

Registered number: 04305487

MARSTON (HOLDINGS) LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

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MARSTON (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	R J Anderson M S Watson (appointed 5 June 2020) R J Shearer (resigned 5 June 2020)
Company secretary	Squire Patton Boggs Secretarial Services
Registered number	04305487
Registered office	Rutland House, 8th Floor 148 Edmund Street Birmingham B3 2JR
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 11th Floor Landmark St Peters Square 1 Oxford Street Manchester M1 4PB
Bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Solicitors	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP

MARSTON (HOLDINGS) LIMITED

CONTENTS

	Page
Strategic Report	3 - 5
Directors' Report	6 - 9
Independent Auditors' Report	10 - 13
Consolidated Statement of Profit or Loss and Comprehensive Income	14
Consolidated Statement of Financial Position	15 - 16
Company Statement of Financial Position	17 - 18
Consolidated Statement of Changes in Equity	19
Company Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21 - 22
Notes to the Consolidated Financial Statements	23 - 84

MARSTON (HOLDINGS) LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2021**

Introduction

The directors have complied with s414C of the Companies Act 2006 in preparing this strategic report.

Principal activities

The Group provides an integrated range of transportation services, including:

- Consulting and technology;
- Back office processing;
- DVLA services;
- Civil parking services;
- Road traffic debt recovery;
- Smart meter installations; and
- Motor vehicle recoveries.

It also provides other debt recovery and enforcement services, including:

- Criminal fine enforcement;
- Council tax recovery;
- Civil enforcement; and
- Utility sector debt recovery.

Business review

During the financial year, the group was faced with the implications of the pandemic and three lockdowns due to government restrictions. Enforcement services were stopped by regulation for the period from March to August 2020. Despite these challenges the Group was able to maintain a consistent cash and net asset position.

The Group's performance was stable during the year:

- turnover decreased by £32.3m, from £287.4m to £255.1m;
- profit from operations also decreased by £8.0m, from £20.5m to £12.5m;
- the operating profit margin decreased by 2.2%, from 7.1% to 4.9%;
- profit for the year decreased by £18.9m, from £19.8m to £0.9m;
- cash and cash equivalents decreased slightly, from £25.7m to £25.2m;
- current assets increased by £27.9m, from £197.4m to £225.3m; and
- net assets increased by £4.3m, from £271.6m to £275.9m.

The Group successfully repocured key contracts with the Ministry of Justice (which potentially runs to 2027) and Transport for London (which potentially runs to 2030) during the year. These successful renewals reinforce the Board's confidence in the Group's long term prospects.

The Airports division ceased in November 2020 and a £6.9m impairment to Goodwill has been recognised in the year.

MARSTON (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

Principal risks and uncertainties

The primary risk factor during the period under review related to the impact of the Covid-19 pandemic on the financial health of the group.

The pandemic had an operational impact as a result of the lockdowns that occurred on 23 March 2020, and the rolling lockdown restrictions imposed during the course of the financial year. The group has however continued to perform profitability.

The Group's diversified business model, long term contracts, large number of clients and high contract retention rate all mitigate pandemic-related risk.

The operational impact of Covid-19 has been reflected in the forecasts for the year ended 31 May 2022 and the 3 year plan. The Board has reviewed the Group's cash flow and profit forecasts and, on the basis of these, is confident that the Group has sufficient liquidity moving forward.

Future developments

The Board considers that the Group has the necessary resources, controls and risk management processes to professionally manage any residual impact of Covid-19.

It also expects to increase its technology investment in the years ahead, and to further develop new ways of working with its clients.

Statement by the Directors on performance of their statutory duties in accordance with S172(1) of the Companies Act 2006

The Board acts to promote the interests of the business and its key stakeholders, which include its staff, contractors, suppliers and customers (debtors).

Independent Advisory Group

The Board maintains an independent Advisory Group that assesses Marston's adherence to its ethical framework, and ensures that there is a mechanism whereby staff, contractors and customers (debtors) can raise issues independently.

The Advisory Group is chaired by Sam Younger CBE. Sam was formerly Managing Director of the Charity Commission, and is also the Chairman of Which?.

Platinum Investors in People accreditation

The Board recognises the importance of its employees, and this is reflected in the Group being awarded Platinum Investors in People accreditation in November 2020.

To attain Platinum status, a business must provide clear evidence that it puts people at the heart of decision making, and that it works in line with its values and towards a shared vision.

Employers' Initiative on Domestic Abuse

Marston became a founding member of the Employers' Initiative on Domestic Abuse in November 2020.

This is a network of large and small businesses whose mission it is to enable employers to take action on domestic abuse – raising awareness among all employees, supporting those facing domestic abuse and providing access to services to help perpetrators to stop.

MARSTON (HOLDINGS) LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

Inclusion Initiative

The Investors in People Platinum assessment report found that 87 per cent of respondents had seen developments across the business in recruitment, selection, retention and diversity.

This recognises the shared ethos of Marston colleagues to work together towards creating an inclusive and diverse working community.

To further support this, we launched an Inclusion Initiative in December 2020. Representative volunteers from across the business now work in consultation with our Independent Advisory Group and Ethics Committee to offer counsel in these areas.

This report was approved by the board on 2/2/2022 and signed on its behalf.

M Watson

M S Watson
Director

MARSTON (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2021

The directors present their report and the financial statements for the year ended 31 May 2021.

Results and dividends

The profit for the year, after taxation, amounted to £874,000 (2020 - £19,750,000).

Turnover generated for the year to May 2021 was £255,108,000 (year ended May 2020: £287,426,000). The profit before tax was £2,168,000 (2020 £16,313,000).

The directors do not recommend a payment of a dividend (2020: £nil).

Directors

The Directors who served during the year and after the year end were:

R J Anderson
R J Shearer (resigned 5 June 2020)
M S Watson (appointed 5 June 2020)

Strategic Report

The Group's principal activities, risks and uncertainties and future developments are set out in the strategic report, as are the business review and the s172(1) disclosures.

Going Concern

The directors have considered forecast financial performance, recoverability of assets and financial viability for the period extending at least 12 months from the date of approval of these financial statements up to February 2023. This includes scenario analysis and stress testing in relation to Covid 19 and continued covenant compliance.

As a result, the directors have reasonable expectation that there are adequate resources for the company to continue in operational existence for the foreseeable future, and have therefore adopted the going concern basis in preparing these financial statements.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

Employee engagement

Refer to the Statement by the Directors on performance of their statutory duties in accordance with S172(1) of the Companies Act 2006 for details relating to employee engagement.

MARSTON (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

Streamlined Energy and Carbon Reporting

The Board is committed to minimising the impact of its business activities on the environment and working towards net carbon neutrality as soon as is practical.

Our environmental-footprint strategy seeks to address greenhouse-gas (GHG) emissions and waste across our entire operations as we strive to continually strengthen our environmental practices. We also work with clients and provide outsourced services to help them on their own journeys towards environmental sustainability.

Basis of preparation

2018/19 has been used as the base reporting year as this was the last financial year which was uninterrupted by the Covid-19 pandemic.

The following GHG emission sources have been included:

- Scope 1 Direct GHG emissions, such as from heating appliances and vehicles; and
Scope 2 Indirect, such as those GHG emissions associated with the generation of electricity by suppliers

These definitions comply with the Environmental Reporting Guidelines issued by the Department for Environment, Food and Rural Affairs and the Department for Business, Energy and Industrial Strategy.

The Group's energy footprint has been calculated in accordance with both the Environmental Reporting Guidelines and the Greenhouse Gas Protocol.

Department for Environment, Food and Rural Affairs emission factors have been used for all GHG emission sources, as these provide the most comprehensive list of factors and allow an activity to be converted into carbon dioxide equivalent.

Location-based emissions factors have been used in the production of all returns. A materiality level of two per cent has been applied for all fuel sources.

Scope 1 and Scope 2
Mandatory greenhouse gas emissions by source
Base year comparison

	2021 KWh Energy	2019 KWh	2021 tCO ₂ e Emissions	2019 tCO ₂ e
Scope 1 - direct emissions, natural gas, vehicle fuel	15,937,539	25,290,107	3,711	6,143
Scope 2 - indirect emissions, electricity usage	3,839,268	4,701,966	895	1,202
	<u>19,776,807</u>	<u>29,992,073</u>	<u>4,606</u>	<u>7,345</u>

MARSTON (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

Prior year comparison

	2021 KWh Energy	2020 KWh	2021 tCO₂e Emissions	2020 tCO₂e
Scope 1 - direct emissions, natural gas, vehicle fuel	15,937,539	20,654,260	3,711	4,758
Scope 2 - indirect emissions, electricity usage	3,839,268	4,471,603	895	1,081
Total	19,776,807	25,125,863	4,606	5,839

Comparing annual GHG emissions with the prior year, a reduction of 21% has been achieved, this equates to 1,233 tonnes of carbon dioxide. This is a reduction of 2,739 tonnes of carbon dioxide on the base year or 37%.

The Group intensity ratio is the rate of carbon production per million pounds of turnover. The Group intensity ratio has reduced from 20.34 tCO₂e / £m in FY20 to 18.06 tCO₂e / £m turnover in FY21. This is a 11% improvement in carbon efficiency.

Management endeavours to reduce Scope 1 emissions throughout the reporting period were very effective, with the introduction of more efficient vehicles and the use of improving technology to influence driver behaviour. This led to a 22% reduction in scope 1 emissions compared with the prior year.

Scope 2 emissions are generated entirely as a result of electricity used at our workplaces.

Opportunities to move to more energy efficient premises only occur infrequently, so many smaller efficiencies are needed to reduce emissions. These include replacing any end-of-life equipment with more efficient versions, introducing procedural efficiencies and again influencing employee behaviour to improve performance and reduce energy usage. The opportunity to move to more efficient premises, based on EPC ratings, is taken whenever appropriate.

Specific factors contributing to the overall reduction of GHG emissions:

- A programme to switch the vehicle fleet to fully electric or hybrid, wherever possible. The percentage of the fleet that is fully electric or hybrid is monitored and reported on a monthly basis.
- EV transition programme. Telematics are fitted to each vehicle, when analysed in the context of geography, daily mileage and usage enables identification on an individual vehicle basis when it is advantageous to switch to a fully electric version, when factoring in charging infrastructure, down time and range.
- Where current technology doesn't yet facilitate a switch to an electric vehicle, we now restrict supply of petrol or diesel vehicles to only the most fuel-efficient variants.
- Driver behaviour and vehicle performance is monitored via on-board telematics. Continuous analysis and education programmes are driving improvements in miles per gallon and percentage of time that a vehicle spends idling. Both of these metrics are reported monthly.
- Significant refurbishment of two large workplaces has included the replacement of all florescent lighting in favour of LEDs, and other energy saving measures.

Directors' and officers' liability insurance

The Group maintained a directors' and officers' liability insurance policy (with third party indemnity) throughout the period under review.

MARSTON (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

Disclosure of information to auditors

The directors confirm that:

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

Post year end events

On the 23 December 2021 the Group completed the acquisition of the share capital of Vortex IOT Limited.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Directors' Responsibilities Statement for the year ended 31 May 2021

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report was approved by the board on 2/2/2022 and signed on its behalf.

M Watson

M S Watson
Director

MARSTON (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARSTON (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Marston (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2021 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes, 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 International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2021 and of the Group's profit and the parent company's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; 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 auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Company 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

MARSTON (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARSTON (HOLDINGS) LIMITED
(CONTINUED)**

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 parent 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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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; or
- certain disclosures of directors' remuneration specified by law are not made; or

MARSTON (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARSTON (HOLDINGS) LIMITED
(CONTINUED)**

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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's and the 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 or the parent 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 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.

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

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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and company, and the industry in which it operates. We determined the those that relate to the financial reporting framework, including International Financial Reporting Standards, Financial Reporting Standard 101 and Companies Act 2006 and Tribunals, Courts and Enforcement Act 2007 to be the most significant laws and regulations to the entity. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. From the procedures performed we did not identify any matters relating to noncompliance with laws and regulation or matters in relation to fraud.
- We assessed the susceptibility of the group and company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - evaluation of the processes and controls established to address the risks related to irregularities and fraud;

MARSTON (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARSTON (HOLDINGS) LIMITED
(CONTINUED)**

- testing journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
- identifying and testing related party transactions.
- In assessing the potential risks of material misstatement, we obtained an understanding of the group and company's operations, including the nature of revenue sources, services and its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience through training and participation with audit engagements of a similar nature;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The group and company's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement and
 - the group and company's control environment including the adequacy of procedures for authorisation of transactions.

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

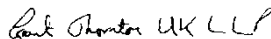
Gareth Hitchmough

Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester



Date: 3/2/2022

MARSTON (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2021

	Note	2021 £000	2020 £000
Revenue	8	255,108	287,426
Administrative expenses		(89,539)	(108,723)
Employee costs	11	(133,770)	(136,442)
Depreciation and amortisation expense	9	(19,333)	(21,808)
Profit from operations		12,466	20,453
Finance income	12	21	69
Finance expense	12	(3,450)	(4,209)
Impairment charge of intangible assets	16	(6,869)	-
Profit before tax		2,168	16,313
Tax (expense)/credit	13	(1,294)	3,437
Profit for the year		874	19,750
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	32	2,754	(2,131)
Deferred tax current year charge	13	660	(828)
Other comprehensive income for the year, net of tax		3,414	(2,959)
Total comprehensive income		4,288	16,791

The notes on pages 23 to 84 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	14	27,221	29,486
Intangible assets	15	214,529	227,198
		<u>241,750</u>	<u>256,684</u>
Current assets			
Inventories	19	402	417
Trade and other receivables	20	199,695	171,210
Cash and cash equivalents		25,213	25,743
		<u>225,310</u>	<u>197,370</u>
Total assets		<u>467,060</u>	<u>454,054</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	23	18,698	20,085
Employee benefit liabilities	32	2,083	4,182
Provisions	24	5,211	9,338
Deferred tax liability	13	6,245	5,679
		<u>32,237</u>	<u>39,284</u>
Current liabilities			
Trade and other liabilities	21	153,320	136,383
Loans and borrowings	23	5,150	6,035
Provisions	24	467	755
		<u>158,937</u>	<u>143,173</u>
Total liabilities		<u>191,174</u>	<u>182,457</u>
Net assets		<u>275,886</u>	<u>271,597</u>

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MAY 2021

	Note	2021 £000	2020 £000
Issued capital and reserves attributable to owners of the parent			
Share capital	25	163,055	163,055
Retained earnings	26	112,831	108,542
		<u>275,886</u>	<u>271,597</u>
TOTAL EQUITY		<u><u>275,886</u></u>	<u><u>271,597</u></u>

The financial statements on pages 14 to 84 were approved and authorised for issue by the board of directors on and were signed on its behalf by: 2/2/2022

M Watson

M S Watson
 Director

The notes on pages 23 to 84 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	14	5,480	6,038
Intangible assets	15	2,833	1,391
Other non-current investments	18	225,099	225,099
Deferred tax assets	13	25	-
		233,437	232,528
Current assets			
Trade and other receivables	20	251,201	122,979
Cash and cash equivalents		2,915	21,535
		254,116	144,514
Total assets		487,553	377,042
Liabilities			
Non-current liabilities			
Loans and borrowings	23	2,740	6,670
Provisions	24	4,213	8,848
Deferred tax liability	13	-	1,012
		6,953	16,530
Current liabilities			
Trade and other liabilities	21	206,111	88,894
Loans and borrowings	23	2,353	284
Provisions	24	98	-
		208,562	89,178
Total liabilities		215,515	105,708
Net assets		272,038	271,334

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MAY 2021

	Note	2021 £000	2020 £000
Issued capital and reserves attributable to owners of the parent			
Share capital	25	163,055	163,055
Retained earnings	26	108,983	108,279
TOTAL EQUITY		272,038	271,334

The Company has taken the exemption from presenting the parent company Statement of Profit or Loss and Other Comprehensive Income. The Company's profit for the year was £253,000 (2020 - £37,560,000).

The financial statements on pages 14 to 84 were approved and authorised for issue by the board of directors on and were signed on its behalf by: 2/2/2022

M. Watson

M S Watson
 Director

The notes on pages 23 to 84 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2021**

	Share capital £000	Retained earnings £000	Total attributable to equity holders of parent £000	Total equity £000
At 1 June 2019	12,935	91,751	104,686	104,686
Comprehensive income for the year				
Profit for the year	-	19,750	19,750	19,750
Other comprehensive loss	-	(2,959)	(2,959)	(2,959)
Total comprehensive income for the year	-	16,791	16,791	16,791
Contributions by and distributions to owners				
Issue of share capital	150,120	-	150,120	150,120
Total contributions by and distributions to owners	150,120	-	150,120	150,120
At 31 May 2020	163,055	108,542	271,597	271,597
At 1 June 2020	163,055	108,542	271,597	271,597
Comprehensive income for the year				
Profit for the year	-	874	874	874
Other comprehensive income	-	3,414	3,414	3,414
Total comprehensive income for the year	-	4,288	4,288	4,288
Contributions by and distributions to owners				
At 31 May 2021	163,055	112,830	275,885	275,885

The notes on pages 23 to 84 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2021**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 June 2019	12,935	33,929	46,864
Comprehensive income for the year			
Profit for the year	-	37,560	37,560
Share of partnership loss/deferred tax	-	(1,504)	(1,504)
Total comprehensive income for the year	-	36,056	36,056
Contributions by and distributions to owners			
Issue of share capital	150,120	-	150,120
Dividend paid	-	38,294	38,294
Total contributions by and distributions to owners	150,120	38,294	188,414
At 31 May 2020	163,055	108,279	271,334
At 1 June 2020	163,055	108,279	271,334
Comprehensive income for the year			
Profit for the year	-	253	253
Share of partnership loss/deferred tax	-	451	451
Total comprehensive income for the year	-	704	704
Contributions by and distributions to owners			
At 31 May 2021	163,055	108,983	272,038

The notes on pages 23 to 84 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021

	2021 £000	As restated 2020 £000
Cash flows from operating activities		
Profit for the year	874	19,750
Adjustments for		
Depreciation and amortisation	19,333	21,808
Impairment losses on intangible assets	6,869	-
Finance expense	3,450	1,059
Income tax expense	1,294	(3,437)
	31,820	39,180
Movements in working capital:		
Increase in trade and other receivables	(32,887)	(14,740)
Decrease/(increase) in inventories	15	(417)
Increase in trade and other payables	16,556	2,739
Increase/(decrease) in provisions and employee benefits	319	(2,584)
	15,823	24,178
Cash generated from operations	15,823	24,178
Income taxes paid	4,380	(7,770)
	20,203	16,408
Net cash from operating activities	20,203	16,408
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(1,561)
Purchases of property, plant and equipment	(2,219)	(1,765)
Purchase of intangibles	(2,996)	(6,328)
Interest received	21	69
Payment of contingent consideration	(4,734)	-
	(9,928)	(9,585)
Net cash used in investing activities	(9,928)	(9,585)
Cash flows from financing activities		
Payments of finance lease creditors	(10,805)	(7,219)
Interest Paid	-	(594)
	(10,805)	(7,813)
Net cash used in financing activities	(10,805)	(7,813)
Net cash decrease in cash and cash equivalents	(530)	(990)
Cash and cash equivalents at the beginning of year	25,743	26,733

MARSTON (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021

	2021	<i>As restated</i>
	£000	<i>2020</i> <i>£000</i>
Cash and cash equivalents at the end of the year	25,213	<i>25,743</i>

The notes on pages 23 to 84 form part of these financial statements.

Prior year restatement

The prior year Consolidated Statement of Cashflows has been restated as the income tax expense had been presented as a £3,437,000 expense. However, as per the Consolidated Statement of Profit or Loss, the £3,437,000 was a tax credit and has therefore been restated in the Consolidated Statement of Cashflows as (£3,437,000). The increase in trade and other payables has been correctly restated to £2,739,000. The net cash decrease for the year and cash and cash equivalents at the end of the year have therefore been updated as a result of the restatements to (£990,000) and £25,743,000 respectively. This is now in line with the balance presented per the Consolidated Statement of Financial Position.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

1. Reporting entity

Marston (Holdings) Limited (the 'Company') is a limited company incorporated in England and Wales and domiciled in the United Kingdom. The Company's registered office is at Rutland House 8th Floor, 148 Edmund Street, Birmingham, B3 2JR. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in an integrated range of transportation services and other debt recovery and enforcement services, as set out in the Strategic Report on page 3.

2. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations in conformity with the requirements of the Companies Act 2006 (collectively IFRSs). The Company's individual financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

Details of the Group's accounting policies are included in note 4.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Statement of Comprehensive Income in these financial statements.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 7.

2.1 Basis of measurement**2.2 Changes in accounting policies****i) New standards, interpretations and amendments effective from 1 June 2020****ii) New standards, interpretations and amendments not yet effective**

The following standards and interpretations to published standards are not yet effective:

New standard or interpretation	EU Endorsement status	Mandatory effective date (period beginning)
IFRS 17 - Insurance Contracts	Not endorsed	1 January 2023
Amendments to IFRS 3 - Definition of a business	Not endorsed	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of Material	Not endorsed	1 January 2020

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2. Basis of preparation (continued)

ii) New standards, interpretations and amendments not yet effective (continued)

Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards	Endorsed	1 January 2020
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The directors anticipate that the adoption of these Standards in future periods may have an impact on the results and net assets of the Company, however, it is too early to quantify this.

The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation in the financial statements of the Company.

3. Going Concern

The directors have considered forecast financial performance, recoverability of assets and financial viability for the period extending at least 12 months from the date of approval of these financial statements up to February 2023. This includes scenario analysis and stress testing in relation to Covid 19 and continued covenant compliance.

As a result, the directors have reasonable expectation that there are adequate resources for the company to continue in operational existence for the foreseeable future, and have therefore adopted the going concern basis in preparing these financial statements.

4. Accounting policies

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.1 Basis of consolidation (continued)

voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)**4.2 Business combinations (continued)**

net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. *Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 4.2) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.3 Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.4 Revenue from Contracts with Customers

Revenue from contracts with customers requires the separation of performance obligations within contracts with customers and the contractual value to be allocated each of the performance obligations. A review of our key revenue streams is shown below.

Revenue streams:

The Tribunals, Courts and Enforcement Act 2007 ('TCE') Revenue Streams (Road Traffic Debt Enforcement, Civil Enforcement, Council Tax Recovery)

Road Traffic Debt Enforcement is the collection of unpaid road traffic debts for local and government authorities.

Civil Enforcement relates to the enforcement of High Court orders which can be of significant value. Council tax consists of the collection of liability orders for local authorities these are received from circa 145 different authorities.

Under IFRS 15, the performance obligation is identified as the agreement to take appropriate action as set out under TCE legislation to attempt to collect the debt on behalf of the customer. This obligation occurs at the point in time upon which the case is uploaded to our case management system. The transaction prices are set by the TCE for each enforcement action or clearly within the pricing matrices in the customer contract.

We refer to s51-54 of IFRS15 in considering this revenue to be variable as a result of the fee being dependent on the recovery of the underlying debt. We have used historic recovery rates to set our variable revenue at a value consistent with the expected value using probability weighted amounts. Under this method, where cases are assessed with a probability of success, we consider it highly probable that a significant reversal of revenue will not occur.

Civil Parking Services

The contracts consist of the provision of civil enforcement officers to local authorities and general back office processing services in relation to this. The distinct performance obligations of contracts entered in to for civil parking enforcement are:

- Deployment of CEOs (Civil Enforcement Officers), alongside provision of payment machines, processing penalty charge notices and;
- maintenance of roadside equipment.

Each distinct performance obligation is considered to include a number of interrelated and highly dependent promises that constitutes in aggregate the distinct performance obligation. The transaction price for each distinct performance obligation is clearly stipulated in the pricing matrices of each contract, meaning that the transaction price can be attributed to each of the distinct performance obligations. Revenue is recognised over time as we consider that each distinct performance obligation is simultaneously received and consumed as under the terms of civil parking services contracts they are based on hours of service provided to the customer. Certain contracts include bonuses and penalties for default, which are treated as variable revenue.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)**DVLA**

This contract is an exclusive nationwide contract with DVLA for the enforcement of vehicle excise duty warrants, warning notices, clamping, impounding and disposing of vehicles. The contract with the DVLA contains three distinct performance obligations, being the issuance of warning notices for untaxed vehicles, 'clean enforcement actions' (clamping or pounding of vehicles) and the disposal of vehicles. The transaction price for warning notices and clean enforcement actions is stipulated via contract with the DVLA. Revenue in respect of these obligations is recognised based on the volume of vehicles completed each month at a point in time. The transaction price for disposal of vehicles depends upon the selling price at auction. *This is considered to be a variable fee with reference to s51-54 of IFRS 15. We have estimated variable revenue in respect of vehicle disposal based on the number of vehicles held in stock multiplied by a rolling average scrap price, from typical market values of similar vehicles. We believe this provides an estimate consistent with the expected value using probability weighted amounts. Under this method we consider it highly probable that a significant reversal of revenue will not occur.*

Transportation back office processing

This consists of the back-office processing for government authorities of Penalty Charge Notices, taxi licences and right to work checks.

Performance obligations of these contracts include processing payments for taxi applications, eligibility checking and issuing penalty notices to Dartford Tunnel users. All elements have a fixed fee determined by the contract. All services are ascertained to be highly interdependent under IFRS 15 and therefore revenues arising as a result of these obligations are recognised together at a point in time. As Transportation back office processing contracts are for the provision of man hours in return for fixed fees, management recognises the transaction price once the performance obligations are fulfilled.

Transportation Consultancy

This is the provision of planning, development and engineering consulting services to local authorities. Each contract contains performance obligations of design, landscaping and engineering which are highly interdependent. Each contract contains a fixed price for the works to be performed, and the transaction price is allocated over a period in time using project management software to estimate the stage of completion of each contract.

Airport transportation

This consists of transportation services provided at Heathrow and Gatwick airport that are divided into three primary areas: crew transfers, off pier transfers and hotel transfers.

Contracts contain performance obligations separately identifiable as the transfer of passengers and crew, at and around UK airports via bus journeys. The transaction price is fixed and identifiable within each contract. Revenue is recognised at a point in time that each bus journey is completed.

Motor Vehicle Recoveries

This is the recovery of vehicles for large car manufacturers and financiers where the contract generally in the form of lease arrangement has gone bad.

The performance obligations of this revenue stream are highly interdependent, being the location of vehicle, impounding of vehicle and returning the vehicle to its owner upon payment of outstanding debts. Transaction prices are specified for each different action agreed with the client, within the overall vehicle recovery contract. Revenue is recognised at a point in time, upon successful completion of a case and full satisfaction of all performance obligations. Certain aspects of the contracts, such as returning the vehicle to the owner, have a probability of success and therefore represent variable revenue. A probability weighting model is applied to any variable revenue and under this method we consider it highly probable that a significant reversal of revenue will not occur.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

Field Services

Field services are the provision of a standard range of enforcement services to private clients, such as utility companies or energy providers. Performance obligations are identified within the contract as a pre-disconnection visit, reconnection, disconnection or voiding – the obligations are all highly interdependent. Price of each workstream is set based on transaction prices included within the overall contract, with no variable elements to consider. Revenue is recognised at a point in time in pre-disconnection visits or reconnections, and over time in respect of disconnections or voiding.

Revenue related assets:

Contract setup costs

The incremental costs associated with obtaining a contract are recognised as an asset if the Group expects to recover the costs. Costs that are not incremental to a contract are expensed as incurred. Management determine which costs are incremental and meet the criteria for capitalisation.

Costs to fulfil a contract, which are not in the scope of another standard, are recognised separately as a contract fulfilment asset to the extent that they relate directly to a contract which can be specifically identified, the costs generate or enhance resources that will be used to satisfy the performance obligation and the costs are expected to be recovered. Management applies judgement to determine which contract fulfilment costs meet the recognition criteria, and in particular if the costs generate or enhance resources used to satisfy the performance obligation.

Costs to fulfil a contract, which do not meet the criteria above, are expensed as incurred.

Contract fulfilment assets

Contract fulfilment assets are amortised over the expected contract period on a systematic basis representing the pattern in which control of the associated service is transferred to the customer. Fulfilment costs incurred once the contract has begun to fulfil the performance obligation to which they relate are expensed.

Impairment of non-financial assets

Capitalised contract costs and contract fulfilment assets

The Group undertakes an assessment at each reporting date to determine whether capitalised contract costs and contract fulfilment assets are impaired. An impairment loss is recognised if the carrying amount of the capitalised contract costs or contract fulfilment asset exceeds the remaining consideration expected to be received for the services to which the asset relates, less the costs that directly relate to providing the services under the contract.

Deferred and accrued income

Where the payment and/or invoicing schedule within a customer contract does not match the recognition of revenue, the Group will recognise either accrued or deferred income.

4.5 Leasing

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.5 Leasing (continued)

The Group as a lessee (continued)

- implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. In determining the incremental borrowing rate, Management has reviewed the external borrowings of the Group and the cost of borrowing that would apply based on an amount equal to the gross value in use of the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in the 'Loans and borrowings' line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, Plant and Equipment' and 'Investment Property' lines, as applicable, in the Consolidated Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 4.9.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.6 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)
4.8 Taxation (continued)

from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation on assets under construction does not commence until they are complete and available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Long-term leasehold property			Straight Line over the length of the lease
Motor vehicles	4	- 7	years on a straight line basis
Fixtures and fittings	4	- 10	years on a straight line basis
Computer equipment	3	- 5	years on a straight line basis
Right of use assets			Straight line over the length of the lease

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.10 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

<i>Columbus (software)</i>	<i>Straight line over 10 years</i>
Columbus (software additions)	Over remaining useful life of Columbus (software) - 5 years
Other intangible assets - Relationships	Straight line over 2 - 8 years
Other intangible assets - Brand	Straight line over 4 - 10 years
Other intangible assets - Contracts	Straight line over 6 - 19 years
Computer software	3 - 5 years on a straight-line basis

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other intangible assets - relationships	Straight line over 6 - 17 years
Other intangible assets - contracts	Straight line over 12 - 19 years

4.11 Investments

Investments in subsidiaries and associates are measured at cost less impairment in accordance with IFRS 9. Impairment reviews are carried out if there is some indication that the carrying value of the investments may have been impaired. Where, in the opinion of the directors, an impairment of the investment has arisen, provisions are made in accordance with IFRS9 'Impairment of Assets'.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

4.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

4.15 Share Capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

4.16 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.17 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the business model and the nature of the contractual cashflows.

Trade receivables, amounts owed by group companies and other receivables: These are non-derivative financial assets which are held to collect the contractual cash flows, with fixed or determinable payments on specified dates, which are solely payments of principal and interest, that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

4. Accounting policies (continued)

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and similar financial institutions. Bank overdrafts are not offset unless permitted by a specific agreement with the provider of the overdraft.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, amounts owed by group companies and cash and cash equivalents.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within scope of the new requirements included loans and other debt type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitment and some financial guarantee contracts (for the issuer) that are measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of future cash flows of the instrument.

In applying the forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have objective evidence of impairment at a reporting date.

'12 month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of the simplified approach in accounting for trade and other receivables and records a loss allowance as lifetime expected credit losses. In calculating the Group uses its historical experience, external indicators and forward-looking information to calculate the credit losses using a provision matrix. The Group also makes a compliance provision in respect of the amounts it recognises in respect of the compliance fee. A provision is defined as a liability of uncertain amount or timing, that should be recognised when the transfer of economic benefits is probable, and the amount of the obligation can be estimated reliably. A provision is calculated to reflect the risk of future potential credit losses in the collection of compliance fees. The provision is calculated based on historical collection levels and reduced debts collected, along with the number of cases received in the month and the compliance fee value.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.20 Financial liabilities and equity instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through the profit and loss 'FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 29.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.21 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 21.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4.22 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.23 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4.24 Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

4. Accounting policies (continued)

4.25 Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- actuarial gains and losses
- return on plan assets (interest exclusive)
- any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

In respect of the asset ceiling an asset could be recognised to reflect the surplus in the scheme were the benefits to crystallize. This would reflect the fact that under the scheme rules a refund of contributions would be made to the Group of amounts paid over and above the amounts required to fund the benefits. Given the inherent uncertainty over the future economic factors impacting on the valuation of these liabilities we have chosen not to reflect this potential asset and instead cap the assets at the value of the liabilities.

4.26 Contingent consideration

Consideration for acquisitions can be amounts paid at acquisition date and amounts deferred which will fall due if certain performance measures are met. The amounts deferred are shown in the balance sheet as deferred consideration.

4.27 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

5. Disclosure exemptions - parent Company individual financial statements

In preparing its individual financial statements under FRS 101, the Company has taken advantage of the following disclosure exemptions permitted by FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- the requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment
 - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

6. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

7. Accounting estimates and judgements

7.1 Judgement

Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

7. Accounting estimates and judgements (continued)

7.1 Judgement (continued)

Significant management judgements

IFRS 15

Management consider the compliance fee recognition to be covered by the application of variable income under the definition of IFRS 15. The provision of certain contractual obligations within each of the portfolio's do not represent separate performance obligations individually as management have assessed that the client could not derive economic benefit from the individual delivery of these obligations. As such management have combined contractual obligations to form performance obligations for the basis of IFRS 15.

Costs to fulfil a contract, which are not in the scope of another standard, are recognised separately as a contract fulfilment asset to the extent that they relate directly to a contract which can be specifically identified, the costs generate or enhance resources that will be used to satisfy the performance obligation and the costs are expected to be recovered. Management applies judgement to determine which contract fulfilment costs meet the recognition criteria, and in particular if the costs generate or enhance resources used to satisfy the performance obligation.

7.2 Estimates and assumptions

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. (See Note 16).

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

8. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2021 £000	2020 £000
Civil parking	122,349	119,797
Road traffic debt recovery	28,805	30,523
DVLA services	22,104	23,156
Transportation - back office processing	20,778	22,924
Transportation consulting	18,459	17,630
Airport transportation	122	4,413
Motor vehicle recoveries	3,213	3,264
Criminal fine enforcement	7,779	22,261
Civil enforcement	9,636	13,033
Field services	7,846	7,859
Council tax recovery	9,740	19,239
Metering	4,245	2,799
Other enforcement	32	528
	<u>255,108</u>	<u>287,426</u>

Analysis of revenue by country of destination:

	2021 £000	2020 £000
United Kingdom	253,327	287,426
Rest of Europe	1,781	-
	<u>255,108</u>	<u>287,426</u>

Timing of revenue recognition:

	2021 £000	2020 £000
Services transferred at a point in time	238,257	269,166
Services transferred over time	16,851	18,260
	<u>255,108</u>	<u>287,426</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

9. Expenses by nature - Group

		2021	2020
		£000	£000
Employee costs	11	133,770	136,442
Amortisation of intangible assets	15	8,795	8,803
Impairment of intangible assets	15	6,869	-
Depreciation of property, plant and equipment	14	10,618	12,752
Contingent consideration release	24	629	3,811
		<u>133,770</u>	<u>136,442</u>

10. Auditors' remuneration**Services provided by the Group's/Company's auditors**

During the year the Group obtained the following services from the Company's auditors:

	2021	2020
	£000	£000
Group		
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	45	36
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries	230	184
	<u>275</u>	<u>220</u>

11. Employee benefit expenses**Group**

	2021	2020
	£000	£000
Employee benefit expenses comprise:		
Wages and salaries	125,041	124,964
National insurance	11,029	11,468
Defined contribution pension cost	3,075	2,913
Furlough Income	(5,375)	(2,903)
	<u>133,770</u>	<u>136,442</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

11. Employee benefit expenses (continued)

The monthly average number of persons, including the directors, employed by the Group during the year was as follows:

	2021 No.	2020 No.
Operational	4,290	4,504
Administration	414	408
	<u>4,704</u>	<u>4,912</u>

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1. The directors of the Group are remunerated by another related party company.

	2021 £000	2020 £000
Key management personnel compensation		
Emoluments	831	835
Pension contributions	63	50
	<u>894</u>	<u>885</u>

	2021 £000	2020 £000
Directors' emoluments		
Emoluments	647	525
Pension contributions	-	8
	<u>647</u>	<u>533</u>

During the period, retirement benefits were accruing to one of the directors in respect of money purchase pension schemes. The highest paid director received remuneration of £258,000 (2020: £265,000) and pension contributions of £nil (2020: £nil) during the period.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

Company

	2021	<i>2020</i>
	£000	<i>£000</i>
Employee benefit expenses comprise:		
Staff salaries	18,810	<i>18,476</i>
National insurance	1,813	<i>1,810</i>
Defined contribution pension cost	533	<i>513</i>
Furlough Income	(2,006)	<i>(1,410)</i>
	19,150	<i>19,389</i>

The monthly average number of persons, including the directors, employed by the Company during the year was as follows:

	2021	<i>2020</i>
	No.	<i>No.</i>
Operational	355	<i>385</i>
Administration	258	<i>288</i>
	613	<i>673</i>

The directors did not receive any remuneration from the company during the year (2020: nil). All directors remuneration was paid through another group company.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

12. Finance income and expense**Recognised in profit or loss**

	2021	<i>2020</i>
	£000	<i>£000</i>
Finance income		
Interest on:		
- Bank and other interest received	21	69
Total interest income	<u>21</u>	<u>69</u>
Total finance income	<u>21</u>	<u>69</u>
Finance expense		
Bank interest payable	1,008	1,861
Interest on lease liabilities	2,372	2,302
Other interest payable	70	45
Total finance expense	<u>3,450</u>	<u>4,208</u>
Net finance expense recognised in profit or loss	<u><u>(3,429)</u></u>	<u><u>(4,139)</u></u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

13. Tax expense**13.1 Income tax recognised in profit or loss**

	2021	<i>2020</i>
	£000	<i>£000</i>
Current tax		
Adjustments in respect of prior years	68	<i>(2,418)</i>
Total current tax	68	<i>(2,418)</i>
Deferred tax expense		
Origination and reversal of timing differences	(592)	<i>(862)</i>
Adjustments in respect of prior years	412	<i>167</i>
Effects of changes in tax rates	1,406	<i>(324)</i>
Total deferred tax	1,226	<i>(1,019)</i>
Total tax expense		
Tax (credit)/expense for the year	1,294	<i>(3,437)</i>
	1,294	<i>(3,437)</i>

The tax on profit before tax for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19%.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

13. Tax expense (continued)**13.1 Income tax recognised in profit or loss (continued)**

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021 £000	2020 £000
Profit for the year	875	19,750
Income tax credit/expense (including income tax on associate, joint venture and discontinued operations)	1,294	(3,437)
Profit before income taxes	2,169	16,313
Tax using the Company's domestic tax rate of 19% (2020:19%)	412	3,099
Non-tax deductible amortisation of goodwill and impairment	1,336	-
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	-	231
Adjustments to tax charge in respect of prior periods	480	(2,251)
Deferred tax not provided	-	22
Effects of changes in tax rates	1,405	(324)
Group relief	(1,460)	(4,214)
Transfer pricing adjustments	(879)	-
Total tax expense	1,294	(3,437)

Changes in tax rates and factors affecting the future tax charges

It was confirmed that from 1 April 2023, the corporation tax rate will increase from 19% to 25% and deferred taxes at the balance sheet date have been calculated using the rate of 25% as it is expected that the deferred tax will largely become payable after April 2023.

13.2 Current tax assets and liabilities

	2021 £000	2020 £000
Current tax assets		
Corporation tax repayable	2,618	8,193
	2,618	8,193

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

13. Tax expense (continued)**13.3 Deferred tax balances**

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2021	2020
	£000	£000
Deferred tax liabilities	(6,245)	(5,679)
	<u>(6,245)</u>	<u>(5,679)</u>

	Opening balance £000	Recognised in profit or loss £000	Recognised in other comprehensive income £000	Closing balance £000
2021				
Deferred tax liabilities in relation to:				
Deferred tax liabilities	(5,679)	(1,226)	660	(6,245)
	<u>(5,679)</u>	<u>(1,226)</u>	<u>660</u>	<u>(6,245)</u>

Company

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	2021	2020
	£000	£000
Deferred tax assets/(liabilities)	25	(1,012)
	<u>25</u>	<u>(1,012)</u>

	Opening Balance £000	Recognised in profit or loss £000	Recognised in other comprehensive income £000	Closing balance £000
Deferred tax assets/(liabilities)	(1,012)	(156)	1,193	25
	<u>(1,012)</u>	<u>(156)</u>	<u>1,193</u>	<u>25</u>

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

14. Property, plant and equipment

Group

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 June 2019	364	10,388	5,394	14,324	30,470
Additions	60	4,246	292	1,547	6,145
Adjustment on transition to IFRS 16	21,754	1,550	-	-	23,304
Disposals	-	-	-	(58)	(58)
At 31 May 2020	22,178	16,184	5,686	15,813	59,861
Additions	3,856	3,176	85	1,263	8,380
Disposals	-	(55)	(10)	(40)	(105)
At 31 May 2021	26,034	19,305	5,761	17,036	68,136
Accumulated depreciation and impairment					
At 1 June 2019	237	2,932	4,311	10,152	17,632
Charge owned for the year	41	313	158	2,258	2,770
Charged financed for the year	5,543	4,440	-	-	9,983
Disposals	-	-	-	(9)	(9)
At 31 May 2020	5,821	7,685	4,469	12,401	30,376
Charge owned for the year	73	154	499	1,753	2,479
Charged financed for the year	4,979	3,160	-	-	8,139
Disposals	-	(32)	(8)	(39)	(79)
At 31 May 2021	10,873	10,967	4,960	14,115	40,915
Net book value					
At 1 June 2019	127	7,456	1,083	4,172	12,838
At 31 May 2020	16,357	8,499	1,217	3,412	29,485
At 31 May 2021	15,161	8,338	801	2,921	27,221

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

14. Property, plant and equipment (continued)**14.1. Assets held under leases**

The prior year right-of-use motor vehicle assets have been restated as the motor vehicle contract purchase assets were included within property, plant and equipment owned rather than right-of-use assets.

The net book value of right of use assets at 31 May 2020 is £24,249,000. This is a movement from property, plant and equipment owned to right-of-use assets of £7,010,000.

The in year depreciation of right of use assets in the period ending 31 May 2020 was £9,983,000. This is a movement from the depreciation charge on owned assets to right of use assets of £3,595,000.

The net book value of owned and leased assets included as "Property, plant and equipment" in the Consolidated Statement of Financial Position is as follows:

	31 May 2021	<i>31 May 2020</i>
	£000	<i>As restated</i>
		<i>£000</i>
Property, plant and equipment owned	4,495	5,237
Right-of-use assets	22,726	24,249
	27,221	29,486

Information about right-of-use assets is summarised below:

Net book value

	31 May 2021	<i>31 May 2020</i>
	£000	<i>As restated</i>
		<i>£000</i>
Property	14,817	16,212
Motor vehicles	7,909	8,037
	22,726	24,249

Depreciation charge for the year ended

	31 May 2021	<i>31 May 2020</i>
	£000	<i>As restated</i>
		<i>£000</i>
Property	4,979	5,543
Motor vehicles	3,161	4,440
	8,140	9,983

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

14. Property, plant and equipment (continued)**Company**

	Motor vehicles £000	Computer equipment £000	Total £000
Cost or valuation			
At 1 June 2020	8,370	194	8,564
Additions	256	479	735
Disposals	(12)	-	(12)
At 31 May 2021	8,614	673	9,287
	Motor vehicles £000	Computer equipment £000	Total £000
Accumulated depreciation and impairment			
At 1 June 2020	2,516	10	2,526
Charge owned for the year	-	84	84
Charged financed for the year	1,197	-	1,197
At 31 May 2021	3,713	94	3,807
Net book value			
At 31 May 2020	5,854	184	6,038
At 31 May 2021	4,901	579	5,480

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

14. Property, plant and equipment (continued)**14.2. Assets held under leases**

The prior year right-of-use motor vehicle assets have been restated as the motor vehicle contract purchase assets were included within property, plant and equipment owned rather than right-of-use assets.

The net book value of right of use assets at 31 May 2020 is £5,854,000. This is a movement from property, plant and equipment owned to right-of-use assets of £3,928,000.

The in year depreciation of right of use assets in the period ending 31 May 2020 was £2,471,000. This is a movement from the depreciation charge on owned assets to right of use assets of £1,973,000.

The net book value of owned and leased assets included as "Property, plant and equipment" in the Company Statement of Financial Position is as follows:

	31 May 2021	<i>31 May 2020</i>
	£000	<i>As restated</i>
		<i>£000</i>
Property, plant and equipment owned	579	184
Right-of-use assets, excluding investment property	4,901	5,854
	5,480	6,038

Information about right-of-use assets is summarised below:

Net book value

	31 May 2021	<i>31 May 2020</i>
	£000	<i>As restated</i>
		<i>£000</i>
Motor vehicles	4,901	5,854
	4,901	5,854

Depreciation charge for the year ended

	31 May 2021	<i>31 May 2020</i>
	£000	<i>As restated</i>
		<i>£000</i>
Motor vehicles	1,197	2,471
	1,197	2,471

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

15. Intangible assets

Group

	Goodwill £000	Columbus £000	Other intangibles £000	Computer software £000	Total £000
Cost					
At 1 June 2019	180,386	10,512	73,467	14,193	278,558
Additions - external	-	1,800	-	4,528	6,328
Acquired through business combinations	2,706	-	-	-	2,706
At 31 May 2020	183,092	12,312	73,467	18,721	287,592
Additions - external	-	1,190	-	1,806	2,996
At 31 May 2021	183,092	13,502	73,467	20,527	290,588
	Goodwill £000	Columbus £000	Other intangibles £000	Computer software £000	Total £000
Accumulated amortisation and impairment					
At 1 June 2019	16,386	3,472	23,661	8,073	51,592
Charge for the year - owned	-	307	4,679	3,817	8,803
At 31 May 2020	16,386	3,779	28,340	11,890	60,395
Charge for the year - owned	-	607	4,256	3,932	8,795
Impairment charge	6,869	-	-	-	6,869
At 31 May 2021	23,255	4,386	32,596	15,822	76,059
Net book value					
At 1 June 2019	164,000	7,040	49,806	6,120	226,966
At 31 May 2020	166,706	8,533	45,127	6,831	227,197
At 31 May 2021	159,837	9,116	40,871	4,705	214,529

The impairment charge of £6.9m in the current period relates to the Airport CGU which was discontinued in November 2020.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

Company

	Columbus £000	Computer software £000	Total £000
Cost			
At 1 June 2020	576	902	1,478
Additions - external	1,190	664	1,854
At 31 May 2021	1,766	1,566	3,332
	Columbus £000	Computer software £000	Total £000
Accumulated amortisation and impairment			
At 1 June 2020	6	81	87
Charge for the year - owned	208	204	412
At 31 May 2021	214	285	499
Net book value			
At 31 May 2020	570	821	1,391
At 31 May 2021	1,552	1,281	2,833

16. Goodwill**Group**

	2021 £000	2020 £000
Cost	183,092	183,092
Accumulated impairment	(23,255)	(16,386)
	159,837	166,706

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

16. Goodwill (continued)

	2021 £000	2020 £000
Cost		
At 1 June 2020	183,092	180,386
Acquired through business combinations	-	2,706
At 31 May 2021	183,092	183,092
Accumulated impairment		
At 1 June 2020	16,386	16,386
Impairment charge	6,869	-
At 31 May 2021	23,255	16,386

The impairment charge of £6.9m in the current period relates to the Airport CGU which was discontinued in November 2020.

16.1 Allocation of goodwill to cash generating units

The Group's CGU have been defined as each of the main operating lines of business.

In the opinion of the Directors, the divisions currently represent the smallest groups of assets that independently generate cash flows for the Group.

Goodwill is allocated to the Group's cash generating unit as follows:

	2021 £000	2020 £000
Consulting	11,294	11,294
Civil Parking	28,324	28,324
Back Office Processing	32,874	32,874
Technology	21,406	21,406
Road Traffic	13,408	13,408
DVLA Enforcement	10,332	10,332
Commercial Debt	4,941	4,941
High Court, Taxation and Criminal Fines	29,240	29,240
Scotland	8,018	8,018
Airports	-	6,869
	159,837	166,706

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

16. Goodwill (continued)

16.1 Allocation of goodwill to cash generating units (continued)

Consulting

The provision of urban design consultancy for councils including traffic management plans.

Civil Parking

The provision of civil enforcement officers and related services to local authorities. Services include pay and display maintenance, as well as vehicle removals.

Back Office Processing

The provision of back office functions for the transport industry such as licensing for taxi, penalty charge notice and clean air zones processing.

Technology

Technology comprises the Videalert Limited business and the Logic Valley Technologies Pvt Limited business, both acquired in 2019. Videalert offers Automated Number Plate Recognition and CCTV technology to councils. Logic Valley is not forecast to be revenue generating until FY23.

Road Traffic

The provision of debt enforcement services predominantly relating to PCN fines and congestion charges.

DVLA Enforcement

The provision of debt enforcement services relating to vehicle excise duty. The business has a longstanding relationship with the DVLA.

Commercial Debt

This consists of the Field Services, International Debt Collection Agency, Electric Vehicle charging points, Meter Installations and Motor Vehicle areas of the Group.

Field services offers services relating to recovery debt for utilities clients, while DCA is for non transport related debt.

The EV charging point installation service is relatively new to the business, as is the Meter Installation business which installs smart meters into people's homes and was acquired in July 2019.

Motor vehicle business works primarily in repossessing vehicles for lessors.

High Court, Taxation and Criminal Fines

Provision of debt enforcement working with the high courts, recovery of domestic council taxes, and enforcement of unpaid criminal fines and arrest warrants.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

16. Goodwill (continued)**16.1 Allocation of goodwill to cash generating units (continued)****Scotland**

Contains the Scottish elements of the Road Traffic, Civil Parking and Local tax CGUs.

Airports

The Airports CGU primarily carries out passenger transfer services in airports and has contracts with airlines and airports.

Management made the decision to discontinue the Airports CGU during the period in November 2020 and the goodwill associated to this CGU has therefore been written down to £nil.

Impairment consideration

The recoverable amounts of CGUs are determined from the value in use ("VIU") calculations. VIU is determined by discounting the future post-tax cashflows generated from continuing use of the CGU, using a post-tax discount rate. The post-tax discount rate used at 31 May 2021 for each division was as follows:

CGU	VIU
Civil Parking	10.1%
DVLA	10.1%
BPO	10.1%
Consulting	10.1%
Technology	10.1%
Criminal, High Court and Local Taxation	9.0%
Road Traffic	9.0%
Scotland	9.0%
Commercial Debt	9.0%

Cash flow projections which have been reviewed and approved by the Board are derived from 3 year forecasts through to 2025, which were produced by division and comprised of a bottom up forecast of which management have used the forecast for the purposes of the impairment review.

The three year period cash flows were extrapolated using a long term growth rate of 2% in order to calculate the terminal value.

Impairment review results 2021

Following the review of the carrying value of goodwill as at 31 May 2021, which has been undertaken across the Group as required by IAS 36 – Impairment of Assets, to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount), the annual impairment review did not result in any impairment losses being recognised in 2021 beyond that already recognised in respect of the Airports division which was discontinued in November 2020.

Impact of changes in key assumptions: BPO

If the budget gross margin used in the value in use calculation for the BPO division reduced by 5% then the Group would have had to recognise an impairment of £2.4m. If the post-tax discount rate increased by 1% then the Group would have had to recognise an impairment of £3.7m. The point at which an impairment would need to be recognised in respect of changes to gross margin and post-tax discount rate would be 0.1% respectively.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

16. Goodwill (continued)**16.1 Allocation of goodwill to cash generating units (continued)**

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of any other CGU to exceed its recoverable amount.

17. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)	
			2021	2020
1) AA Hutton LLP	Sheriff officers	United Kingdom	100	100
2) Collectica Limited	Enforcement Services	United Kingdom	100	100
3) Engage Services (ESL) Limited	Regulated Services	United Kingdom	93	93
4) Marston Group Limited	Enforcement Services	United Kingdom	100	100
5) Moreton Smith Receivables Limited	International Debt Collection	United Kingdom	100	100
6) Rossendales Limited	Enforcement Services	United Kingdom	100	100
7) Scott & Co (Scotland) LLP	Sheriff Officers	United Kingdom	100	100
8) Swift Credit Services Limited	Enforcement Services	United Kingdom	100	100
9) NSL Limited	Upstream Transportation Services	United Kingdom	100	100
10) Project Centre Limited	Transportation Consultancy	United Kingdom	100	100
11) Task Enforcement Limited	Enforcement Services	United Kingdom	100	100
12) Marston Legal Services Limited	Enforcement Services	United Kingdom	100	100
13) Logic Valley Technologies Pvt Limited	Technology Development	India	100	100
14) Parktrade Europe AB	Payment Management & Debt Recovery	Sweden	100	100
15) Parktrade Europe Limited	Payment Management & Debt Recovery	United Kingdom	100	100

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

17. Subsidiaries (continued)

16) Videalert Limited	Traffic Management & Enforcement Solutions	United Kingdom	100	100
17) Field Services Investment Limited	Intermediary Holding Company	United Kingdom	100	-
18) Smartworks Metering Limited	Smart Meter & Camera Installations	United Kingdom	100	-

Marston Regulated Services Limited changed its name to Engage Services (ESL) Limited on 07 April 2021.

18. Other non-current investments**Company**

	Note	2021 £000	2020 £000
Investments in subsidiary companies	17	225,099	225,099
		<u>225,099</u>	<u>225,099</u>

19. Inventories**Group**

	2021 £000	2020 £000
Finished goods and goods for resale	402	417
	<u>402</u>	<u>417</u>

In 2021 a total of £1.3m (2020: £0.8m) of inventories was included in profit and loss as an expense. This includes an amount of £nil (2020: £0.3m) resulting from the write down of inventories.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

20. Trade and other receivables

Group

	2021	2020
	£000	£000
Trade receivables	19,952	19,523
Trade receivables - net	19,952	19,523
Receivables from related parties	153,081	124,481
Total financial assets other than cash and cash equivalents classified as loans and receivables	173,033	144,004
Prepayments and accrued income	21,591	17,648
Other receivables	5,071	9,558
Total trade and other receivables	199,695	171,210

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

The Group does not hold any collateral as security.

All of the Group's trade and other receivables are presented net of allowances for doubtful debts. Allowances against doubtful debts are recognised based on estimated irrecoverable amounts determined by reference to past default experience. At 31 May 2021 trade and other receivables of £0.5m (2020:£1.0m) were considered past due and impaired.

Amounts due from related parties relate to receivables from fellow subsidiaries of the ultimate parent undertaking. As set out in note 33, the Group is part of a larger group headed by the ultimate parent company Free Flow Topco Limited. Receivables from fellow subsidiaries of the ultimate parent undertaking represent balances with entities that are outside of the Group but are fellow wholly owned subsidiaries of Free Flow Topco Limited.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

20. Trade and other receivables (continued)**Company**

	2021	2020
	£000	£000
Trade receivables	1,399	523
Trade receivables	1,399	523
Amounts due from group companies	238,357	120,037
Total financial assets other than cash and cash equivalents classified as loans and receivables	239,756	120,560
Prepayments and accrued income	5,882	1,715
Other receivables	5,563	704
Total trade and other receivables	251,201	122,979
Less: current portion - trade receivables	(1,399)	(523)
Less: current portion - prepayments and accrued income	(5,882)	(1,715)
Less: current portion - other receivables	(5,563)	(704)
Less: current portion - receivables from related parties	(238,357)	(120,037)
Total non-current portion	-	-

Amounts owed from group undertakings are unsecured, have no fixed date of repayment and are not subject to any interest.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

21. Trade and other payables**Group**

	2021	<i>2020</i>
	£000	<i>£000</i>
Trade payables	2,610	<i>6,512</i>
Payables to related parties	96,756	<i>86,332</i>
Other payables	1,201	<i>224</i>
Accruals	20,890	<i>12,865</i>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	121,457	<i>105,933</i>
Other payables - tax and social security payments	23,435	<i>22,187</i>
Deferred income	8,428	<i>8,263</i>
Total trade and other payables	153,320	<i>136,383</i>
Less: current portion - trade payables	(2,610)	<i>(6,512)</i>
Less: current portion - payables to related parties	(96,756)	<i>(86,332)</i>
Less: current portion - other payables	(24,636)	<i>(22,411)</i>
Less: current portion - accruals	(20,890)	<i>(12,865)</i>
Less: current portion - deferred income	(8,428)	<i>(8,263)</i>
Total current portion	(153,320)	<i>(136,383)</i>
Total non-current position	-	<i>-</i>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Amounts due to group companies relate to payables to fellow subsidiaries of the ultimate parent undertaking. As set out in note 33, the Group is part of a larger group headed by the ultimate parent company Free Flow Topco Limited. Payables to fellow subsidiaries of the ultimate parent undertaking represent balances with entities that are outside of the Group but are fellow wholly owned subsidiaries of Free Flow Topco Limited.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

Company

	2021	2020
	£000	£000
Trade payables	768	1,949
Payables to related parties	198,052	83,924
Other payables	154	15
Accruals	5,850	1,658
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	204,824	87,546
Other payables - tax and social security payments	1,127	1,348
Deferred income	160	-
Total trade and other payables	206,111	88,894
Less: current portion - trade payables	(768)	(1,949)
Less: current portion - payables to related parties	(198,052)	(83,924)
Less: current portion - other payables	(1,281)	(1,363)
Less: current portion - accruals	(5,850)	(1,658)
Less: current portion - deferred income	(160)	-
Total current portion	(206,111)	(88,894)
Total non-current position	-	-

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are not subject to any interest.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

22. Contract balances

Group

Contract assets relate to fulfilled obligations which are billed monthly in arrears and the incremental costs associated with obtaining and implementing a contract. At the point where completed work is invoiced, the contract asset is derecognised, and a corresponding receivable recognised. The value of contract assets including accrued income at the year end is £16,303,000 (2020: £13,486,000).

Contract liabilities relate to consideration received from customers in advance of the performance obligation being satisfied.

The aggregate amount of revenue allocated to performance obligations that are unsatisfied or partly unsatisfied at the year-end is £9,647,000 (2020: £8,263,000). This revenue is expected to be recognised within 12 months of the year end.

All consideration from contracts with customers is included in the analysis above.

Obligations in respect of monthly recurring revenue will be partly satisfied monthly until there exists no further obligation to provide services to the customer.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information relating to performance obligations for contracts that had an original expected duration of one year or less or where the right to consideration from a customer is an amount that corresponds directly with the value of the completed performance obligations.

The Group has applied the practical expedient in paragraph C5(c) of IFRS15 and does not disclose information in relation to the amount of transaction price allocated to remaining performance obligations and when the group expects to recognise that revenue for the year ending 31 May 2020.

Contract setup costs

The Group incurs costs associated with contract establishment at the inception of new contracts. These costs relate directly to a contract; they generate/enhance resources that the group will use to satisfy future performance obligations and are recoverable. These costs are therefore capitalised as an asset and amortised over the term of the contract.

The Group has applied the practical expedient available in paragraph 94 of IFRS 15 to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

23. Loans and borrowings**Group**

	2021	2020
	£000	£000
Non-current		
Lease liabilities	18,698	20,085
	18,698	20,085
Current		
Lease liabilities	5,150	6,035
	5,150	6,035
Total loans and borrowings	23,848	26,120

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

Company

	2021	2020
	£000	£000
Non-current		
Lease liabilities	2,740	6,670
	2,740	6,670
Current		
Lease liabilities	2,353	284
	2,353	284
Total loans and borrowings	5,093	6,954

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

24. Provisions**Group**

	Dilapidations	Contingent consideration	Total
	£000	£000	£000
At 1 June 2020	1,245	8,848	10,093
Charged to profit or loss	(281)	-	(281)
Utilised during the year	-	(4,734)	(4,734)
Other increases	766	-	766
Released during the year	-	(629)	(629)
Unwind of discount	-	464	464
At 31 May 2021	1,730	3,949	5,679
Due within one year or less	467	-	467
Due after more than one year	1,262	3,949	5,211
	1,730	3,949	5,679

Contingent consideration

Contingent consideration provisions relate to deferred payments on recent acquisitions that fall due if certain performance measures are met.

Dilapidations

This provision is in respect of reinstatement obligations relating to leasehold properties and are expected to arise at the end of the lease. The leases covered by the provision have a maximum remaining term of between 7 and 8 years.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

24. Provisions (continued)**Company**

	Dilapidation s £000	Contingent consideratio n £000	Total £000
At 1 June 2020	-	8,848	8,848
Utilised during the year	-	(4,734)	(4,734)
Other increases	363	-	363
Released during the year	-	(629)	(629)
Unwind of discount	-	464	464
At 31 May 2021	363	3,949	4,312
Due within one year or less	98	-	98
Due after more than one year	264	3,949	4,213
	363	3,949	4,312

Contingent consideration provisions relate to deferred payments on recent acquisitions that fall due if certain performance measures are met

25. Share capital**Authorised**

	2021 Number	2021 £000	2020 Number	2020 £000
Shares treated as equity				
Ordinary shares of £1.00 each	163,054,529	163,055	163,054,529	163,055
	163,054,529	163,055	163,054,529	163,055

Issued and fully paid

	2021 Number	2021 £000	2020 Number	2020 £000
Ordinary shares of £1.00 each				
At 1 June and 31 May	163,054,529	163,055	163,054,529	163,055

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

26. Reserves

The Group's and Company's other reserves are as follows:

Retained earnings

The retained earnings reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

In the current year a loan reorganisation was undertaken in order to simplify the intercompany loan position within the Group.

The dividend paid and capital contribution impacts were taken directly to Reserves.

27. Analysis of amounts recognised in other comprehensive income

	Retained earnings £000
Year to 31 May 2021	
Actuarial gain on defined benefit pension schemes	2,754
Deferred tax current year credit	660
	<u>3,414</u>
	<u><u>3,414</u></u>
	Retained earnings £000
Year to 31 May 2020	
Actuarial loss on defined benefit pension schemes	(2,131)
Deferred tax current year (charge)	(828)
	<u>(2,959)</u>
	<u><u>(2,959)</u></u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

28. Leases**Group****(i) Leases as a lessee**

The Group has a number of property and vehicle leases. With the exception of short term leases, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Lease liabilities are due as follows:

	2021	<i>2020</i>
	£000	<i>£000</i>
Contractual undiscounted cash flows due		
Not later than one year	8,318	<i>6,035</i>
Between one year and five years	13,352	<i>17,782</i>
Later than five years	2,178	<i>2,303</i>
	<u>23,848</u>	<i><u>26,120</u></i>

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated statement of financial position:

	No of right- of-use assets leased	Ave remaining lease term (months)	No of leases with extension options	No of leases with options to purchase	No of leases with termination options
Right-of-use asset					
Property	117	12 - 128	0	0	0
Motor vehicles	810	2 - 59	0	0	0

There were no leases with variable payments linked to indexation.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2021

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 May 2021 were as follows:

	Within 1 year £000	2-5 years £000	After 5 years £000	Total £000
31 May 2021				
Lease payments	9,485	15,361	2,447	27,293
Finance charges	(1,167)	(2,009)	(269)	(3,445)
Net present values	8,318	13,352	2,178	23,848

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 May 2020 were as follows:

	Within 1 year £000	2-5 years £000	After 5 years £000	Total £000
31 May 2020				
Lease payments	7,092	19,935	2,465	29,492
Finance charges	(1,057)	(2,154)	(161)	(3,372)
Net present values	6,035	17,781	2,304	26,120

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021 £000	2020 £000
Short term leases	299	216
Leases of low value assets	-	-
Variable lease payments	-	-
	299	216

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

29. Financial instruments - fair values and risk management

29.1 Financial risk management objectives

Introduction

The Group's activities expose it to a number of financial risks including cash flow and credit risk, liquidity risk and market risk. Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Risk management structure

The Board is responsible for the Group's overall risk management approach and for approving the risk management strategies and principles. The Board has the responsibility to monitor the overall risk process within the Group and is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained.

29.2 Market risk

Competitive pressure is a continuing risk for the Group, which would result in it losing sales to its key competitors. The Group manages this risk through the developing and maintaining strong relationships with clients.

Volumes not guaranteed

Many of the Group's contracts do not guarantee a set volume of work to be issued. The Group manages this risk by maintaining a broad client base and a range of income streams. These income streams include tracing & investigation, information intelligence, debt collection, compliance recovery, field force-based residency confirmation, distress warrant and liability order enforcement, arrest warrant enforcement, high court writ enforcement, commercial rent recovery and civil parking enforcement.

29.3 Interest rate risk management

The Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

29.4 Capital market risk

The Group manages its capital to ensure it will be able to continue as a going concern.

The capital structure of the Group consists of intercompany debt, and equity, comprising issued capital and retained earnings. The Group is not subject to any externally imposed capital requirements.

The Group's Directors review the capital structure on a regulated basis. As part of this review, the cost of capital and the risk associated with each class of capital are considered.

29.5 Cashflow and credit risk management

The Group's activities expose it to the financial risks of trading.

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

29. Financial instruments - fair values and risk management (continued)**29.5 Cashflow and credit risk management (continued)**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

These risks are mitigated by its credit management procedures. The Directors closely monitor cash to ensure that the Group is positioned to meet its requirements.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 May 2021 and at 31 May 2020 was determined as follows:

	Current £000	Over 30 days £000	Over 60 days £000	Over 90 days £000	Total £000
31 May 2020					
Expected credit loss rate	1.87%	8%	13%	22%	
Gross carrying amount	15,775	2,078	959	1,881	20,693
Lifetime expected credit loss	295	166	125	414	1000

	Current £000	Over 30 days £000	Over 60 days £000	Over 90 days £000	Total £000
31 May 2021					
Expected credit loss rate	1.7%	7.5%	12.5%	13.6%	
Gross carrying amount	18,322	528	211	974	20,035
Lifetime expected credit loss	315	40	26	132	513

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

29.6 Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due, or that it will be able to do so only at excessive cost. The Group's exposure to liquidity risk arises mainly from the management of working capital.

Liquidity is maintained mainly through the Group's continuing profitability and sufficient funds for ongoing operations are ensured through a mixture of short and long term intercompany funding and retained profits.

29.7 Fair value measurements/Financial instruments

This note provides information about how the Group determines fair values of various financial assets and liabilities.

The carrying amounts of Marston (Holdings) Limited's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as below.

	2021 £000	2020 £000
Loans and receivables - amortised cost		
Trade receivables (note 20)	19,952	19,523
Amounts due from related parties (note 20)	153,081	124,481
Other receivables (note 20)	5,071	9,558
Cash and cash equivalents	25,213	25,743
	203,317	179,305
	2021 £000	2020 £000
Current liabilities		
Trade payables (note 21)	2,610	6,512
Amounts owed to related parties (note 21)	96,756	86,332
Social security and other taxes (note 21)	23,435	22,187
Other payables (note 21)	1,201	224
	124,002	115,255

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

As at 31 May 2021 and 31 May 2020 the Group's liabilities have contractual maturities which are summarised below:

	2021	2020
	£000	£000
All due within 6 months		
Trade payables	2,610	6,512
Amounts owed to related parties	96,756	86,332
Other short term financial liabilities	24,636	22,411
	124,002	115,255

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instruments are disclosed in note 5.

30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The subsidiaries of the Company are wholly owned and therefore exempt from disclosure. Whilst the balances are eliminated on consolidation they are included in the parent company accounts. No other related party transactions occurred in the period.

31. Reconciliation of liabilities arising from financing activities

	Finance lease liabilities £000	Total £000
At 1 June 2020	26,120	26,120
Net Lease Additions/Disposals	6,161	6,161
Cash flows: capital repayment	(8,433)	(8,433)
At 31 May 2021	23,848	23,848

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

32. Defined benefit schemes**(i) Defined benefit scheme characteristics and funding****Prudential Platinum - NSL Limited**

The Company sponsors Prudential Platinum - NSL Limited, a funded defined benefit pension scheme in the UK. The scheme is set up on a tax relieved basis as a separate trust independent of the Company and is supervised by independent trustees. The trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

This scheme provides pensions and lump sums to members on retirement and to their dependants on death. Members who leave service before retirement are entitled to a deferred pension.

Active members of the scheme pay contributions at a rate depending on their benefit structure and the Company pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

The scheme poses a number of risks to the Company, for example longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The trustees are aware of these risks and use various techniques to control them. The trustees have a number of internal control policies including a risk register, which are in place to manage and monitor the various risks they face.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 31 December 2021. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 31 December 2018. The results of that valuation have been projected to 31 May 2021 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the statement of financial position are as follows:

	31 May 2021	31 May 2020
	£000	£000
Present value of scheme liabilities	(9,487)	(9,662)
Fair value of scheme assets	11,595	10,681
Funded Status	<u>2,108</u>	<u>1,019</u>
Restiction on asset recognised	(2,108)	(1,019)
Net amount recognised at year end	<u>-</u>	<u>-</u>

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year, are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

	31 May 2021	31 May 2020
	£000	£000
Service Cost:		
Current service cost (net of employee contribution)	376	224
Administration expenses	79	100
Administration expenses Past service cost and loss/(gain) on settlements and curtailments	-	333
Net interest credit	(19)	(25)
Charge recognised in P&L	436	632
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	(236)	(595)
Actuarial (gains)/losses	(563)	428
Adjustment for restrictions on the asset recognised	799	167
Credit recorded in other comprehensive income	-	-
Total defined benefit cost	436	632

The principal actuarial assumptions used were:

	31 May 2021	31 May 2020
Liability discount rate	2.00%	1.60%
Inflation assumption - RPI	3.20%	2.70%
Inflation assumption - CPI	2.2 % pre 2030/3.0% post 2030	1.90%
Rate of increase in salaries	1.50%	1.50%
Revaluation of deferred pensions:		
In line with RPI	3.20%	2.70%
In line with CPI	2.2% pre 2030/3.0% post 2030	1.90%
Increases for pensions in payment:		
RPI max 6%	3.20%	2.70%
Mortality assumption - pre retirement	See below	See below
Mortality assumption - male post retirement	SAPS S3PMA CMI_2018_M 1.5% long term trend	SAPS S2PMA CMI_2015_M 1.5% long term trend
Mortality assumption - female post retirement	SAPS S3PFA CMI_2018_F 1.5% long term trend	SAPS S2PFA CMI_2015_F 1.5% long term trend

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.1	87.0
Female aged 65 at year end:	89.4	89.3
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	88.8	88.7
Female aged 45 at year end:	91.1	91.0

Changes in the present value of assets over the period:	31 May 2021	31 May 2020
	£000	£000
Fair value of assets at start of period	10,681	10,649
Interest income	175	271
Return on assets (excluding amount included in net interest expense)	236	595
Assets distributed on settlements		(882)
Contributions from the employer	726	393
Contributions from employees	18	17
Benefits paid	(162)	(262)
Administration expenses	(79)	(100)
Fair value of assets at end of period	<u>11,595</u>	<u>10,681</u>
Actual return on assets over the period	411	866

Changes in the present value of liabilities over the period:	31 May 2021	31 May 2020
	£000	£000
Liabilities at start of period	9,662	9,558
Current service cost	376	224
Interest cost	156	246
Contributions from employees	18	17
Remeasurement (gains)/losses:	-	-
Actuarial gains and losses arising from changes in financial assumptions	(563)	793
Actuarial gains and losses arising from changes in demographic assumptions	-	(108)
Other experience items	-	(257)
Loss/(gain) on curtailments	-	123
Liabilities extinguished on settlements	-	(672)
Benefits paid	(162)	(262)
Liabilities at end of period	<u>9,487</u>	<u>9,662</u>

Average duration of the scheme's liabilities at the end of the period (years)	22	22
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MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

The major categories of scheme assets are as follows:

	31 May 2021 £000	31 May 2020 £000
Return seeking		
UK equities	1,429	1,158
Overseas equities	1,756	1,420
Diversified growth	1,264	1,088
Return seeking subtotal	<u>4,449</u>	<u>3,666</u>
Debt instruments		
Corporates	3,463	3,340
Index-linked	3,383	3,342
Debt instrument subtotal	<u>6,846</u>	<u>6,682</u>
Other		
Annuities	298	334
Cash	2	
Total market value of assets	<u><u>11,595</u></u>	<u><u>10,681</u></u>

The Scheme has no investments in the Company or in property occupied by the Company.

The Company expects to contribute £706,000 to the Scheme during year ending 31 May 2022.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £193k (increase by £198k) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £177k (decrease by £172k). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted; that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

If the salary increase assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £4k (decrease by £4k) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £390k (decrease by £375k) if all the other assumptions remained unchanged.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

Local Government Pension Scheme - Marston Holdings Limited

Marston Holdings Limited (NSL) participated in 15 local Funds of the Local Government Pension Scheme ("the Scheme") over the financial year (excluding those where a pass through agreement is in place). The LGPS is a funded multi-employer defined benefit pension scheme in the UK. Each LGPS Fund is administered by the Local Authority named as the 'Administering Authority'. The Administering Authority acts in the interest of the Scheme and all relevant stakeholders, including the members and all the participating employers. The Administering Authority is also responsible for the investment of the Fund's assets. At the year-end NSL participated in 15 local Funds.

Pension benefits accrued prior to 31 March 2014 (31 March 2015 in Scotland) are based on members' service and their Final Pensionable Salary at retirement (or earlier leaving). Different accrual rates, cash entitlements and retirement ages apply to different tranches of benefits accrued prior to this date. Pension benefits accrued from 1 April 2014 (1 April 2015 in Scotland) are determined on a Career Average Revalued Earnings basis, with an accrual rate of 1/49ths. Members who leave service before retirement are entitled to a deferred pension and death & ill-health benefits are provided by the Scheme.

Active members of the Scheme pay contributions as set out in LGPS Regulations. MHL pay contributions to each Fund in which it participates at different rates, set at each triennial valuation by the Fund Actuary and documented in the Rates and Adjustments certificate. The previous actuarial valuation was carried out as at 31 March 2019 (31 March 2020 in Scotland), following which contribution rates for the period 2020 to 2023 were set (rates for the period 2021 to 2024 were previously set in Scotland at the 2020 valuation). The next actuarial valuation takes place as at 31 March 2022 (31 March 2023 in Scotland), following which contribution rates from 1 April 2023 (1 April 2024 in Scotland) will be set. The Fund Actuaries are required to use prudent assumptions to value the liabilities and the costs of the Scheme whereas the approach to setting the accounting assumptions is prescribed in the accounting standards.

"The Scheme poses a number of risks to MHL, for example longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The Administering Authorities (to each Fund) are aware of these risks and use various techniques to control them.

MHL participate in some local LGPS Funds on a 'pass-through' basis, whereby MHL pays a fixed contribution rate during the period of the contract. At the end of the contract, any surplus or deficit reverts to the contract letting authority. As such, MGL is only responsible for paying annual contributions detailed under the 'pass through' agreement (and the cost of any employer specific experience) so the value of the assets and liabilities in respect of these admission agreements is not included in this disclosure. This approach is consistent with that taken last year.

The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the statement of financial position are as follows:

	31 May 2021	31 May 2020
	£000	£000
Defined benefit obligation	(28,060)	(27,063)
Fair value of scheme assets	25,977	22,881
Net defined benefit (liability) recognised at year end	<u>(2,083)</u>	<u>(4,182)</u>

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year, are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

	31 May 2021 £000	31 May 2020 £000
Service cost:		
Current service cost (including expected administration expenses)	876	827
Past service cost and loss on settlements and curtailments	-	-
Net interest expense	70	45
Charge recognised in P&L	946	872
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	(3,000)	(112)
Loss arising from changes in financial assumptions	1,221	3,384
(Gain) arising from changes in demographic assumptions	(663)	(1,017)
Experience (gain)	(312)	(124)
Charge/(credit) recorded in other comprehensive income	(2,754)	2,131
Total defined benefit cost/(credit)	(1,808)	3,003

The principal actuarial assumptions used were:

	31 May 2021	31 May 2020
Liability discount rate	2.0%	1.60%
Inflation assumption - CPI pre 2030	2.20%	1.90%
Inflation assumption - CPI post 2030	3.00%	1.90%
Rate of increase in salaries (average)	1.50%	1.50%

Proportion of employees commuting pension for cash is per the assumption adopted at the previous valuation of the LGPS Funds.

The mortality assumptions at 31 May 2021 are as per the assumptions set by local Fund Actuaries at the previous valuation. Further details can be obtained on request.

Changes in the present value of assets over the period:

	31 May 2021 £000	31 May 2020 £000
Fair value of assets at start of period	22,881	22,420

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

Interest income	364	592
Return on assets (excluding amount included in net interest expense)	3,000	112
Assets distributed on settlements	-	-
Contributions from the employer	292	185
Contributions from employees	122	137
Benefits paid	(682)	(565)

Fair value of assets at end of period	25,977	22,881
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Actual return on assets over the period	3,364	704
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Changes in the present value of liabilities over the period:

	31 May 2021 £000	31 May 2020 £000
Liabilities at start of period	27,063	23,785
Current service cost	876	827
Interest cost	434	637
Contributions from employees	122	136
Remeasurement gains:		-
Actuarial gains and losses arising from changes in financial assumptions	1,221	3,384
Actuarial gains and losses arising from changes in demographic assumptions	(663)	(1,017)
Other experience items	(312)	(124)
Past service cost, including curtailments and settlements	-	-
Benefits paid	(682)	(565)

Liabilities at end of period	28,059	27,063
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The major categories of scheme assets are as follows:

	31 May 2021 £000	31 May 2021 %
UK Equities	2,260	9
Overseas Equities	6,085	23
Unquoted/private equity	5,472	21
Corporate bonds	2,029	8
Fixed-interest government bonds	322	1
Index-linked government bonds	1,121	4
Property	1,841	7
Hedge Funds	420	2
Cash and Deposits	1,145	4
Infrastructure and Commodities	1,027	4
Others	4,254	16
Total Market Value of Assets	25,977	100

The asset split shown at the accounting date is based on the split of the each Fund's assets as at the most recent date this information was available.

The Scheme has no investments in Marston Holdings Limited.

The Company expects to contribute £0.29m to the Scheme during year ending 31 May 2022.

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.5 percent lower, the scheme liabilities would increase by £2.9m if all the other assumptions remained unchanged.

If the salary growth assumption was 0.5 percent higher, the scheme liabilities would increase by £0.4m if all the other assumptions remained unchanged.

If the CPI inflation assumption was 0.5 percent higher, the scheme liabilities would increase by £1.9m if all the other assumptions remained unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £1.1m if all the other assumptions remained unchanged.

The sensitivities above have been determined based on the membership profile of Marston Holdings Limited at the most recent actuarial valuations.

33. Parent and ultimate parent undertaking

The smallest group of undertakings for which consolidated financial statements have been drawn up is that headed by Marston (Holdings) Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by the ultimate parent company and controlling party as at 31 May 2021, Free Flow Topco Limited. Consolidated accounts are available from 12th Floor One America Square, London, United Kingdom, EC3N 2LS.

34. Contingent liabilities

The Group has given a number of performance and trade guarantees in the normal course of business. At 31 May 2021 the value of guarantees in place was £10.9m (2020: £8.5m).

35. Parental Guarantees

The company has taken advantage of the audit exemption for five of its subsidiaries, Field Services Investment Limited (company number 12009931), Engage EV Limited (company number 12329783), Future Energy Metering Limited (company number 09969384), Smartworks Metering Limited (company number 09845307), Videalert Development Limited (company number 07640667), Collectia Limited (company number 03517395), Rossendales Limited (company number 01501584), Videalert Limited (company number 05040786), Moreton Smith Receivables Limited (company number 08486496) and Gasworks UK Limited (company number 06815079) by virtue of s479a of the Companies Act 2006. The Company has provided parent guarantees to these nine subsidiaries which have taken advantage of the exemption from audit.

36. Events after the reporting date

On the 23 December 2021 the Group completed the acquisition of the share capital of Vortex IOT Limited.