December 2021	**50**	**(9,626)**	**(9,576)**

The notes on pages 16 to 27 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Loss before tax for the year		**(1,611)**	(435)
Adjustments for:			
Finance expense	7	**1,401**	1,223
		(210)	788
Decrease/(increase) in trade and other receivables		**858**	(1,434)
(Decrease)/increase in trade and other payables		**(714)**	1,893
Cash generated from operations		**(66)**	1,247
Interest paid	18	**-**	(559)
Tax refund received		**190**	-
Net cash generated from operations		**124**	688
Net increase in cash and cash equivalents		**124**	688
Cash and cash equivalents at beginning of year	18	**829**	141
Cash and cash equivalents at end of year	18	**953**	829

The notes on pages 16 to 27 form part of these financial statements.

Notes to the financial statements
(forming part of the financial statements)

1 Accounting policies

Thalia MK HoldCo Limited (formerly AmeyCespa (MK) Holding Co Limited) ("the Parent Company") is a private company limited by shares, incorporated under the Companies Act 2006 and domiciled in the United Kingdom and registered in England & Wales (company registration number 08538303). The Parent Company's registered address is specified in the strategic report on page 3. The principal activities of Thalia MK HoldCo Limited and its subsidiary (together, "the Group") are the design, installation, operation and maintenance of residual waste treatment facilities under a public-private partnership concession. The Group's parent company and ultimate parent undertaking are disclosed in note 17 on page 26.

Accounting reference date

The Group's accounting reference date is 30 December 2021; however, the accounts are drawn up to 31 December 2021. The impact of this on the financial statements is not considered to be material.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the period presented, unless otherwise stated.

Presentation and functional currency

These financial statements have been prepared in accordance with UK adopted international accounting standards.

The financial statements have been prepared on an accruals basis and on the historical cost basis.

The preparation of financial statements in compliance with UK adopted IASs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The presentation currency of the financial statements is pound sterling.

New accounting standards

New standards or interpretations applicable to the Group for accounting periods commencing on or after 1 January 2021 did not have a material impact on the Group.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

New accounting standards *(continued)*

New standards, amendments and interpretations mandatorily applicable in annual reporting periods after 2021

The other new standards, amendments and interpretations approved by the IASB for use in the United Kingdom at 31 December 2021 and which are not expected to have a significant impact for the Group are as follows:

New standards, amendments and interpretations		**Date**
Amendment to IFRS 3	Conceptual framework	01/01/2022
Amendment to IAS 16	Property, plant and equipment: proceeds before intended use	01/01/2022
Amendment to IAS 37	Onerous contracts	01/01/2022
Annual improvements	2018-2020 cycle	01/01/2022
IFRS 17	Insurance contracts	01/01/2023
Amendment to IAS 1	Classification of liabilities as current or non-current	01/01/2023
Amendment to IAS 1	Disclosure of accounting policies	01/01/2023
Amendment to IAS 8	Definition of accounting estimates	01/01/2023
Amendment to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	01/01/2023

The Group will not adopt these new standards, amendments and interpretations early for the year ended 31 December 2021 but will adopt them in line with the commencement date stated above.

Going concern

The Directors have made enquiries and reviewed in detail cash flow projections for the Group covering the period of the next twelve months through to the end of March 2024 and have concluded that financial support is required to continue to operate as a going concern. Ferrofin S.L., a subsidiary of the ultimate parent company, Ferrovial, S.A, has provided a letter of support to confirm it will provide adequate financial support for at least the next twelve months through to the end of March 2024. The financial position and future projections of Ferrofin S.L. have also been assessed to give assurance to the Directors that it is able to provide the level of support required.

Revenue recognition

Turnover comprises unitary revenue recognised by the Group in respect of services supplied, landfill tax pass-through revenue and other pass-through revenue, all exclusive of Value Added Tax and trade discounts. Turnover from waste disposal activities is recognised on receipt of the waste.

Revenue from other contract activities represents fee income receivable in respect of services provided during the year. Estimates are included of amounts not yet invoiced.

All revenue excludes Value Added Tax.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition *(continued)*

The Group satisfies its performance obligations to its customer on a monthly cycle, as its services – relating to the operation and maintenance of residual waste treatment facilities, delivered via its principal subcontractor, Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited) – are rendered throughout a given month. For unitary revenue, the Group renders invoices for services to its customer at the start of a given month, and payment falls due at the end of that given month. For landfill tax pass-through revenue and other pass-through revenue, the Group renders invoices to its customer at the start of a given month following the month that the services relate to, and payment falls due at the end of the given month in which the invoice is rendered.

The consideration amount for a given month is variable, and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As discussed in the strategic report on page 3, there is a risk of operational revenue deductions against unitary revenue receipts from the Group's customer; however, such deductions are passed through in full to the Group's principal sub-contractor.

Financial assets

The Group classifies its financial assets as loans and receivables as discussed below. The Group has not classified any of its financial assets as held to maturity or available for sale.

The Group's accounting policy for each category is as follows:

(i) Financial assets – loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables) under PFI/PPP contracts but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment. Interest bearing financial assets are subsequently measured at amortised costs using the effective interest rate (EIR) method. Interest calculated in accordance with this policy is recognised in finance income in the income statement.

The other loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial liabilities

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

Called-up share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Intangible asset

The financial asset and intangible asset split is based on the proportion of "guaranteed" consideration received from the Authority (the financial asset), relative to total expected consideration (calculated on an NPV basis excluding "pass-through" consideration). The balance between the financial asset proportion and the fair value of the construction services is reflected as an intangible asset. The only "guaranteed" element of consideration from the Authority is the capital contribution. The sponsor's solution proposes a variable payment from the Authority on the basis of waste procured by the sponsor under the Authority's right to exercise first call over a finite element of annual waste processing capacity. These variable payments have been treated as relating to the intangible asset as they are not "guaranteed" consideration receivable from the Authority.

At practical completion of the construction of the waste treatment facilities, a capital contribution was received from the Authority. On the basis that this capital contribution represents a "guaranteed" element of consideration from the Authority, it has been allocated against the financial asset, but only to the extent that it reduces the balance to £nil, and does not result in a negative financial asset.

To the extent that the capital contribution balance received exceeds the financial asset at practical completion, this has been recognised as a "payment on account" within the liabilities section of the balance sheet. This is on the basis that the payment made is in advance of services to be delivered during the operational period. The release profile of the payment on account in any given period is the amount of the Authority waste for that period as a proportion of the total Authority waste for the remainder of the concession (including that given period).

Amortisation is included in cost of sales in the income statement. The Group is amortising the intangible asset on a straight-line basis over the remaining term of the public-private partnership concession period to March 2033.

Expenses

Finance expense includes interest payable on borrowings. Interest expense is recognised in profit and loss as it accrues, using the effective interest method.

Taxation

The tax payable represents the sum of the tax currently payable and deferred tax.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable company. Deferred tax is not discounted.

2 Critical accounting judgements and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Intangible asset and deferred income

The release of deferred income and the intangible asset amortisation charge are based on estimates relating to the amount of the Authority waste for the relevant period as a proportion of the total Authority waste for the remainder of the concession, which runs until March 2033. Management makes an estimate of Authority waste forecast to be processed in future periods based on its judgement of availability of the waste treatment facilities in the future periods, by reference to the annual waste processing capacity of the facilities.

3 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Notes to the financial statements *(continued)*

3 Financial instruments – risk management *(continued)*

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables. The Group's credit risk is mainly attributable to its public sector trade receivables from local authorities and is therefore considered by the Directors to be very minimal. The amounts are carried on the balance sheet net of any provision for doubtful receivables estimated by the Directors based on experience and an evaluation of prevailing economic circumstances.

None of the financial assets are past due.

Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, as well as related processes and policies, are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

Capital structure

The Group manages its cash, overdrafts and equity as capital. The Group's principal objective is to ensure that the Group has sufficient capital to fund its operations. In developing business plans, management consider the likely capital requirements and how to fund these requirements.

The Group's capital was summarised as follows:	**2021**	2020
	£000	£000
Cash and cash equivalents	**953**	829
Total shareholder's deficit	**(9,576)**	(8,271)
Total deficit	**(8,623)**	(7,442)

Notes to the financial statements *(continued)*

4 Revenue

An analysis of the Group's revenue is as follows:

	2021 £000	2020 £000
Continuing operations		
Unitary revenue	**2,721**	2,441
Landfill tax pass-through revenue	**301**	285
Other pass-through revenue	**701**	631
Third party income	**8,843**	9,815
	12,566	13,172

5 Operating profit

	2021	2020
Operating profit is stated after charging:	**£000**	£000
Amortisation of intangible asset	**1,731**	1,731

No audit fees are paid by either the Group or the Parent Company, as the audit fees of £42,000 (2020: £25,000) and £26,000 (2020: £nil) respectively are borne by a fellow group undertaking, Enterprise Managed Services Limited.

6 Directors and key management personnel remuneration

No staff were directly employed by the Group (2020: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractors' service charge.

No Directors were remunerated through the Group in either the current or prior year. Payments of £62,000 were made in the year for services of Directors to their employers (2020: £57,000). Details of the remuneration of one Director, whose services are of a non-executive nature and who is also director of the Group's fellow group undertaking, Thalia Waste Management Limited, are disclosed in that company's financial statements. Their remuneration is deemed to be wholly attributable to their services to that company. The emoluments of the other Director who served during the year were paid by Amey UK Limited (formerly Amey UK plc). Their remuneration was deemed to be wholly attributable to their services to that company.

7 Finance income and expense

	2021 £000	2020 £000
Finance expense		
Interest payable on shareholder loan	**1,401**	1,223
Total finance expense	**1,401**	1,223

Notes to the financial statements *(continued)*

8 Taxation

	2021 £000	2020 £000
Current tax		
Current year credit	**306**	83
Total tax credit	**306**	83
Loss before tax	**(1,611)**	(435)
Expected tax credit based on the standard rate of United Kingdom corporation tax at the domestic rate of 19% (2020: 19%)	**306**	83
Total tax credit	**306**	83

On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of UK Corporation Tax to increase to 25% from 1 April 2023. There is no impact on the current year tax charge.

9 Intangible asset

	2021 £000
Cost	
At 1 January 2021	**26,129**
At 31 December 2021	**26,129**
Amortisation	
At 1 January 2021	**4,923**
Charge for the year	**1,731**
At 31 December 2021	**6,654**
Net book value	
At 31 December 2021	**19,475**
At 1 January 2021	21,206

Note 1 includes a description of what the intangible asset relates to and the associated accounting policy adopted by the Group.

10 Trade and other receivables

	2021 £000	2020 £000
Trade receivables	**968**	2,126
Amounts due from fellow group undertakings	**389**	273
Other receivables	**1,900**	1,600
	3,257	3,999

Notes to the financial statements *(continued)*

11 Trade and other payables

	2021 £000	2020 £000
Current		
Trade creditors	-	1,989
Accruals	2,323	1,047
Other creditors	2	-
Other tax and social security	172	175
Deferred income	1,731	1,731
	4,228	4,942
Non-current		
Deferred income	17,744	19,475
Total financial liabilities, excluding loans and borrowings classified as financial liability measured at amortised cost	21,972	24,417

Amounts owed to fellow group undertakings are unsecured and payable on demand.

12 Loans and borrowings

The book value of loans and borrowings is as follows:

	Book value 2021 £000	Book value 2020 £000
Current		
Shareholder loan	3,199	2,446
Non-current		
Shareholder loan	8,090	7,442
Total loans and borrowings	11,289	9,888

Principal terms and the debt repayment schedule of the Group's borrowings are as follows as at 31 December 2021:

	Currency	Nominal rate %	Year of maturity
Shareholder loan fixed interest rate	Sterling	12.50%	2031

Repayments are scheduled to be made in semi-annual instalments ending 30 September 2031.

14 Called-up share capital

	2021 Number	2021 £000	2020 Number	2020 £000
Authorised, issued and fully paid				
Ordinary shares of £1 each	50,000	50	50,000	50

Notes to the financial statements *(continued)*

15 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Retained earnings	All net gains and losses and transactions with owners not recognised elsewhere.

16 Related party transactions

During the year the Group entered into the following transactions with related parties:

	2021 Purchase of goods/ services £000	2021 Amounts owed to/(due from) related parties £000
Amey UK Limited (formerly Amey UK plc) group and subsidiaries		
Albany Ventures Management Services Limited (formerly Amey Ventures Management Services Limited)	**148**	**-**
Amey Ventures Asset Holdings Limited	**732**	**5,645**
Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited)	**9,869**	**(234)**
Thalia Ventures Limited (formerly Cespa Ventures Limited)	**731**	**5,731**
	11,480	**11,142**

	2020 Purchase of goods/ services £000	2020 Amounts owed to related parties £000
Amey UK Limited (formerly Amey UK plc) group and subsidiaries		
Albany Ventures Management Services Limited (formerly Amey Ventures Management Services Limited)	144	-
Amey Ventures Asset Holdings Limited	612	4,944
Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited)	9,551	2,017
Thalia Ventures Limited (formerly Cespa Ventures Limited)	640	5,001
	10,947	11,962

Notes to the financial statements *(continued)*

16 Related party transactions *(continued)*

Amounts due from/(owed to) related parties are classified in the financial statements as follows:

	Accrued income £000	Other receivables £000	Accruals £000	Trade and other creditors £000	Total £000
2021					
Amey Ventures Asset Holdings Limited	**-**	**-**	**-**	**(5,645)**	**(5,645)**
Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited)	**960**	**-**	**(726)**	**-**	**234**
Thalia Ventures Limited (formerly Cespa Ventures Limited)	**-**	**-**	**(87)**	**(5,644)**	**(5,731)**
	960	**-**	**(813)**	**(11,289)**	**(11,142)**
2020					
Amey Ventures Asset Holdings Limited	-	-	-	(4,944)	(4,944)
Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited)	933	-	(961)	(1,989)	(2,017)
Thalia Ventures Limited (formerly Cespa Ventures Limited)	-	-	(57)	(4,944)	(5,001)
	933	-	(1,018)	(11,877)	(11,962)

All balances are unsecured, and no other company acts a guarantor for the amounts outstanding. During the period under review, no amount has been set aside as a provision for non-payment of any of the amounts outstanding at the year end (2020: £nil). During the year no amounts have been written off as irrecoverable (2020: £nil).

17 Ultimate parent undertaking

Thalia MK HoldCo Limited was under the joint ownership and control of Amey Ventures Asset Holdings Limited and Thalia Ventures Limited (formerly Cespa Ventures Limited) until 30 November 2022; whereupon, ownership of the Company was transferred to Thalia Waste Management Limited.

Amey Ventures Asset Holdings Limited is a wholly owned subsidiary within the Amey UK Limited (formerly Amey UK plc) group, whose ultimate parent was Ferrovial, S.A., a company incorporated in Spain, up until 30 December 2022 when the Amey group was acquired by Project Ardent BidCo Limited, a company controlled by One Equity Partners and Buckthorn Partners.

Thalia Ventures Limited is a wholly owned subsidiary of Thalia Holdco Limited (formerly Cespa UK Limited), a company incorporated in the UK, whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain.

The ultimate parent undertaking and controlling party is Ferrovial, S.A. The consolidated financial statements of Ferrovial, S.A. can be obtained from that company's registered office: Calle Príncipe de Vergara 135, 28002 Madrid, Spain.

The parent of the smallest group in which these financial statements are consolidated is Amey UK Limited (formerly Amey UK plc), incorporated in England and Wales of which this Group was a member until 30 November 2022. The largest group in which the Group's results are consolidated is Ferrovial, S.A.

Notes to the financial statements *(continued)*

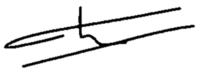
18 Analysis of changes in net debt

	At 1 January 2021 £000	Cash flows £000	Other non-cash changes £000	**At 31 December 2021 £000**
Cash at bank and in hand	829	124	-	953
Loans and borrowings	(9,888)	-	(1,401)	(11,289)
	(9,059)	124	(1,401)	**(10,336)**

Company balance sheet
As at 31 December 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Investment in subsidiary undertaking	22	-	50
Total assets		-	50
Issued capital and reserves attributable to equity shareholders of the Parent Company			
Called-up share capital	23	**50**	50
Retained earnings	20	**(50)**	-
Total shareholders' equity		-	50

The financial statements of Thalia MK HoldCo Limited (formerly AmeyCespa (MK) Holding Co Limited), registered number 08538303, on pages 28 to 32 were approved and authorised for issue by the Board of Directors on 20 March 2023 and were signed on its behalf by:



F Hevia Gonzalez
Director

The notes on pages 30 to 32 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2021

	Called-up share capital £000
Balance at 1 January 2020	50
Result for the year	-
Balance at 31 December 2020	50
Balance at 1 January 2021	**50**
Total comprehensive expense for the year	**(50)**
Balance at 31 December 2021	**-**

The notes on pages 30 to 32 form part of these financial statements.

Notes to the Company's financial statements
(forming part of the financial statements)

19 Accounting policies

Thalia MK HoldCo Limited (formerly AmeyCespa (MK) Holding Co Limited) ("the Company") is a private company limited by shares, incorporated under the Companies Act 2006 and domiciled in the United Kingdom and registered in England & Wales (company registration number 08538303). The Company's registered address is specified in the strategic report on page 3. The Company is a holding company and the principal activity of its subsidiary, AmeyCespa (MK) SPV Limited, is the design, installation, operation and maintenance of residual waste treatment facilities under a public-private partnership concession. The Company's parent company and ultimate parent undertaking are disclosed in note 25 on page 32.

Accounting reference date

The Company's accounting reference date is 30 December 2021; however, the accounts are drawn up to 31 December 2021. The impact of this on the financial statements is not considered to be material.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the historical cost convention and in accordance with the Companies Act 2006.

The following exemptions from the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement': disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
- Paragraph 38 of IAS 1, 'Presentation of financial statements': comparative information requirements in
    - paragraph 79(a)(iv) of IAS 1
    - paragraph 73(e) of IAS 16, 'Property, plant and equipment'
    - paragraph 118(e) of IAS 38, 'Intangible assets': reconciliations between the carrying amount at the beginning and end of the period
- The following paragraphs of IAS 1:
    - 10(d): statement of cash flows
    - 10(f): a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
    - 16: statement of compliance with all IFRS
    - 38A: requirement for minimum of two primary statements, including cash flow statements
    - 38B-D: additional comparative information
    - 40A-D: requirements for a third statement of financial position
    - 111: cash flow information
    - 134-136: capital management disclosures
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors': requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
- Paragraph 17 of IAS 24, 'Related party disclosures': key management compensation
- The requirements of IAS 24: disclosure of related party transactions entered into between two or more members of a group.

Notes to the Company's financial statements *(continued)*

19 Accounting policies *(continued)*

Basis of preparation *(continued)*

Investment in subsidiary undertakings

Investment by the Company in the shares of subsidiary undertakings are stated at cost less any provision, where in the opinion of the Directors, there has been a permanent impairment in the value of any investment.

Deferred tax

Deferred tax is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Called-up share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

20 Company statement of comprehensive income

Thalia MK HoldCo Limited has taken advantage of Section 408 (2) and (3) of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Company's total comprehensive expense for the year is disclosed in the Company statement of changes in equity. Total comprehensive expense for the year was £50,000 (2020: £nil).

21 Key management personnel compensation

During the year, no remuneration was paid to the key management personnel of the Company.

22 Investments in subsidiary undertakings

The Company's investments are as follows:

	Investment in subsidiary £000
Cost or valuation	
At 1 January 2021 and 31 December 2021	**50**
Accumulated impairment	
At 1 January 2021	-
Impairment charge for the year	**(50)**
At 31 December 2021	**(50)**
Net book value	
At 31 December 2021	-
At 31 December 2020	50

Notes to the Company's financial statements *(continued)*

22 Investments in subsidiary undertakings *(continued)*

The subsidiary of Thalia MK HoldCo Limited, which has been included in the consolidated financial statements, is:

Name and registered address	**Country of incorporation**	**Proportion of ownership interest at 31 December 2021**
Thalia MK SPV Limited, 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB	United Kingdom	100%

23 Called-up share capital

	2021 Number	**2021 £000**	2020 Number	2020 £000
Authorised, issued and fully paid				
Ordinary shares of £1 each	**50,000**	**50**	50,000	50

24 Related party transactions

During the year the Company did not enter into any transactions with related parties.

25 Ultimate parent undertaking

Thalia MK HoldCo Limited was under the joint ownership and control of Amey Ventures Asset Holdings Limited and Thalia Ventures Limited (formerly Cespa Ventures Limited) until 30 November 2022; whereupon, ownership of the Company was transferred to Thalia Waste Management Limited.

Amey Ventures Asset Holdings Limited is a wholly owned subsidiary within the Amey UK Limited (formerly Amey UK plc) group, whose ultimate parent was Ferrovial, S.A., a company incorporated in Spain, up until 30 December 2022 when the Amey group was acquired by Project Ardent BidCo Limited, a company controlled by One Equity Partners and Buckthorn Partners.

Thalia Ventures Limited is a wholly owned subsidiary of Thalia Holdco Limited (formerly Cespa UK Limited), a company incorporated in the UK, whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain.

The ultimate parent undertaking and controlling party is Ferrovial, S.A. The consolidated financial statements of Ferrovial, S.A. can be obtained from that company's registered office: Calle Príncipe de Vergara 135, 28002 Madrid, Spain.

The parent of the smallest group in which these financial statements are consolidated is Amey UK Limited (formerly Amey UK plc), incorporated in England and Wales of which this Company was a member until 30 November 2022. The largest group in which the Company's results are consolidated is Ferrovial, S.A.