

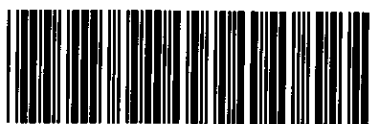
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**MARSTON (HOLDINGS) LIMITED**

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**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2023**

TUESDAY



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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### COMPANY INFORMATION

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<b>Directors</b>	Stephen James Callaghan (resigned 4 August 2023) Michael John Corcoran (resigned 15 September 2023) Keith Hanshaw (appointed 31 January 2024) Martin Johnson (appointed 2 August 2023) Amanda Louise McCormack Tim Van Oerle (appointed 15 September 2023, resigned 31 January 2024)
<b>Company secretary</b>	Squire Patton Boggs Secretarial Services Limited
<b>Registered number</b>	04305487
<b>Registered office</b>	Rutland House, 8th Floor 148 Edmund Street Birmingham B3 2JR
<b>Independent auditors</b>	Cooper Parry Group Limited Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA
<b>Bankers</b>	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
<b>Solicitors</b>	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP

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# **MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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## MARSTON (HOLDINGS) LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2023

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

#### Principal activities

The Group supports the government, utilities and private sectors through the delivery of market leading integrated technology enabled solutions from design and implementation to management and recovery.

The Group began enforcing court orders almost 40 years ago. Since then, we have grown organically and through acquisition and now provide a multitude of end-to-end services that support the implementation of public policy. Our employees work across offices throughout the UK. Combined with our proprietary technology developed by our teams based in the UK, Sweden and India, we have the capability and infrastructure to deliver a comprehensive range of design, build and enforcement solutions.

The business has established teams that specialise in their own sectors and work collaboratively to enable the delivery of differentiated integrated solutions. Areas in which we work with clients include:

- Clean air and low emission zones
- Neighbourhood traffic schemes
- School safety solutions
- Air pollution monitoring
- Road tolling, charging and payment solutions
- Foreign registered vehicle enforcement
- Continuous urban environment scanning
- Data analytics and business intelligence
- Parking permits and licensing
- Local taxation recovery solutions
- Road traffic and criminal fine recoveries
- Enforcement technology solutions

The Group is committed to supporting local communities through quality, professional service delivery and social value commitments. Social value commitments are embedded within our contracts and are aligned with the priorities of our clients.

The Group's integrated range of services are managed across the following key service lines;

- Civil parking services;
- Driver and Vehicle Licencing Agency ("DVLA") services;
- Consulting;
- Traffic technology;
- Business process outsourcing;
- Enforcement; and
- Commercial debt.

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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

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#### Business Review

The current financial year has been one of development and reset, focusing on making both short and longer term decisions for the benefit of the business. A new executive management team has helped provide a refocus and reinvigoration to the business with key priorities being on client delivery as well as focusing on and prioritising our people agenda.

In previous reports there was significant impact from pandemic related restrictions imposed on how the business could engage with the public. The majority of these restrictions have now been lifted and we have had the benefit of operating this financial year largely unrestricted. There does however continue to be some of our revenue streams which are below pre-pandemic levels due to reduced client re-engagement.

Our civil parking contract business continues to perform strongly in serving existing clients with core deployment and additional services, as well as securing new contracts which enhance our standing as a valued local authority partner.

Group revenue was £326.3m (2022: £297.0m) with the majority of our service lines performing stronger than in 2022, demonstrating the strong resilience the Group has from generating revenue from multiple streams.

- profit from operations was £31.7m (2022: £23.1m profit)
- operating profit margin increased from 8% to 10% \*
- profit for the year was £24.6m (2022: £4.1m loss)
- cash and cash equivalents increased from £13.9m to £15.5m
- current assets decreased from £263.7m to £191.2m
- net assets increased from £263.7m to £289.1m

The improvement in profit from operations and operating profit margin is due to our increase in revenue across the majority of business lines as a result of a rebound from Covid 19 and leveraging the fixed cost base more effectively. This is expected to improve further as we continue the recovery through the coming financial period.

\* Operating profit margin is calculated by dividing profit from operations by revenue.

#### Cash flow movements:

The Group generated net operating cashflows of £23.8m (2022: £17.7m) which is driven by the trading performance in the year.

#### Balance sheet movements:

Net assets increased by £25.4m largely as a result of the following non-cash movements;

- an increase in the net receivable due from related parties;
- an impairment of intangible assets of £3.5m being recorded which is largely the result of a slower growth trajectory than the original investment case.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****Key performance indicators**

The Group monitors all its business lines through a mixture of financial and non-financial KPIs on a weekly basis as well as through our monthly reporting process. These enable management to assess how individual business lines are performing, as well as being able to assess client level performance, and if required, be able to change operational strategy to drive value and efficiency.

Below are some of the key metrics we review, and the Group is satisfied that most of these are showing positive indications as we improve and grow.

	<b>31 May 2023</b>	<b>31 May 2022</b>	<b>Change %</b>
EBITDA (£m) <sup>1</sup>	51.1	45.1	13%
Profit from operations (£m) <sup>2</sup>	31.7	23.1	37%
Operating cashflow (£m)	23.8	17.7	34%
Casebank <sup>3</sup>	1,730,000	1,268,000	36%
Caseload <sup>3</sup>	1,870,000	1,428,000	31%
Deployed hours <sup>4</sup>	3,473,489	3,231,562	7%

(1) Earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated by adding depreciation and amortisation cost of £19,417,000 (2022: £22,049,000) to profit from operations of £31,724,000 (2022: £23,098,000).

(2) Profit from operations is an alternative performance measure, please refer to note 4.3 for further information.

(3) Casebank is defined as the number of cases at the balance sheet date that the business has available to work. Caseload is defined as the annual number of cases received in year. Both indicators are key metrics in the Enforcement business. The positive growth in both metrics is an indication of returning volumes across each of the recovery businesses, supporting both an improved outlook for the business and stronger recovery for local authorities.

(4) Deployed hours form a key metric of our Civil Parking business and represent the number of hours that our employees have been deployed supporting an individual local government contract. The increase in deployed hours is important and can be attributed to new contracts won in the current financial year as well as improved deployment metrics on existing contracts which were challenging in the previous year due to the pandemic challenges and the unprecedented demand on the job market making retention difficult.

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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

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#### Principal risks and uncertainties

The Group's Enterprise Risk Management Framework sets out a comprehensive risk management process and methodology ensuring robust identification and assessment of the risks facing the Group, including emerging risks.

The Group has adopted a 'Three Lines of Defence' model to ensure clear apportionment and oversight of risk, and to align to industry best practice.

The management of risk is then embedded into each level of the business, with all colleagues being responsible for identifying, assessing and managing risk.

#### Three Lines of Defence

The first line of defence are management oversight and procedures in the front-line client and customer facing teams together with their support functions, including Finance, Human Resources and Information Technology.

The role of the first line of defence is to identify and assess risk and execute actions to manage and treat it in accordance with the Group's risk policy.

The first line is responsible for maintaining a local risk register, escalating any risk events to the second line of defence.

The second line of defence is made up of the Risk Framework Team and oversees the first line, providing best practise risk management tools and aggregating risk data for the Executive Leadership Team and Risk Committee.

The third line of defence is comprised of an Operational Internal Audit Team reporting into the Chief Financial Officer, and an outsourced independent internal audit function.

The third line of defence provides independent assurance to the Executive Leadership Team on the operation and effectiveness of the first and second lines of defence.

#### Top Corporate Risks

Corporate risk registers are based around the Group's organisational structure to ensure clear accountability for risk.

There are three levels of corporate risk register to ensure sufficient consideration of risk across all Group activities.

Level 1	Top Corporate Risks
Level 2	Individual Executive Leadership Team Members
Level 3	Front line Business Units

The Level 1 corporate risk register is prepared by combining the local bottom-up Level 3 risk registers with Group level risks identified and owned by the Executive Leadership Team at Level 2.

The Group employs a range of risk management strategies, including avoidance, mitigation, transfer (including insurance) and acceptance. The Risk Committee monitors the implementation of risk mitigation plans for the Top Corporate Risks.

**MARSTON (HOLDINGS) LIMITED**

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**STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

The top 3 corporate risks are as follows:

<b>No.</b>	<b>Risk</b>	<b>Risk description</b>	<b>Key controls</b>
1	Reputational risk	The risk of negative publicity in media or from stakeholders leading to damage to reputation and financial loss.	<ul style="list-style-type: none"> <li>Well-developed policies and procedures which are continuously improved.</li> <li>Continuous training, education and monitoring of personnel to ensure consistency and professionalism.</li> <li>Customer Experience Committee monitoring feedback and providing insight for improvement.</li> <li>Quality management systems assured to BSI standard.</li> <li>Independent Advisory Group providing truly independent monitoring of standards and performance, and improvement suggestions</li> <li>Complaints management and monitoring, with improvement feedback.</li> <li>Public and external affairs function and media escalation process.</li> <li>Internal and quality audit programmes.</li> </ul>
2	Data security breach risk	The risk of a significant commercial or personal data breach resulting in regulatory intervention or fines, reputational damage and loss of clients and associated financial loss.	<ul style="list-style-type: none"> <li>Data Protection Officer and Data Privacy Team.</li> <li>Data Protection Policy Framework.</li> <li>Staff and field data protection induction and refresher training programmes.</li> <li>Data Protection and information security audit programme.</li> <li>Data Protection Committee responsible for data governance across the Group.</li> <li>Head of Cyber and Information Security and team.</li> <li>Information Security Policy.</li> <li>IT Security and Penetration Testing Programme.</li> <li>Cyber insurance policy.</li> <li>British Standard ISO27001 certification.</li> </ul>
3	Vehicle operator licence risk	The risk that there is a breach of our Vehicle Operator Licence leading to potential regulatory fines, reputational damage and potential financial loss.	<ul style="list-style-type: none"> <li>Comprehensive Transport policies and procedures via Fleet Operations Manual.</li> <li>Training and monitoring of personnel.</li> <li>Transport Committee monitors vehicle operator license compliance, driving continuous improvement.</li> <li>Head of Fleet &amp; Transport and fleet management team accountable for performance and standards.</li> <li>Fleet audit programme.</li> </ul>



**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****Future Developments**

The Board considers that the Group has the necessary resources, controls and risk management processes to effectively manage commercial risk and grow the business in a sustainable way.

The Group is expanding its investment in technology, developing and enhancing both new and existing products with the goal of improving ways in which it engages with its clients and suppliers, and the effective collaboration of our colleagues.

**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.

The table below sets out our key stakeholders and provides examples of how we have engaged with them throughout the financial period, as well as demonstrating shareholder consideration in the decision making process;

<b>Stakeholders</b>	<b>Our approach to stakeholder engagement</b>	<b>Stakeholder consideration in the Board's decision making</b>
<u><b>Investors</b></u> The Group's investors are essential to business growth and provide funding and knowledge to aid the Group's strategic goals.	Investor engagement is frequent and performance information is provided by the Board to the Group's investors.	As a Board the aim is to provide clear and concise management information to the Group's investors, being clear with them as to the business opportunities and risks that exist, and how the Group is working with these to drive investor value.
<u><b>Lenders</b></u> The Group's lenders are provide funding for the business to operate and grow.	To have an open, regular and honest dialogue with lenders which includes sharing monthly performance reports, and regular business updates.	The Board actively engages with Lenders in a positive and progressive working approach, providing them with accurate, timely and detailed information on the performance of the business, the risks and the opportunities.
<u><b>Clients</b></u> The Group works closely with all clients to understand their evolving requirements and ensure the Group's business model and services compliment them.	Comprehensive, strong and clear client engagement to ensure exceptional service, anticipation of future needs and inform prioritisation of strategic growth opportunities.	Long term client engagement is something the Group prides itself on given the nature of its primarily Local Authority client base. The Board's focus is to continue to maintain high standards and service levels with its client relationships. The Group also looks at all opportunities to help its clients with additional services that create value.

**MARSTON (HOLDINGS) LIMITED**

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**STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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

<b>Stakeholders</b>	<b>Our approach to stakeholder engagement</b>	<b>Stakeholder consideration in the Board's decision making</b>
<u>Customers</u> The Group's customers, and their experience of our services, are critical to ongoing success.	To have a strong customer service focus and to make it easy for our customers to transact and communicate with us through their channel of choice.	The Board's focus is to provide and maintain high standards of service through regular customer feedback and continuous improvement in customer experience. The Group prides itself on identifying vulnerable customers and working with them in a fair and consistent way to ensure that the best outcomes can be achieved in the most empathetic manner.
<u>Industry and Government Bodies</u> CIVEA, MoJ, BPA, Debt Advisory Charities	We continue to build on our long track record of working with Government, industry bodies, and debt advice charities to continuously improve standards, and shape the future of the industry.	As a Board we are committed to working with industry and Government bodies to drive innovation and continuous improvement for the benefit of customers, clients and stakeholders.  The Group supported the Centre for Social Justice in its efforts to drive reform for enforcement, sponsoring research and roundtable discussions to facilitate this landmark achievement.
<u>Enforcement Conduct Board and Independent Advisory Group</u>  The Group has been a key driver in the establishment of the Enforcement Conduct Board (ECB).	The Group continues to be a progressive and driving force in the industry.	The Board set up an Independent Advisory Group (IAG) in 2013, with an independent chair and board of directors to review and provide oversight on the Group's enforcement activities to ensure the best possible customer experience. The IAG meets with senior executives frequently to formally review performance, and its members personally review all stage 3 complaints, making recommendations for resolution and prevention of recurrence where possible.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**STRATEGIC REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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

<b>Stakeholders</b>	<b>Our approach to stakeholder engagement</b>	<b>Stakeholder consideration in the Board's decision making</b>
<u>Enforcement Conduct Board and Independent Advisory Group</u> (continued)		<p>The Board was a driving force in the establishment of the enforcement Conduct Board (ECB) in 2022. The ECB has oversight of the entire enforcement industry and ensures that all those who are subject to enforcement action in England and Wales are fairly treated, with a focus on common best practice standards, protecting vulnerable people and driving consistency and fairness across the industry.</p> <p>The CEO is a member of the ECB Stakeholder Engagement Board who meet regularly to discuss policy and improvement initiatives.</p>

**Engagement with other stakeholders***Investors in People Accreditation*

The Board recognises the importance of its colleagues, which is reflected in the Group being awarded the Investors in People Accreditation. This places the Group in the top two per cent of the nearly 9,000 companies that have an Investors in People accreditation.

*Inclusion and wellbeing*

The Investors in People 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 our colleagues to work together towards creating an inclusive and diverse working community. In particular, colleagues have celebrated PRIDE, Movember, International Women's Day, and many religious events during the course of the year. To further support inclusivity, we launched a Group wide Inclusion approach where representative volunteers from across the business now work in consultation with our Independent Advisory Group and Ethics Committee to offer counsel and track progress in these areas.

Throughout the year, we have continued to promote health and wellbeing to all colleagues across stress awareness, suicide prevention, 'time to talk and listen' events', training programmes and further increasing the number of Mental Health First Aiders across the Group.

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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

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

##### Engagement with other stakeholders (continued)

##### *Colleague Engagement and development*

Colleagues are a vital part of the success of the Group, and a significant focus of managements time is on the effective recruitment and retention of colleagues across all of its service lines. Colleague communication and engagement are essential to this, and colleagues are communicated to frequently at all levels through team briefings or intranet communications to share relevant information. The Group has focused on how it supports its colleagues to work considering the challenges raised by the pandemic and continues to offer, where appropriate, hybrid working solutions which helps support our people focused agenda.

We have continued to expand our online and face to face Learning and Development programmes. We now have over one hundred colleagues undertaking a formally recognised apprentice programme and we will be further expanding the number of programmes on offer to meet the diverse needs of our colleagues.

Throughout the year the Board has had several key decisions to work through as the Group continues to recover from the impact of the pandemic. The investment cycle of the Group started in line with the onset of the pandemic and the Board has been actively engaged with its investors to refocus the business and drive growth in shareholder value over the near term.

##### Health and Safety

Our priority is always to provide a safe environment for all our employees, sub-contractors and customers, and we are committed to achieving and maintaining the highest health and safety standards.

The Health and Safety Committee is a sub-committee of the Executive Leadership Team and is responsible for the Group's Health and Safety management system. All our sites also operate under the Group's certification to the Health and Safety standard ISO 45001.

We continually develop our processes, challenge unsafe behaviours, and look at ways we can further improve our management system and training. We also have regular engagement with external organisations, such as the Health and Safety Executive, where we play an active role in helping to develop policy and share best practice.

This report was approved by the board on 16 February 2024 and signed on its behalf by:

DocuSigned by:  
  
48AE33CD6B514D3...

**Martin Johnson**

**Director**

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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### DIRECTORS REPORT FOR THE YEAR ENDED 31 MAY 2023

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The directors present their report and the financial statements for the year ended 31 May 2023.

#### Results and dividends

Revenue generated for the year to 31 May 2023 was £326,293,000 (year ended May 2022: £297,016,000).

The profit for the year, after taxation, amounted to £24,562,000 (2022: £4,093,000 loss).

The directors do not recommend a payment of a dividend (2022: £nil).

#### Directors

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

Stephen James Callaghan (resigned 4 August 2023)

Michael John Corcoran (resigned 15 September 2023)

Keith Hanshaw (appointed 31 January 2024)

Martin Johnson (appointed 2 August 2023)

Amanda Louise McCormack

Tim Van Oerle (appointed 15 September 2023, resigned 31 January 2024)

#### Going concern

The Company forms part of a group of companies which are consolidated into the ultimate parent undertaking, Free Flow Topco Limited.

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation for these financial statements, the Board has assessed the Group and Company's ability to continue as a going concern for a period of twelve months from the date of approval of these financial statements. This assessment included base forecasts, which were subsequently sensitised for plausible downside scenarios, and then compared with available cash and other covenant requirements as applicable.

The base level forecast, reviewed and approved by the Board, was produced through to February 2025, and incorporates a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Contractually based revenues, which cover our largest business units, are only significantly impacted by contractual changes usually known at least up to 12 months in advance. Other business units, principally Enforcement, Commercial Debt and Traffic Technology, have more variability due to the impact of volumetric changes such as caseload volumes, and these were most impacted by Covid-19 restrictions. In previous periods, our forecasts had to make high level assumptions on the return to pre-pandemic levels of business, which had inherently higher levels of uncertainty. As we move further from the pandemic era and have more trading experience in the post-pandemic environment, we are able to forecast with increased confidence in our assumptions.

Our base forecast assumes that the period to February 2025 will see revenues return to the levels seen pre-pandemic, which is supported by our experiences in the 2023 calendar year to date. The forecasts also assume a level of increased operating costs. Although in the current economic environment forecasting future costs includes an elevated level of uncertainty, we are seeing more stabilisation in our main cost drivers as inflation has reduced in the second half of 2023, and supply side pressures associated with this have eased. The Group is also well advanced with delivering procurement and resource cost savings through a comprehensive cost review that mitigate these impacts. The Group to which the Company belongs has also taken measures to limit its exposure to the interest rate risk on its borrowings by entering into an interest rate hedge that largely caps the maximum cash outflow were interest rates to rise further over the next 12 months.

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## **MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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### **DIRECTORS REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2023**

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#### **Going concern (continued)**

The investors have provided the ultimate parent undertaking, Free Flow Topco Limited, and its subsidiaries with letters of support which confirm that they are committed to provide financial and operational resources to the Company, were these to be required, for a period up to 18 months from the signing of the financial statements.

The Board have additionally considered plausible downside scenarios in a sensitised version, and their impact on the forecast covering the same time period. The approach taken has been to determine specific cash and EBITDA drivers across the business units and model the impact of plausible deterioration of these over the forecast period, along with the impact of mitigations where these are wholly in the control of the business.

Both the base level and sensitised forecasts demonstrate that the Group will remain in compliance with cash requirements and EBITDA covenants in the assessment period to February 2025. Therefore, with the improving business stability and the Board's increased confidence in its ability to forecast, the Directors have confidence that the headroom available against any further potential downside identified in our modelling is adequate to meet the requirements of our going concern assessment.

#### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their 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.

#### **Stakeholder 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 stakeholder engagement.

#### **Colleague 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.

#### **Statement of Corporate Governance Arrangements**

For the year ended 31 May 2023, under the Companies (Miscellaneous Reporting) Regulations 2018, the Group has applied the Wates Corporate Governing Principles for Large Private Companies published by the Financial Reporting Council (FRC) in December 2018, and available on the FRC website. These corporate governance reporting requirements have been applied by the Group for the financial year ended 31 May 2023.

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**MARSTON (HOLDINGS) LIMITED**  
Registered number: 04305487

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**DIRECTORS REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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**Statement of Corporate Governance Arrangements (continued)**

*Principle 1: Purpose and Leadership*

The Group's purpose is to deliver sustainable, profitable, long-term growth for the benefit of all its Stakeholders.

Directors engage in regular dialogue with colleagues across the Business. Colleagues are kept informed of Group strategy, performance and activities by regular blogs and newsletters, combined with regular briefings and meetings.

Colleagues are encouraged to provide feedback through regular meetings with leaders.

*Principle 2: Board Composition*

The Board is made up of the Chairman, the Chief Executive Officer, the Chief Financial Officer and three Non-Executive Directors who represent the Shareholders interests. The Executive Team composition has been changed post year end in order to set the business up for future growth and development.

The Executive Team is headed by the Chief Executive Officer and supported by the Group Commercial Director, Group Managing Director, Managing Director Transportation, Managing Director Consulting, Chief Financial Officer, Chief People Officer and Chief Technology Officer. Of the revised composition there were four internal promotions to the Board, demonstrating the quality of talent in the organisation.

The Board meets formally at least 10 times a year, supplemented by additional meetings as and when required. Meetings are structured to discuss performance and strategy facilitated by an analysis of trading, financial performance and market conditions.

We believe the size and composition of our Board, at both parent and trading level is appropriate to our large and growing business, with appropriate representation at the right level. Individual Directors make sufficient time available to their respective teams, and the Board to ensure valuable contributions are made and acted on appropriately.

*Principle 3: Directors Responsibilities*

In terms of our accountability the Board ultimately takes responsibility for business decisions, except those that are reserved to our shareholders.

Whilst the Board views performance on a regular basis, decisions may be made on a daily basis by senior management and heads of departments, using their extensive knowledge and industry experience. Such members of staff have a clear understanding of the limits of their authority and have clear lines of accountability. They know when issues should be escalated for Board consideration and approval.

*Principle 4: Opportunities and Risk*

The Board understands the importance of establishing and exploiting opportunities, whilst also considering risk. In terms of addressing risk, be it financial, reputational, or other, the business relies on its legal department to mitigate contractual risk and to manage reputational and PR risk.

We are confident that the Group's internal controls system allows the Board to make informed decisions on material ESG issues to ensure the Group operates in a sustainable and socially responsible manner.

In terms of reporting risk to the Board, we are confident that the regular Board meetings and robust reporting lines to Board members ensures that risks are identified promptly and escalated to be addressed as appropriate.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**DIRECTORS REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****Statement of Corporate Governance Arrangements (continued)***Principle 5: Remuneration*

There are remuneration structures in place for Directors which provides rewards based on both the Group's overall performance and individual performance.

The Group believes strongly in Equal Opportunities and takes a zero-tolerance approach to discrimination or victimisation in any form. The Group promotes equal treatment regardless of age, gender, nationality, ethnic origin, religion, disability, marital status or sexual orientation.

*Principle 6: Stakeholder relationship and engagement*

The business believes strongly in effective communication with stakeholders, to promote the Group's reputation and enhance the relationships it has with them, in order to further its purpose.

Stakeholders comprise the shareholders, colleagues, customers, suppliers, regulators, policy influencers and local authorities in the areas we operate. We refer to S172(1) statement in the Strategic Report (directors' duty to promote the success of the company, for the benefit of its members as a whole having regard to all stakeholders).

**Streamlined Energy and Carbon Reporting**

This report is provided to comply with the UK government's policy on Streamlined Energy and Carbon Reporting.

<u>Energy consumption</u>	<b>FY23</b>	<b>FY22</b>	<b>FY19</b>
	<b>KWh</b>	<b>KWh</b>	<b>KWh</b>
	<b>Energy</b>	<b>Energy</b>	<b>Energy</b>
Natural gas and vehicle fuel (scope 1)	<b>19,907,499</b>	18,925,983	25,290,107
Purchased electricity (scope 2)	<b>4,503,349</b>	4,397,989	4,701,966
	<b>24,410,848</b>	23,323,972	29,992,073

<u>GHG emissions</u>	<b>FY23</b>	<b>FY22</b>	<b>FY19</b>	<b>FY22</b>	<b>FY19</b>
	<b>Emissions</b>	<b>Emissions</b>	<b>Emissions</b>	<b>%</b>	<b>%</b>
	<b>tCO<sub>2</sub>e</b>	<b>tCO<sub>2</sub>e</b>	<b>tCO<sub>2</sub>e</b>	<b>Change</b>	<b>Change</b>
Natural gas and vehicle fuel (scope 1)	4,629	4,368	6,143	+6%	-25%
Purchased electricity (scope 2)	871	934	1,202	-7%	-28%
	<b>5,500</b>	<b>5,302</b>	<b>7,345</b>	<b>+4%</b>	<b>-25%</b>



**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**DIRECTORS REPORT (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****Streamlined Energy and Carbon Reporting (continued)**

<u>Carbon intensity ratios</u>	<b>FY23</b>	<b>FY22</b>	<b>FY19</b>
	<b>tCO<sub>2</sub>e</b>	<b>tCO<sub>2</sub>e</b>	<b>tCO<sub>2</sub>e</b>
Scope 1 and 2 per £m of revenue	<b>16.9</b>	17.9	28.8

Marston's scope 1 energy consumption is principally vehicle fuel (78%). Total scope 1 emissions were 4,629 tCO<sub>2</sub>e. Purchased electricity, scope 2, accounted for 871 tCO<sub>2</sub>e (16%).

Total emissions increased by 3.7% in FY23 to 5,500 tCO<sub>2</sub>e while revenues increased by 9.9% over the same period.

Marston's carbon intensity ratio continues to fall and is currently 16.9 tCO<sub>2</sub>e per million pounds of revenue. This is a 5.6% improvement on FY22 and a 41.3% improvement on the base year.

Business travel, where employees are reimbursed for using their own vehicle, is one of the largest scope 3 categories and one that management can directly influence.

<u>Distance travelled</u>	<b>FY23 Miles</b>	<b>FY22 Miles</b>	<b>Difference %</b>
Business travel – where employees are reimbursed for using their own vehicle	1,259,123	974,519	+29.2%

<u>GHG emissions</u>	<b>FY23</b>	<b>FY22</b>	
	<b>Emissions</b>	<b>Emissions</b>	
	<b>tCO<sub>2</sub>e</b>	<b>tCO<sub>2</sub>e</b>	<b>Difference %</b>
Business travel – where employees are reimbursed for using their own vehicle	427	329	+29.8%

The GHG emissions for business travel, where employees are reimbursed for using their own vehicle, was 427 tCO<sub>2</sub>e in FY23 compared to 329 tCO<sub>2</sub>e for FY22, a 29.8% increase.

**Methodology**

This report has been prepared in accordance with the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard (2004) and related guidance.

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 a carbon dioxide equivalent.

We have used the operational control approach to identify the energy consumption and greenhouse gas (GHG) emissions for which we have responsibility.

Location-based emissions factors have been used in the production of this report.

A materiality level of two per cent has been applied for all fuel sources.

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## **MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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### **DIRECTORS REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2023**

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#### **Streamlined Energy and Carbon Reporting (continued)**

##### Methodology (continued)

The base year for scope 1 and 2 emissions is FY19. The base year for scope 3 emissions is FY22.

Total vehicle emissions also include an element of indirect emissions, associated with the generation of electricity used to recharge electric vehicles, this element has been included in the scope 2 emissions total.

Marston applies an intensity ratio per million pounds of turnover to measure carbon performance over time.

##### Carbon Targets and Net Zero Strategy

The board is committed to minimising the impact of its business activities on the environment and halving scope 1 and scope 2 carbon emissions by 2030 on the path to net zero by 2040.

The Group has established an Environmental Committee and a Carbon Steering Group to ensure the appropriate level of senior management oversight and focus on our net zero strategy.

A dedicated Carbon Analyst supports our climate ambitions, and those of our clients, through continuous monitoring and reporting of energy consumption and carbon emissions data.

The Group has set targets to decarbonise our fleet with 18.5% of the vehicle fleet now powered solely by electricity. In FY23 it was decided to exclude hybrid vehicles from our objectives and to concentrate entirely on more efficient electric only vehicles.

All property refurbishment and procurement now incorporate environmental performance aspects, and where possible, consolidation of the property portfolio to reduce carbon footprint is continuing.

The procurement of any sites that rely on natural gas for heating has ended, and enhanced monthly scrutiny of natural gas usage introduced, to highlight and drive down inefficiency or excessive use.

#### **Directors' and officers' liability insurance**

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

#### **Post year end events**

There have been no significant events affecting the company since the year end.

#### **Auditors**

Cooper Parry Group Limited were appointed on 4<sup>th</sup> August 2023 and will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

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#### Directors' Responsibilities Statement for the year ended 31 May 2023

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 UK-adopted international accounting standards. 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 and Group 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;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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

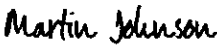
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group'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 and Group's auditor is aware of that information.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The report was approved by the board on 16 February 2024 and signed on its behalf by:

DocuSigned by:  
  
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**Martin Johnson**  
**Director**

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## **MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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

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#### **Opinion**

We have audited the financial statements of Marston (Holdings) Limited (the 'parent company') and its subsidiaries for the year ended 31 May 2023, which comprise the consolidated statement of profit and loss and other comprehensive income or expense, the consolidated statement of financial position, the company statement of financial position, consolidated statement of changes in equity, the company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2023 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

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

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## **MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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

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#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

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

#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 18, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

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## **MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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

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#### **Auditor's responsibilities for the audit of the financial statements**

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

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

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we obtained an understanding of the legal and regulatory framework applicable to the entity and how the entity complied with that framework, including a review of legal and professional nominal codes and board minutes in the year and post year end;
- we made enquiries of management as to where they considered there was susceptibility to fraud and their knowledge of actual, suspected and alleged fraud;
- we obtained an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and by performing walkthroughs;
- we obtained an understanding of the entity's risk assessment process, including the risk of fraud;
- we designed our audit procedures to respond to our risk assessment; and
- we performed audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias, including whether the conditions have been met for revenues to be recognised.

In response to the risk of irregularities in relation to non-compliance with laws and regulations, we designed procedures which included but were not limited to:

- we agreed financial statement disclosures to underlying supporting documentation;
- we read the minutes of meetings of those charged with governance;
- we enquired of management as to actual and potential litigation and claims

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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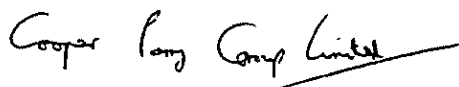
### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARSTON (HOLDINGS) LIMITED (CONTINUED)

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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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

#### Use of our report

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.



Emre Saka (Senior Statutory Auditor)  
for and on behalf of

**Cooper Parry Group Limited**

Sky View

Argosy Road

East Midlands Airport

Castle Donnington

Derby

DE74 2SA

16 February 2024

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR EXPENSE  
FOR THE YEAR ENDED 31 MAY 2023**

		<b>2023</b>	As restated 2022
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Revenue</b>	8	<b>326,293</b>	297,016
Employee costs	10	(158,237)	(139,555)
Other expenses		(114,276)	(108,733)
Changes in inventories of finished goods	18	(2,639)	(3,581)
Depreciation and amortisation expense		(19,417)	(22,049)
<b>Profit from operations *</b>		<b>31,724</b>	23,098
Finance income	11	30	-
Finance expense	11	(2,753)	(2,466)
Gain on bargain purchase		-	867
Impairment of amounts owed by group undertakings	19	(25)	-
Impairment of intangible assets **	15	(3,480)	(28,021)
<b>Profit/(loss) before tax</b>		<b>25,496</b>	(6,522)
Tax (charge)/credit	12	(934)	2,429
<b>Profit/(loss) for the year</b>		<b>24,562</b>	(4,093)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit pension schemes	27	1,267	1,841
Movement in deferred tax relating to pension schemes	27	(370)	(679)
<b>Other comprehensive income for the year, net of tax</b>		<b>897</b>	1,162
<b>Total comprehensive income/(expense)</b>		<b>25,459</b>	(2,931)

The notes on pages 32 to 107 form part of these financial statements.

\* Profit from operations is an alternative performance measure, please refer to note 4.3 for further information.

\*\* Impairment of intangible assets was restated in the years ended 31 May 2022 and 31 May 2021, please refer to note 4.29 for further details on the restatement.



**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2023**

		<b>2023</b>	As restated <b>2022</b>	As restated <b>2021</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	<b>34,053</b>	27,587	27,221
Intangible assets *	14	<b>179,220</b>	186,016	205,261
		<b>213,273</b>	213,603	232,482
<b>Current assets</b>				
Inventories	18	<b>3,103</b>	1,846	402
Trade and other receivables	19	<b>172,570</b>	247,964	199,695
Cash and cash equivalents		<b>15,496</b>	13,935	25,213
		<b>191,169</b>	263,745	225,310
<b>Total assets</b>		<b>404,442</b>	477,348	457,792
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	22	<b>23,429</b>	17,811	18,698
Employee benefit liabilities	32	-	289	2,083
Provisions	23	<b>929</b>	816	1,262
Deferred tax liability	12	<b>5,715</b>	5,030	6,245
Contingent consideration	24	-	9,887	3,948
		<b>30,073</b>	33,833	32,236
<b>Current liabilities</b>				
Trade and other liabilities	20	<b>70,389</b>	169,852	153,322
Loans and borrowings	22	<b>7,481</b>	7,585	5,150
Provisions	23	<b>1,954</b>	2,392	467
Contingent consideration	24	<b>5,400</b>	-	-
		<b>85,224</b>	179,829	158,939
<b>Total liabilities</b>		<b>115,297</b>	213,662	191,175
<b>Net assets</b>		<b>289,145</b>	263,686	266,617

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)****AS AT 31 MAY 2023**

		<b>2023</b>	As restated 2022	As restated 2021
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Issued capital and reserves attributable to owners of the parent</b>				
Share capital	25	<b>163,055</b>	163,055	163,055
Retained earnings *	26	<b>126,090</b>	100,631	103,562
<b>Total equity (as restated)</b>		<b>289,145</b>	263,686	266,617

\* Intangible assets and retained earnings were restated as at 31 May 2022 and 31 May 2021, please refer to note 4.29 for further details on the restatement.

The financial statements on pages 23 to 107 were approved and authorised for issue by the board of directors on 16 February 2024 and were signed on its behalf by:

DocuSigned by:

*Martin Johnson*

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**Martin Johnson**  
**Director**

The notes on pages 32 to 107 form part of these financial statements.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2023**

		<b>2023</b>	<b>As restated 2022</b>	<b>As restated 2021</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	<b>2,900</b>	3,393	5,480
Intangible assets *	14	<b>10,810</b>	10,841	10,844
Other non-current investments *	16	<b>164,611</b>	165,680	169,592
Deferred tax asset	12	<b>-</b>	826	25
		<b>178,321</b>	180,740	185,941
<b>Current assets</b>				
Trade and other receivables	19	<b>170,563</b>	325,792	251,201
Cash and cash equivalents		<b>1,055</b>	3,241	2,915
		<b>171,618</b>	329,033	254,116
<b>Total assets</b>		<b>349,939</b>	509,773	440,057
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	22	<b>47</b>	1,172	2,740
Deferred tax liability	12	<b>95</b>	-	-
Provisions	23	<b>233</b>	167	264
Contingent consideration	24	<b>-</b>	8,024	3,949
		<b>375</b>	9,363	6,953
<b>Current liabilities</b>				
Trade and other liabilities	20	<b>130,849</b>	286,504	206,111
Loans and borrowings	22	<b>803</b>	1,679	2,353
Provisions	23	<b>199</b>	196	98
Contingent consideration	24	<b>5,400</b>	-	-
		<b>137,251</b>	288,379	208,562
<b>Total liabilities</b>		<b>137,626</b>	297,742	215,515
<b>Net assets</b>		<b>212,313</b>	212,031	224,542

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)****AS AT 31 MAY 2023**

		<b>2023</b>	<b>As restated 2022</b>	<b>As restated 2021</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Issued capital and reserves attributable to owners of the parent</b>				
Share capital	25	<b>163,055</b>	163,055	163,055
Retained earnings *	26	<b>49,258</b>	48,976	61,487
<b>Total equity</b>		<b>212,313</b>	212,031	224,542

The Company has taken the exemption from presenting the parent company Statement of Profit or Loss and Other Comprehensive Income or Expense. The Company's profit for the year was £282,000 (2022 - loss £12,511,000).

\* Intangible assets, other non-current investments and retained earnings were restated as at 31 May 2022 and 31 May 2021, please refer to note 4.30 for further details on the restatement.

The financial statements on pages 23 to 107 were approved and authorised for issue by the board of directors on 16 February 2024 and were signed on its behalf by:

DocuSigned by:

*Martin Johnson*

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**Martin Johnson**  
Director

The notes on pages 32 to 107 form part of these financial statements.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2023**

	Share capital	Retained earnings	Total equity
	£000	£000	£000
<b>At 1 June 2021 (as reported)</b>	<b>163,055</b>	<b>112,830</b>	<b>275,885</b>
Prior year adjustment *	-	(9,268)	(9,268)
<b>At 1 June 2021 (as restated)</b>	<b>163,055</b>	<b>103,562</b>	<b>266,617</b>
<b>Comprehensive income/(expense) for the year</b>			
Loss for the year (as restated)	-	(4,093)	(4,093)
Other comprehensive income (note 27)	-	1,162	1,162
<b>Total comprehensive expense for the year (as restated)</b>	<b>-</b>	<b>(2,931)</b>	<b>(2,931)</b>
<b>At 31 May 2022 (as restated)</b>	<b>163,055</b>	<b>100,631</b>	<b>263,686</b>
<b>At 1 June 2022 (as reported)</b>	<b>163,055</b>	<b>135,957</b>	<b>299,012</b>
Prior year adjustment *	-	(35,326)	(35,326)
<b>At 1 June 2022 (as restated)</b>	<b>163,055</b>	<b>100,631</b>	<b>263,686</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	24,562	24,562
Other comprehensive income (note 27)	-	897	897
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>25,459</b>	<b>25,459</b>
<b>At 31 May 2023</b>	<b>163,055</b>	<b>126,090</b>	<b>289,145</b>

\* Retained earnings and loss for the period were restated in the years ended 31 May 2022 and 31 May 2021, please refer to note 4.29 for further details on the restatement.

The notes on pages 32 to 107 form part of these financial statements.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2023**

	Share capital	Retained earnings	Total equity
	£000	£000	£000
<b>At 1 June 2021 (as reported)</b>	<b>163,055</b>	<b>108,983</b>	<b>272,038</b>
Prior year adjustment *	-	(47,496)	(47,496)
<b>At 1 June 2021 (as restated)</b>	<b>163,055</b>	<b>61,487</b>	<b>224,542</b>
<b>Comprehensive income for the year</b>			
Loss for the year (as restated)	-	(13,111)	(13,111)
Other comprehensive income (note 27)	-	600	600
<b>Total comprehensive expense for the year (as restated)</b>	<b>-</b>	<b>(12,511)</b>	<b>(12,511)</b>
<b>At 31 May 2022 (as restated)</b>	<b>163,055</b>	<b>48,976</b>	<b>212,031</b>
<b>At 1 June 2022 (as reported)</b>	<b>163,055</b>	<b>104,290</b>	<b>267,345</b>
Prior year adjustment *	-	(55,314)	(55,314)
<b>At 1 June 2022 (as restated)</b>	<b>163,055</b>	<b>48,976</b>	<b>212,031</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	282	282
Other comprehensive income (note 27)	-	-	-
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>282</b>	<b>282</b>
<b>At 31 May 2023</b>	<b>163,055</b>	<b>49,258</b>	<b>212,313</b>

\* Retained earnings and loss for the period were restated in the years ended 31 May 2022 and 31 May 2021, please refer to note 4.30 for further details on the restatement.

The notes on pages 32 to 107 form part of these financial statements.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2023**

		2023	As restated 2022
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year *		24,562	(4,093)
<b>Adjustments for</b>			
Depreciation of property, plant and equipment	13	10,613	11,770
Amortisation of intangible fixed assets	14	8,804	10,279
Gain on disposal of property, plant and equipment		(443)	-
Impairment losses on intangible assets *	14	3,480	28,021
Impairment losses on amounts owed from group companies		25	-
Net movement in right of use assets and leases		66	-
Finance income	11	(30)	-
Finance expense		2,753	1,231
(Decrease)/increase in contingent consideration	24	(1,600)	6,398
Movement in defined benefit pension scheme		978	-
Income tax expense	12	934	(2,429)
		<b>50,142</b>	<b>51,177</b>
<b>Movements in working capital</b>			
Decrease/(increase) in trade and other receivables	19	74,791	(48,269)
(Increase) in inventories	18	(1,257)	(1,444)
(Decrease)/increase in trade and other payables	20	(99,504)	16,530
(Decrease) in provisions and employee benefits	23	(325)	(315)
<b>Cash generated from operations</b>		<b>23,847</b>	<b>17,679</b>
Income taxes paid	12	-	-
<b>Net cash from operating activities</b>		<b>23,847</b>	<b>17,679</b>

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2023**

	Note	2023 £000	2022 £000
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired		-	(10,947)
Purchase of property, plant and equipment	13	(3,492)	(1,810)
Purchase of intangibles	14	(5,975)	(5,603)
Interest received		30	-
Payment of contingent consideration	24	(2,887)	(459)
<b>Net cash used in investing activities</b>		<b>(12,324)</b>	<b>(18,819)</b>
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings		-	(222)
Interest paid		(779)	-
Payments of finance lease creditors	28	(9,183)	(9,916)
<b>Net cash used in financing activities</b>		<b>(9,962)</b>	<b>(10,138)</b>
<b>Net cash increase/(decrease) in cash and cash equivalents</b>		<b>1,561</b>	<b>(11,278)</b>
Cash and cash equivalents at the beginning of the year		<b>13,935</b>	<b>25,213</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>15,496</b>	<b>13,935</b>

\* Loss for the period and impairment losses on intangible assets have been restated for the years ended 31 May 2022 and 31 May 2021, please refer to note 4.29 for further details on the restatement.

The notes on pages 32 to 107 form part of these financial statements.



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## MARSTON (HOLDINGS) LIMITED

Registered number: 04305487

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

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#### 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 UK-adopted international accounting standards. 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

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

##### 2.2 Changes in accounting policies

###### i) New standards

The following new standards and interpretations were mandatory for the year beginning 1 June 2022:

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8).

The above standards did not have a significant impact on the Group's financial statements.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023****2. Basis of preparation (continued)****2.2 Changes in accounting policies (continued)****ii) Standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 June 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards are not expected to have a significant impact on the Company's financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Accounting policies, changes in accounting estimates and errors: definition (Amendments to IAS 8) and;
- Amendments to IAS 1 presentation of financial statements and IFRS practice statement 2 making material judgements;
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 Income Taxes;
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

**3. Going Concern**

The Company forms part of a group of companies which are consolidated into the ultimate parent undertaking, Free Flow Topco Limited.

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation for these financial statements, the Board has assessed the Group and Company's ability to continue as a going concern for a period of twelve months from the date of approval of these financial statements. This assessment included base forecasts, which were subsequently sensitised for plausible downside scenarios, and then compared with available cash and other covenant requirements as applicable.

The base level forecast, reviewed and approved by the Board, was produced through to February 2025, and incorporates a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Contractually based revenues, which cover our largest business units, are only significantly impacted by contractual changes usually known at least up to 12 months in advance. Other business units, principally Enforcement, Commercial Debt and Traffic Technology, have more variability due to the impact of volumetric changes such as caseload volumes, and these were most impacted by Covid-19 restrictions. In previous periods, our forecasts had to make high level assumptions on the return to pre-pandemic levels of business, which had inherently higher levels of uncertainty. As we move further from the pandemic era and have more trading experience in the post-pandemic environment, we are able to forecast with increased confidence in our assumptions.

Our base forecast assumes that the period to February 2025 will see revenues return to the levels seen pre-pandemic, which is supported by our experiences in the 2023 calendar year to date. The forecasts also assume a level of increased operating costs. Although in the current economic environment forecasting future costs includes an elevated level of uncertainty, we are seeing more stabilisation in our main cost drivers as inflation has reduced in the second half of 2023, and supply side pressures associated with this have eased. The Group is also well advanced with delivering procurement and resource cost savings through a comprehensive cost review that mitigate these impacts. The Group to which the Company belongs has also taken measures to limit its exposure to the interest rate risk on its borrowings by entering into an interest rate hedge that largely caps the maximum cash outflow were interest rates to rise further over the next 12 months. The investors have provided the ultimate parent undertaking, Free Flow Topco Limited, and its subsidiaries with letters of support which confirm that they are committed to provide financial and operational resources to the Company, were these to be required, for a period up to 18 months from the signing of the financial statements.

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**MARSTON (HOLDINGS) LIMITED**Registered number: 04305487

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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**3. Going Concern (continued)**

The Board have additionally considered plausible downside scenarios in a sensitised version, and their impact on the forecast covering the same time period. The approach taken has been to determine specific cash and EBITDA drivers across the business units and model the impact of plausible deterioration of these over the forecast period, along with the impact of mitigations where these are wholly in the control of the business.

Both the base level and sensitised forecasts demonstrate that the Group will remain in compliance with cash requirements and EBITDA covenants in the assessment period to February 2025. Therefore, with the improving business stability and the Board's increased confidence in its ability to forecast, the Directors have confidence that the headroom available against any further potential downside identified in our modelling is adequate to meet the requirements of our going concern assessment.

**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 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.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.1 Basis of consolidation (continued)**

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 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.

The subsequent accounting for changes in the fair value of the contingent consideration 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.

**MARSTON (HOLDINGS) LIMITED**

Registered number: 04305487

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.2 Business combinations (continued)**

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.

**4.3 Profit from operations**

Profit from operations is an alternative performance measure used to show the underlying trading performance of the Group. It is calculated by deducting employee costs, other expenses, changes in inventories of finished goods and depreciation and amortisation from revenue. Profit from operations is used as an alternative performance measure as it eliminates one off gains or losses that are unlikely to reoccur and are not part of the company's day to day business operations and facilitates year on year comparison.

**4.4 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.

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.

**4.5 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 to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. A review of our key revenue streams is shown below.

***Revenue streams:*****Enforcement**

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.

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**MARSTON (HOLDINGS) LIMITED**Registered number: 04305487

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.5 Revenue from Contracts with Customers (continued)**Enforcement (continued)

Compliance fee income is the fee recognised on the satisfaction of the performance obligation to complete the compliance work which involves sending a letter of enforcement to the debtor. The fee is set by the TCE at £75 per case for compliance work. For High Court enforcement, on completion of the compliance work, the fee is payable regardless of the success of the enforcement. For the road traffic, criminal fines and council tax enforcement, the fee is dependent on the recovery of the underlying debt. We refer to s51-54 of IFRS15 in considering this revenue to be variable as a result of this. As the revenue is recognised on the satisfaction of the performance obligation to complete the compliance work, the revenue recognised is therefore accrued at £75 multiplied by the number of ongoing cases within the compliance process less a provision for collection risk. The provision for collection risk is an estimate and is calculated based on historical collection levels and reduced debts collected. We use these to set our variable revenue at a value consistent with the expected value using probability weighted amounts. The receipt of the £75 fee is dependent on the debt being repaid to the customer, however this methodology of revenue recognition gives management comfort that it is not highly probable that a cumulative reversal of expected revenue will be required on conclusion of the case.

Civil Parking Services

The contracts consist of the provision of Civil Enforcement Officers (CEOs) 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
- 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. The payment machines are sold to the local authorities and the revenue on the sale is recognised at a point in time.

DVLA Services

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.5 Revenue from Contracts with Customers (continued)**DVLA Services (continued)

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.

Business Process Outsourcing

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

The above services have separate contracts with their own performance obligations which 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. Revenues arising as a result of the performance obligations are recognised at a point in time.

Consulting

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.

Commercial Debt

Commercial debt is 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 line with IFRS 15.

***Revenue related assets:***Contract assets

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.

**MARSTON (HOLDINGS) LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.5 Revenue from Contracts with Customers (continued)**Contract assets (continued)

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.

**4.6 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 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.



**MARSTON (HOLDINGS) LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**4. Accounting policies (continued)**

**4.6 Leasing (continued)**

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 lease portfolio of the Group and applied the cost of borrowing applicable to the Revolving Credit Facility held by the Group being SONIA +3% as a proxy for a market participant cost of lease.

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' 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 4.13.

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 not used this practical expedient.

**4.7 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.

**MARSTON (HOLDINGS) LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.7 Foreign currency (continued)**

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.

**4.8 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.9 Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

The government grant income receipts from the UK Government's Coronavirus Job Retention scheme has been included within employee benefit expenses within the Consolidated Statement of Profit or Loss.

**4.10 Employee benefits****(i) Retirement benefit costs and termination benefits**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Refer to note 32 for further detail on the estimates and assumptions used in the actuarial valuation. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item employees costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.10 Employee benefits (continued)****(i) Retirement benefit costs and termination benefits (continued)**

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

**(ii) Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**(iii) Contributions from employees to third parties to defined benefit plans**

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

**4.11 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 or Expense 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.11 Taxation (continued)****(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 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.

**(ii) 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.

**4.12 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.12 Property, plant and equipment (continued)**

Depreciation is provided on all 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

**4.13 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.

Columbus (software)	Straight line over 10 years
Columbus (software additions)	Over remaining useful life of Columbus (software)
Other intangible assets - Brand	Straight line over 4 – 10 years
Other intangible assets - Contracts	Straight line over 4 – 10 years
Computer software	Straight line over 3 – 5 years

**(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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.14 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**4.15 Investments**

Investments in subsidiaries and associates are measured at cost less impairment in accordance with IAS 27. 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 IAS 36 'Impairment of Assets'.

**4.16 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.17 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. Trade receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

The expected loss model for these trade receivables has been built based on the levels of loss experienced, with due consideration given to forward-looking information. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

The Group assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics. They have been grouped on the days past due. Refer to note 29 for detailed analysis of how the impairment receivable requirements of IFRS 9 are applied.

**4.18 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.

**4.19 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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.19 Financial assets (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 IFRS 9 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.19 Financial assets (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.

**4.20 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.

**4.21 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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**4. Accounting policies (continued)****4.22 Financial liabilities and equity instruments**

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;

- contingent consideration of an acquirer in a business combination to which IFRS 3 applies,
- held for trading, or
- 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 a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in 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; or
- 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 IFRS 9 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 to the extent that they are not part of a designated hedging relationship (see note 28). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'fair value gains/losses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.22 Financial liabilities and equity instruments (continued)**Other financial liabilities

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

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 amortised cost of a financial liability.

**4.23 Defined contribution schemes**

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

**4.24 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 crystallise. This would reflect the fact that under the scheme rules a refund of contributions would be made to the Group of the amount paid over and above the amounts required to fund the benefits. Given the inherent uncertainty over the future economic factors impacting 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.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2023**

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

##### **4.25 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 contingent consideration.

##### **4.26 Share capital**

Ordinary shares are classified as equity and are measured at the value of consideration received for the nominal amount.

##### **4.27 Client accounts**

In accordance with the rules established by the Financial Conduct Authority the company holds all client funds in segregated statutory trust client bank accounts. These client bank accounts comprise of cash collected on behalf of clients and the Group does not have any rights over these balances. Therefore, client bank accounts are offset with client liability accounts in the Group financial statements.

##### **4.28 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**4. Accounting policies (continued)****4.29 Prior year adjustment – Group****Goodwill impairment**

As part of the preparation of the 31 May 2023 calculation it was identified that there was an adjustment required to the discounted cash flow model used in previous years. The model did not include cash outflows in respect of certain items and so had overstated the present values of cashflow and as a result understated the potential requirement for or level of impairment booked in previous years.

The disclosures in note 15 have been updated as follows:

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cost	194,697	194,697	-	183,092	183,092	-
Accumulated impairment	(60,544)	(25,218)	(35,326)	(32,523)	(23,255)	(9,268)
	<b>134,153</b>	<b>169,479</b>	<b>(35,326)</b>	<b>150,569</b>	<b>159,837</b>	<b>(9,268)</b>

**Accumulated impairment**

At 1 June	32,523	23,255	9,268	16,386	16,386	-
Impairment charge	28,021	1,963	26,058	16,137	6,869	9,268
<b>At 31 May 2023</b>	<b>60,544</b>	<b>25,218</b>	<b>35,326</b>	<b>32,523</b>	<b>23,255</b>	<b>9,268</b>

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Consulting	7,066	11,184	(4,118)	11,294	11,294	-
Civil parking services	5,306	26,471	(21,165)	21,517	28,324	(6,807)
Business process outsourcing	22,831	32,874	(10,043)	30,413	32,874	(2,461)
Traffic technology	33,011	33,011	-	21,406	21,406	-
Road traffic debt recovery	-	-	-	13,408	13,408	-
DVLA services	10,332	10,332	-	10,332	10,332	-
Commercial debt	9,276	9,276	-	4,941	4,941	-
Criminal fines enforcement, civil enforcement and council tax recovery	-	-	-	29,240	29,240	-
Scotland	8,018	8,018	-	8,018	8,018	-
Enforcement	38,313	38,313	-	-	-	-
	<b>134,153</b>	<b>169,479</b>	<b>(35,326)</b>	<b>150,569</b>	<b>159,837</b>	<b>(9,268)</b>

**MARSTON (HOLDINGS) LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**4. Accounting policies (continued)****4.29 Prior year adjustment – Group (continued)****Goodwill impairment (continued)**

The disclosures in note 14 have been updated as follows:

<b><u>Intangible assets - Group</u></b>	<b>Goodwill Restated 2022 £000</b>	<b>Goodwill Original 2022 £000</b>	<b>Variance £000</b>	<b>Total Restated 2022 £000</b>	<b>Total Original 2022 £000</b>	<b>Variance £000</b>
<b>Accumulated amortisation and impairment</b>						
At 1 June 2021	32,523	23,255	9,268	85,327	76,059	9,268
Charge for the year – owned	-	-	-	10,279	10,279	-
Impairment charge	28,021	1,963	26,058	28,021	1,963	26,058
<b>At 31 May 2022</b>	<b>60,544</b>	<b>25,218</b>	<b>35,326</b>	<b>123,627</b>	<b>88,301</b>	<b>35,326</b>
<b>Net book value</b>						
At 31 May 2021	150,569	159,837	(9,268)	205,261	214,529	(9,268)
At 31 May 2022	134,153	169,479	(35,326)	186,016	221,342	(35,326)

As a result of the above adjustments, the primary financial statements have been updated as follows:

**Consolidated Statement of Profit or Loss and Other Comprehensive Income or Expense**

	<b>Restated 2022 £000</b>	<b>Original 2022 £000</b>	<b>Variance £000</b>	<b>Restated 2021 £000</b>	<b>Original 2021 £000</b>	<b>Variance £000</b>
Impairment of intangible assets	(28,021)	(1,963)	(26,058)	(16,137)	(6,869)	(9,268)
<b>Profit/(loss) before tax</b>	<b>(6,522)</b>	<b>19,536</b>	<b>(26,058)</b>	<b>(7,100)</b>	<b>2,168</b>	<b>(9,268)</b>
<b>Profit/(loss) after tax</b>	<b>(4,093)</b>	<b>21,965</b>	<b>(26,058)</b>	<b>(8,394)</b>	<b>874</b>	<b>(9,268)</b>
<b>Total comprehensive income/(expense)</b>	<b>(2,931)</b>	<b>23,127</b>	<b>(26,058)</b>	<b>(4,980)</b>	<b>4,288</b>	<b>(9,268)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**4. Accounting policies (continued)****4.29 Prior year adjustment – Group (continued)****Goodwill impairment (continued)**Consolidated Statement of Financial Position

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Intangible assets	186,016	221,342	(35,326)	205,261	214,529	(9,268)
Non-current assets	213,603	248,929	(35,326)	232,482	241,750	(9,268)
Total assets	477,348	512,674	(35,326)	457,792	467,060	(9,268)
<b>Net assets</b>	<b>263,686</b>	<b>299,012</b>	<b>(35,326)</b>	<b>266,617</b>	<b>275,885</b>	<b>(9,268)</b>
Retained earnings	100,631	135,957	(35,326)	103,562	112,830	(9,268)
<b>Total equity</b>	<b>263,686</b>	<b>299,012</b>	<b>(35,326)</b>	<b>266,617</b>	<b>275,885</b>	<b>(9,268)</b>

Consolidated Statement of Cash Flows

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit/(loss) for the year	(4,093)	21,965	(26,058)	(8,394)	874	(9,268)
Impairment losses on intangible assets	28,021	1,963	26,058	16,137	6,869	9,268
Cash flows from operating activities	51,177	51,177	-	31,655	31,655	-



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**4. Accounting policies (continued)****4.30 Prior year adjustment – Company****Hive up of trade in subsidiaries**

As part of the preparation of these financial statements it was identified that in recent years 6 of the Company's subsidiaries have had their trade hived up and incorporated into the Company's own trading activities, as such it has been determined that the investments held for these subsidiaries should have been disposed of and an equivalent amount of goodwill recognised in the year that the hive up occurred. Prior year adjustments have therefore been created to reflect this.

The methodology has been to retrospectively reclassify the full investment value as goodwill on the date of acquisition of the subsidiary and to then amortise the goodwill over its useful economic life, with an accumulated amortisation amount being booked dependant on the number of years between acquisition and the commencement of the hive up.

For all subsidiaries the useful economic life has been deemed to be 10 years.

The disclosures in notes 14 have been updated as follows:

	<b>Goodwill Restated £000</b>	<b>Goodwill Original £000</b>	<b>Variance £000</b>	<b>Total Restated £000</b>	<b>Total Original £000</b>	<b>Variance £000</b>
<b>Cost or valuation</b>						
At 1 June 2020	48,496	-	48,496	49,974	1,478	48,496
Additions	7,011	-	7,011	8,865	1,854	7,011
<b>At 1 June 2021</b>	<b>55,507</b>	<b>-</b>	<b>55,507</b>	<b>58,839</b>	<b>3,332</b>	<b>55,507</b>
Additions	4,661	-	4,661	8,599	3,938	4,661
Transfer between classes	-	-	-	176	176	-
<b>At May 2022</b>	<b>60,168</b>	<b>-</b>	<b>60,168</b>	<b>67,614</b>	<b>7,446</b>	<b>60,168</b>
<b>Accumulated amortisation and impairment</b>						
At 1 June 2020	38,734	-	38,734	38,821	87	38,734
Charge for the year – owned	8,762	-	8,762	9,174	412	8,762
<b>At June 2021</b>	<b>47,496</b>	<b>-</b>	<b>47,496</b>	<b>47,995</b>	<b>499</b>	<b>47,496</b>
Charge for the year – owned	7,818	-	7,818	8,778	960	7,818
<b>At 31 May 2022</b>	<b>55,314</b>	<b>-</b>	<b>55,314</b>	<b>56,773</b>	<b>1,459</b>	<b>55,314</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**4. Accounting policies (continued)****4.30 Prior year adjustment – Company (continued)****Hive up of trade in subsidiaries (continued)**

	<b>Goodwill Restated</b>	<b>Goodwill Original</b>	<b>Variance</b>	<b>Total Restated</b>	<b>Total Original</b>	<b>Variance</b>
<b>Net book value</b>						
At 31 May 2020	9,762	-	9,762	11,153	1,391	9,762
At 31 May 2021	8,011	-	8,011	10,844	2,833	8,011
At 31 May 2022	<u>4,854</u>	<u>-</u>	<u>4,854</u>	<u>10,841</u>	<u>5,987</u>	<u>4,854</u>

The disclosures in notes 16 have been updated as follows:

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investments in subsidiary companies	<u>165,680</u>	<u>225,848</u>	<u>(60,168)</u>	<u>169,592</u>	<u>225,099</u>	<u>(55,507)</u>
<b>Cost</b>						
At 1 June	169,592	225,099	(55,507)	176,603	225,099	(48,496)
Disposals	(4,661)	-	(4,661)	(7,011)	-	(7,011)
<b>At 31 May</b>	<u><b>165,680</b></u>	<u><b>225,848</b></u>	<u><b>(60,168)</b></u>	<u><b>169,592</b></u>	<u><b>225,099</b></u>	<u><b>(55,507)</b></u>

As a result of the above adjustments, the primary financial statements have been updated as follows:

**Company Statement of Financial Position**

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Intangible assets	10,841	5,987	4,854	10,844	2,833	8,011
Other non-current investments	165,680	225,848	(60,168)	169,592	225,099	(55,507)
<b>Non-current assets</b>	<u><b>180,740</b></u>	<u><b>236,054</b></u>	<u><b>(55,314)</b></u>	<u><b>185,941</b></u>	<u><b>233,437</b></u>	<u><b>(47,496)</b></u>
<b>Total assets</b>	<u><b>509,773</b></u>	<u><b>565,087</b></u>	<u><b>(55,314)</b></u>	<u><b>440,057</b></u>	<u><b>487,553</b></u>	<u><b>(47,496)</b></u>

**MARSTON (HOLDINGS) LIMITED**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****4. Accounting policies (continued)****4.30 Prior year adjustment – Company (continued)****Hive up of trade in subsidiaries (continued)**

	<b>Restated 2022</b>	<b>Original 2022</b>	<b>Variance</b>	<b>Restated 2021</b>	<b>Original 2021</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Net assets</b>	<b>212,031</b>	<b>267,345</b>	<b>(55,314)</b>	<b>224,542</b>	<b>272,038</b>	<b>(47,496)</b>
 Retained earnings	 48,976	 104,290	 (55,314)	 61,487	 108,983	 (47,496)
 <b>Total equity</b>	 <b>212,031</b>	 <b>267,345</b>	 <b>(55,314)</b>	 <b>224,542</b>	 <b>272,038</b>	 <b>(47,496)</b>

**5. Disclosure exemptions – Parent company individual financial statement**

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' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- 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' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group

This information is included in the consolidated financial statements of Free Flow Topco Limited as at 31 May 2023 and these financial statements may be obtained from 12<sup>th</sup> Floor One America Square, London, EC3N 2LS.

**6. Functional and presentational 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023**

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**7. Accounting estimates and judgements****Estimates and assumptions**

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.

**Impairment of non-financial assets and goodwill***Group:*

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. During the year, the impairment of goodwill was £3.5m (2022: £28.0m) and there was no impairment (2022: £nil) of intangible assets (excluding goodwill). The net book value of goodwill at 31 May 2023 was £130.7m (2022: £134.2m). See note 15 for further detail of the estimates and assumptions involved in the impairment assessment.

**Impairment of receivables from related parties***Group:*

Receivables from related parties at 31 May 2023 were £107,099,000 (2022: £188,509,000). In the year, we assessed the recoverability of the receivables from related parties and identified indications of impairment. The expected credit loss applied to receivables from related parties totals £25,000 (2022: £nil). Refer to note 19 for further information.

*Company:*

Receivables from related parties at 31 May 2023 were £151,035,000 (2022: £309,320,000). In the year we assessed the recoverability of the receivables from related parties and identified indications of a reversal of a prior impairment. The expected credit loss applied to receivables from related parties totals £11,444,000 (2022: £9,796,000). Refer to note 19 for further information.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**8. Revenue**

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Civil Parking Services	<b>139,072</b>	126,167
Enforcement	<b>76,729</b>	71,513
DVLA Services	<b>29,768</b>	27,792
Business Process Outsourcing	<b>28,207</b>	22,636
Consulting	<b>23,680</b>	22,615
Commercial Debt	<b>21,468</b>	17,793
Traffic Technology	<b>7,369</b>	8,500
	<b>326,293</b>	297,016

Analysis of revenue by country of destination:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	<b>320,455</b>	292,865
Rest of Europe	<b>5,838</b>	4,151
	<b>326,293</b>	297,016

Timing of revenue recognition

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Goods and services transferred at a point in time	<b>158,232</b>	142,385
Goods and services transferred over time	<b>168,061</b>	154,631
	<b>326,293</b>	297,016

**9. Auditors' remuneration**

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	<b>46</b>	107
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries	<b>153</b>	401
	<b>199</b>	508

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****10. Employee benefit expenses****Group**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Employee benefit expenses (including directors) comprise</b>		
Wages and salaries	<b>139,652</b>	124,711
National insurance	<b>14,276</b>	11,999
Defined contribution pension cost	<b>4,309</b>	3,139
Furlough income	<b>-</b>	(294)
	<b>158,237</b>	139,555

**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 were remunerated by Magenta Bidco Limited and Free Flow Bidco Limited, being related party companies that are part of the wider Free Flow Topco Limited group of companies.

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Key management personnel compensation</b>		
Emoluments	<b>2,092</b>	1,333
Pension contributions	<b>93</b>	63
	<b>2,185</b>	1,396

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Directors' emoluments</b>		
Emoluments	<b>989</b>	1,115
	<b>989</b>	1,115

During the period, retirement benefits were accruing to one (2022: one) of the directors in respect of money purchase pension schemes. The highest paid director received remuneration of £392,000 (2022: £412,000) and pension contributions of £nil (2022: £nil) during the period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**10. Employee benefit expenses (continued)**

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

	<b>2023</b>	2022
Operational	<b>4,219</b>	4,071
Administration	<b>532</b>	411
	<b>4,751</b>	4,482

<b>Company</b>	<b>2023</b>	2022
	<b>£000</b>	£000

**Employee benefit expenses (including directors) comprise**

Wages and salaries	<b>26,568</b>	19,612
National insurance	<b>2,790</b>	1,955
Defined contribution pension cost	<b>713</b>	524
Furlough income	<b>-</b>	(136)
	<b>30,071</b>	21,955

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

	<b>2023</b>	2022
Operational	<b>442</b>	362
Administration	<b>377</b>	277
	<b>819</b>	639

The highest paid director received remuneration of £148,708 (2022: £112,011) during the period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**11. Finance income and expense**

Recognised in profit or loss:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Finance income</b>		
Interest on:		
Bank and other interest received	<u>30</u>	<u>-</u>
<b>Total interest income</b>	<u>30</u>	<u>-</u>
<b>Total finance income</b>	<u>30</u>	<u>-</u>
<b>Finance expense</b>		
Bank interest payable	239	287
Interest on lease liabilities	1,974	1,764
Other loan interest payable	506	368
Net interest expense on defined benefit liability	<u>34</u>	<u>47</u>
<b>Total finance expense</b>	<u>2,753</u>	<u>2,466</u>
<b>Net finance expense recognised in profit or loss</b>	<u>(2,723)</u>	<u>(2,466)</u>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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**12. Tax expense****Group****12.1 Income tax recognised in profit or loss**

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Current tax</b>		
Current tax on profits for the year	<b>822</b>	107
Adjustments in respect of prior years	<b>(203)</b>	(711)
<b>Total current tax</b>	<b>619</b>	(604)
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>125</b>	508
Adjustments in respect of prior years	<b>151</b>	(383)
Deferred tax asset not previously recognised	-	(2,141)
Effect of changes in tax rates	<b>39</b>	191
<b>Total deferred tax</b>	<b>315</b>	(1,825)
<b>Total tax charge/(credit)</b>	<b>934</b>	(2,429)

The tax on profit before tax for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 20%.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**12. Tax expense (continued)****12.1 Income tax recognised in profit or loss (continued)**

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Profit/(loss) for the year *	<b>24,562</b>	(4,093)
Income tax (credit)/charge	<b>934</b>	(2,429)
<b>Profit before income taxes *</b>	<b>25,496</b>	6,522
 Tax using the Company's domestic tax rate of 20% (2022: 19%)	<b>5,157</b>	1,239
Non tax-deductible amortisation of goodwill and impairment	-	2,841
Expenses not deductible for tax purposes other than goodwill, amortisation and impairment	<b>1,119</b>	1,163
Deferred tax asset not previously recognised	-	(2,141)
Non-qualifying depreciation	-	2
Adjustments to tax charge in respect of prior periods	<b>(52)</b>	(1,094)
Non-taxable income	-	(93)
Losses- overseas subsidiaries	<b>534</b>	(425)
Deferred tax not recognised	-	102
Effects of changes in tax rates	<b>39</b>	191
Group relief	<b>(6,981)</b>	(5,038)
Transfer pricing adjustments	<b>1,118</b>	824
	<b>934</b>	(2,429)

At 1 April 2023, the UK corporation tax rate increased to 25%.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**12. Tax expense (continued)****12.2 Tax assets and liabilities**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax (liabilities)/asset</b>		
Corporation tax	<u>(41)</u>	<u>3,578</u>
	<u>(41)</u>	<u>3,578</u>
 <b>Deferred tax (liabilities)</b>		
Provision at start of period	(5,030)	(6,245)
Acquired during period	-	69
Adjustments in respect of prior years	(151)	383
Deferred tax asset not previously recognised	-	2,141
Deferred tax (credit)/charge to profit and loss account for period	(164)	(699)
Pension credit to other comprehensive income	(370)	(533)
Prior year charge/(credit) to other comprehensive income	<u>-</u>	<u>(146)</u>
	<u>(5,715)</u>	<u>(5,030)</u>
 Fixed asset timing differences	(6,135)	(6,573)
Short term timing differences	420	554
Losses	<u>-</u>	<u>989</u>
	<u>(5,715)</u>	<u>(5,030)</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**12. Tax expense (continued)****Company**

The following is the analysis of deferred tax assets presented in the statement of financial position:

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Current tax (liabilities)</b>		
Corporation tax	<b>(9)</b>	4,563
	<b>(9)</b>	4,563
 <b>Deferred tax assets/(liabilities)</b>		
Deferred tax asset at start of period	<b>826</b>	25
Deferred tax asset not previously recognised	-	2,141
Deferred tax (credit)/charge to profit and loss account for period	<b>(921)</b>	(1,340)
	<b>(95)</b>	826
 Fixed asset timing differences	<b>(130)</b>	(180)
Short term timing differences	<b>35</b>	17
Losses	-	989
	<b>(95)</b>	826

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**13. Property, plant and equipment****Group**

	Long-term leasehold property	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 June 2021	26,034	19,305	5,761	17,036	68,136
Additions	6,240	4,450	562	1,029	12,281
Acquired through business combinations	-	-	102	171	273
Disposals	(4,689)	(2,503)	(364)	(1,003)	(8,559)
Transfer between classes *	-	-	-	(350)	(350)
<b>At 31 May 2022</b>	<b>27,585</b>	<b>21,252</b>	<b>6,061</b>	<b>16,883</b>	<b>71,781</b>
Additions	36	189	267	3,000	3,492
Disposals	(1,796)	(3,038)	(245)	(380)	(5,459)
Right of use additions	6,127	6,530	-	-	12,657
Transfer between classes *	-	-	-	473	473
<b>At 31 May 2023</b>	<b>31,952</b>	<b>24,933</b>	<b>6,083</b>	<b>19,976</b>	<b>82,944</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**13. Property, plant and equipment (continued)**

	Long-term leasehold property	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
<b>Accumulated depreciation and impairment</b>					
At 1 June 2021	10,873	10,967	4,960	14,115	40,915
Charge for the year - owned	94	104	435	1,793	2,426
Charge on right of use assets	5,014	4,330	-	-	9,344
Disposals	(5,101)	(2,270)	(313)	(807)	(8,491)
<b>At 31 May 2022</b>	<b>10,880</b>	<b>13,131</b>	<b>5,082</b>	<b>15,101</b>	<b>44,194</b>
Charge for the year - owned	168	288	391	1,556	2,403
Charge on right of use assets	4,029	4,181	-	-	8,210
Disposals	(2,636)	(2,685)	(230)	(351)	(5,902)
Transfer between classes *	-	-	-	(14)	(14)
<b>At 31 May 2023</b>	<b>12,441</b>	<b>14,915</b>	<b>5,243</b>	<b>16,292</b>	<b>48,891</b>
<b>Net book value</b>					
At 31 May 2021	15,161	8,338	801	2,921	27,221
At 31 May 2022	16,705	8,121	979	1,782	27,587
<b>At 31 May 2023</b>	<b>19,511</b>	<b>10,018</b>	<b>840</b>	<b>3,684</b>	<b>34,053</b>

\* The transfers between classes in the current year relates to intangible assets previously classified as tangible computer equipment.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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

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:

	<b>2023</b>	2022
	<b>£000</b>	£000
Property, plant and equipment owned	<b>4,969</b>	3,223
Right of use assets	<b>29,084</b>	24,364
	<b>34,053</b>	27,587

Information about right of use assets is summarised below:

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Net book value</b>		
Property	<b>19,414</b>	16,647
Motor vehicles	<b>9,670</b>	7,717
	<b>29,084</b>	24,364

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Depreciation charge for the period</b>		
Property	<b>4,029</b>	5,014
Motor vehicles	<b>4,181</b>	4,330
	<b>8,210</b>	9,344

**Capital commitments**

The Group has a contractual commitment for property refurbishments and enhancements of £0.7m payable in financial year 2024 (2022: £0.4m relating to IT equipment).

There were no other material contractual commitments to acquire property, plant and equipment at 31 May 2023 (2022: None).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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

	Long-term leasehold property	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 June 2021	-	8,614	-	673	9,287
Additions	18	7	399	345	769
Disposals	-	(477)	-	(149)	(626)
Transfers between classes	-	-	-	(176)	(176)
<b>At 31 May 2022</b>	<b>18</b>	<b>8,144</b>	<b>399</b>	<b>693</b>	<b>9,254</b>
Additions	28	119	119	1,691	1,957
Disposals	-	(2,819)	-	-	(2,819)
<b>At 31 May 2023</b>	<b>46</b>	<b>5,444</b>	<b>518</b>	<b>2,384</b>	<b>8,392</b>
<b>Accumulated depreciation and impairment</b>					
At 1 June 2021	-	3,713	-	94	3,807
Charge for the year – owned	1	-	40	134	175
Charge on right of use assets	-	2,294	-	-	2,294
Disposals	-	(415)	-	-	(415)
<b>At 31 May 2022</b>	<b>1</b>	<b>5,592</b>	<b>40</b>	<b>228</b>	<b>5,861</b>
Charge for the year - owned	3	4	90	384	481
Charge on right of use assets	-	1,742	-	-	1,742
Disposals	-	(2,592)	-	-	(2,592)
<b>At 31 May 2023</b>	<b>4</b>	<b>4,746</b>	<b>130</b>	<b>612</b>	<b>5,492</b>
<b>Net book value</b>					
At 31 May 2021	-	4,901	-	579	5,480
At 31 May 2022	17	2,552	359	465	3,393
<b>At 31 May 2023</b>	<b>42</b>	<b>698</b>	<b>388</b>	<b>1,772</b>	<b>2,900</b>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****13. Property, plant and equipment (continued)****Assets held under leases**

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:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Property, plant and equipment owned	<b>2,324</b>	849
Right of use assets	<b>576</b>	2,544
	<b>2,900</b>	3,393

Information about right of use assets is summarised below:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Net book value</b>		
Motor vehicles	<b>576</b>	2,544
	<b>576</b>	2,544

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Depreciation charge for the period</b>		
Motor vehicles	<b>1,742</b>	2,294
	<b>1,742</b>	2,294

**Capital commitments**

The Company has no contractual commitments to acquire property, plant and equipment at 31 May 2023 (2022: £0.4m relating to IT equipment).

There were no other material contractual commitments to acquire property, plant and equipment at 31 May 2023 (2022: None).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**14. Intangible assets****Group**

	<b>Goodwill</b>	<b>Other intangibles</b>	<b>Computer software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 June 2021	183,092	73,467	34,029	290,588
Additions	-	-	5,603	5,603
Acquired through business combinations	11,605	-	1,497	13,102
Transfer between classes *	-	-	350	350
<b>At 31 May 2022</b>	<b>194,697</b>	<b>73,467</b>	<b>41,479</b>	<b>309,643</b>
Additions	-	-	5,975	5,975
Disposals	-	-	(147)	(147)
Transfer between classes *	-	-	(473)	(473)
<b>At 31 May 2023</b>	<b>194,697</b>	<b>73,467</b>	<b>46,834</b>	<b>314,998</b>
<b>Accumulated amortisation and impairment</b>				
At 1 June 2021 (as restated) **	32,523	32,596	20,208	85,327
Charge for the year – owned	-	3,569	6,710	10,279
Impairment charge (as restated) **	28,021	-	-	28,021
<b>At 31 May 2022 (as restated) **</b>	<b>60,544</b>	<b>36,165</b>	<b>26,918</b>	<b>123,627</b>
Charge for the year – owned	-	3,768	5,036	8,804
Disposals	-	-	(119)	(119)
Transfer between classes *	-	-	(14)	(14)
Impairment charge	3,480	-	-	3,480
<b>At 31 May 2023</b>	<b>64,024</b>	<b>39,933</b>	<b>31,821</b>	<b>135,778</b>
<b>Net book value</b>				
At 31 May 2021 (as restated) **	150,569	40,871	13,821	205,261
At 31 May 2022 (as restated) **	134,153	37,302	14,561	186,016
<b>At 31 May 2023</b>	<b>130,673</b>	<b>33,534</b>	<b>15,013</b>	<b>179,220</b>

The impairment in the year of £3.5m relates to an impairment of goodwill, further detail on this can be found in note 15.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****14. Intangible assets (continued)**

\* The transfers between classes in the current and prior years relates to intangible assets previously classified as tangible computer equipment.

\*\* The impairment charge to goodwill has been restated for 31 May 2022 and 31 May 2021. Please refer to note 4.29 for further details of the restatement.

**Company**

	<b>Goodwill</b>	<b>Computer software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>			
At 1 June 2020 (as restated) ***	48,496	1,478	49,974
Additions (as restated) ***	7,011	1,854	8,865
<b>At 1 June 2021 (as restated) ***</b>	<b>55,507</b>	<b>3,332</b>	<b>58,839</b>
Additions (as restated) ***	4,661	3,938	8,599
Transfer between classes *	-	176	176
<b>At 31 May 2022 (as restated) ***</b>	<b>60,168</b>	<b>7,446</b>	<b>67,614</b>
Additions	-	3,877	3,877
Disposals	-	(18)	(18)
<b>At 31 May 2023</b>	<b>60,168</b>	<b>11,305</b>	<b>71,473</b>

**Accumulated amortisation and impairment**

At 1 June 2020 (as restated) ***	38,734	87	38,821
Charge for the year – owned (as restated) ***	8,762	412	9,174
<b>At 1 June 2021 (as restated) ***</b>	<b>47,496</b>	<b>499</b>	<b>47,995</b>
Charge for the year – owned (as restated) ***	7,818	960	8,778
<b>At 31 May 2022 (as restated) ***</b>	<b>55,314</b>	<b>1,459</b>	<b>56,773</b>
Charge for the year	2,174	1,716	3,890
<b>At 31 May 2023</b>	<b>57,488</b>	<b>3,175</b>	<b>60,663</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**14. Intangible assets (continued)****Net book value**

At 31 May 2020 (as restated) ***	9,762	1,391	11,153
At 31 May 2021 (as restated) ***	8,011	2,833	10,844
At 31 May 2022 (as restated) ***	4,854	5,987	10,841
<b>At 31 May 2023</b>	<b>2,680</b>	<b>8,130</b>	<b>10,810</b>

\*\*\* Goodwill has been restated for 31 May 2022 and 31 May 2021. Please refer to note 4.30 for further details of the restatement.

**15. Goodwill****Group**

	<b>2023</b>	<b>Restated 2022</b>	<b>Restated 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>	<b>194,697</b>	<b>194,697</b>	<b>183,092</b>
Accumulated impairment	(64,024)	(60,544)	(32,523)
	<b>130,673</b>	<b>134,153</b>	<b>150,569</b>
<b>Cost</b>			
At 1 June	<b>194,697</b>	<b>183,092</b>	<b>183,092</b>
Acquired through business combinations	-	11,605	-
<b>At 31 May</b>	<b>194,697</b>	<b>194,697</b>	<b>183,092</b>
<b>Accumulated impairment</b>			
At 1 June	<b>60,544</b>	<b>32,523</b>	<b>16,386</b>
Impairment charge	<b>3,480</b>	<b>28,021</b>	<b>16,137</b>
<b>At 31 May</b>	<b>64,024</b>	<b>60,544</b>	<b>32,523</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023****15. Goodwill (continued)**

The addition of £11,605,000 in the prior year related to the acquisition of Vortex IOT Limited.

The impairment in the year of £3.5m relates to an impairment of goodwill, further detail on this can be found in note 15.1.

Goodwill at 31 May 2022 and 31 May 2021 has been restated. Please refer to note 4.29 for further details of the restatements.

**15.1 Allocation of goodwill to cash generating units**

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

	<b>2023</b>	Restated 2022	Restated 2021
	<b>£000</b>	£000	£000
Consulting	<b>7,066</b>	7,066	11,294
Civil parking services	<b>5,306</b>	5,306	21,517
Business process outsourcing	<b>19,351</b>	22,831	30,413
Traffic technology	<b>33,011</b>	33,011	21,406
Road traffic debt recovery	-	-	13,408
DVLA services	<b>10,332</b>	10,332	10,332
Commercial debt	<b>9,276</b>	9,276	4,941
Criminal fines enforcement, civil enforcement and council tax recovery	-	-	29,240
Scotland	<b>8,018</b>	8,018	8,018
Enforcement	<b>38,313</b>	38,313	-
	<b>130,673</b>	134,153	150,569

**Consulting**

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

**Civil parking services**

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

**Business process outsourcing**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****15. Goodwill (continued)****15.1 Allocation of goodwill to cash generating units (continued)****Traffic technology**

Technology comprises the Videalert, Logic Valley and Vortex businesses, the latter of which was acquired in December 2021.

Videalert offers Automated Number Plate Recognition and CCTV technology to councils, complimented by Vortex which offers air quality monitoring and other environmental monitoring and data solutions to improve air quality and support decarbonisation initiatives. Logic Valley is not forecast to be revenue generating as it provides internal IT development and support.

**DVLA services**

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 Field Services, International Debt Collection Agency (DCA), Electric Vehicle (EV) charging points, Meter Installations and Motor Vehicle areas of the Group.

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

The motor vehicle business works primarily in repossessing vehicles for lessors.

**Scotland**

Contains the Scottish elements of the enforcement and Civil Parking CGUs.

**Enforcement**

The provision of debt enforcement services predominantly relating to road traffic PCN fines and congestion charges, criminal fines and arrest warrants, along with high court warrants and recovery of domestic council taxes.

**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 2023 for each division was as follows:

<b>Line of business</b>	<b>Discount rate</b>
Consulting	<b>10.6%</b>
Civil parking services	<b>10.6%</b>
Business process outsourcing	<b>10.6%</b>
Traffic technology	<b>10.6%</b>
DVLA services	<b>10.6%</b>
Commercial debt	<b>9.0%</b>
Scotland	<b>9.0%</b>
Enforcement	<b>9.0%</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****15. Goodwill (continued)****15.1 Allocation of goodwill to cash generating units (continued)**

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

Impairment review results 2023

Following the review of the carrying value of goodwill as at 31 May 2023, 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 has resulted in a £3.5m impairment being recognised in respect of the BPO CGU which reflects the slower growth trajectory than the original investment case.

*Impact of key changes and assumptions*

Management considers there to be two sensitivities that underpin our value in use calculation which are:

- Discount factors and
- Forecast performance assumptions

Line of business	Discount rate increase	£m
Business process outsourcing	1.0%	3.0
<b>Total</b>		<b>3.0</b>

Following the assessment of a potential increase in discount factors across all business streams, this would result in an increase of impairment of £3.0m.

Line of business	Profit reduction	£m
Business process outsourcing	5.0%	3.3
<b>Total</b>		<b>3.3</b>

In line with the downside profit scenario adopted in our going concern assessment, this is a 5% profit reduction. Management have sensitised the goodwill impairment model on the same basis and this results in an increase in impairment of £3.3m.

The directors and management have considered and assessed reasonable 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**15. Goodwill (continued)****Company**

	<b>2023</b>	Restated 2022	Restated 2021
	<b>£000</b>	£000	£000
Cost	<b>60,168</b>	60,168	55,507
Accumulated amortisation	<b>(57,488)</b>	(55,314)	(47,496)
	<b>2,680</b>	4,854	8,011
<b>Cost</b>			
At 1 June	<b>60,168</b>	55,507	48,496
Acquired through hive up of trading in subsidiaries	<b>-</b>	4,661	7,011
<b>At 31 May</b>	<b>60,168</b>	60,168	55,507
<b>Accumulated amortisation</b>			
At 1 June	<b>55,314</b>	47,496	38,734
Charge for the year	<b>2,174</b>	7,818	8,762
<b>At 31 May</b>	<b>57,488</b>	55,314	47,496

Goodwill at 31 May 2022 and 31 May 2021 has been restated. Please refer to note 4.30 for further details of the restatements.

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

	<b>2023</b>	As restated 2022	As restated 2021
	<b>£000</b>	£000	£000
Investments in subsidiary companies	<b>164,611</b>	165,680	169,592
	<b>164,611</b>	165,680	169,592



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**16. Other non-current investments (continued)**

	<b>2023</b>	As restated 2022	As restated 2021
	<b>£000</b>	£000	£000
<b>Cost</b>			
At 1 June (as restated) *	165,680	169,592	176,603
Additions	-	749	-
Disposals (as restated) *	-	(4,661)	(7,011)
Impairment	(1,069)	-	-
<b>At 31 May</b>	<b>164,611</b>	165,680	169,592

During the year, the investment in AA Hutton LLP was fully impaired following the transfer of all activity to another company in the Group. Following the year end, on 1 August 2023, AA Hutton LLP was formally dissolved.

\* The value of investments has been restated for 31 May 2022. Please refer to note 4.30 for further details of the restatement.

**17. Subsidiaries**

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

<b>Name of Subsidiary</b>	<b>Principal Activity</b>	<b>Place of incorporation or operation</b>	<b>Proportion of interest and voting power held by the Group (%)</b>	
			<b>2023</b>	<b>2022</b>
Smartworks Metering Limited	Smart meter & camera installations	United Kingdom (1)	100	100
AA Hutton LLP	Sheriff officers	United Kingdom (2)	100	100
Collectica Limited	Enforcement services	United Kingdom (1)	100	100
Engage Services (ESL) Limited	Regulated services	United Kingdom (1)	100	100
Marston Group Limited	Enforcement services	United Kingdom (3)	100	100
Moreton Smith Receivables Limited	International debt collection	United Kingdom (3)	100	100

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**17. Subsidiaries (continued)**

Name of Subsidiary	Principal Activity	Place of incorporation or operation	Proportion of interest and voting power held by the Group (%)	
			2023	2022
Rossendales Limited	Enforcement services	United Kingdom (3)	100	100
Scott & Co (Scotland) LLP	Sheriff officers	United Kingdom (6)	100	100
Swift Credit Services Limited	Enforcement services	United Kingdom (1)	100	100
NSL Limited	Upstream transportation services	United Kingdom (3)	100	100
Project Centre Limited	Transportation consultancy	United Kingdom (3)	100	100
Task Enforcement Limited	Enforcement services	United Kingdom (1)	100	100
Marston Legal Services Limited	Enforcement services	United Kingdom (1)	100	100
Logic Valley Technologies Pvt Limited	Technology department, payment management & debt recovery	India (4)	100	100
Parktrade Europe AB	Payment management & debt recovery	Sweden (5)	100	100
Videalert Limited	Traffic management & enforcement solutions	United Kingdom (1)	100	100
Field Services Investment Limited	Intercompany holding company	United Kingdom (1)	100	100
Vortex IOT Limited	Sale of air quality sensors	United Kingdom (1)	100	100
Grosvenor Services Group Limited	Field service delivery	United Kingdom (1)	100	100
Marston Technologies Limited	Intercompany holding company	United Kingdom (1)	100	100
Marston Technology Investments Limited	Intercompany holding company	United Kingdom (1)	100	100
Iotics Limited	Dormant company	United Kingdom (1)	100	100
Grosvenor Legal Services Limited	Dormant company	United Kingdom (1)	100	100

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****17. Subsidiaries (continued)**

Name of Subsidiary	Principal Activity	Place of incorporation or operation	Proportion of interest and voting power held by the Group (%)	
			2023	2022
Videalert Development Limited	Technology	United Kingdom (1)	100	100
Engage EV Limited	Smart meter & camera installations	United Kingdom (1)	100	100
Gasworks UK Limited	Smart meter & camera installations	United Kingdom (1)	100	100
Future Energy Metering Limited	Dormant company	United Kingdom (1)	100	100

Registered addresses:

- (1) 12<sup>th</sup> Floor One America Square, London, United Kingdom, EC3N 2LS
- (2) 9 Melville Crescent, Edinburgh, United Kingdom, EH3 7LZ
- (3) Rutland House, 8<sup>th</sup> Floor, 148 Edmund Street, Birmingham, United Kingdom, B3 2JR
- (4) Vijay Towers, 2 and 3<sup>rd</sup> floor, No 22, Father Randy St, R S Puram West, Coimbatore, Tamil Nadu, India
- (5) Sturegatan 16 114 6, Stockholm, Sweden
- (6) 279 Bath Street, Glasgow, G2 4JL

**18. Inventories****Group**

	2023	2022
	£000	£000
Finished goods and goods for resale	3,103	1,846
	<b>3,103</b>	<b>1,846</b>

In 2023 a total of £2.6m (2022: £3.6m) of inventories was included in the profit and loss as an expense. This includes an amount of £nil (2022: £nil) resulting from the write down of inventories.

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**19. Trade and other receivables****Group**

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Current</b>		
Trade receivables	<b>26,590</b>	20,398
Receivables from related parties	<b>107,099</b>	188,509
Prepayments and accrued income	<b>32,139</b>	32,564
Other receivables	<b>6,742</b>	6,493
	<b>172,570</b>	247,964

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

Included in prepayments and accrued income is prepayments of £6,612,000 (2022: £6,941,000) and accrued income of £25,527,000 (2022: £25,623,000).

The Group does not hold any collateral as security.

The Group's trade and other receivables are presented net of allowances for expected credit losses. Allowances for expected credit losses are recognised based on estimated irrecoverable amounts determined by reference to past default experience. At 31 May 2023 trade and other receivables of £189,000 (2022: £293,000) were considered past due and impaired and £1,896,000 (2022: £555,000) were considered past due and not 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.

The expected credit loss applied to the receivables from related parties totals £25,000 (2022: £nil). Receivables from related parties are unsecured, have no fixed date of repayment and are not subject to any interest.

**Company**

	<b>2023</b>	2022
	<b>£000</b>	£000
<b>Current</b>		
Trade receivables	<b>5,661</b>	2,314
Receivables from related parties	<b>151,035</b>	309,320
Prepayments and accrued income	<b>11,188</b>	8,296
Other receivables	<b>2,679</b>	5,862
	<b>170,563</b>	325,792

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**FOR THE YEAR ENDED 31 MAY 2023**

**19. Trade and other receivables (continued)**

Included in prepayments and accrued income is prepayments of £1,277,000 (2022: £1,114,000) and accrued income of £9,911,000 (2022: £7,182,000).

The Company's trade and other receivables are presented net of allowances for expected credit losses. Allowances for expected credit losses are recognised based on estimated irrecoverable amounts determined by reference to past default experience. At 31 May 2023 trade and other receivables of £64,000 (2022: £68,000) were considered past due and impaired.

The expected credit loss applied to the receivables from related parties totals £11,444,000 (2022: £9,796,000). The expected credit loss has been recorded as a result of the challenges faced in the year as described in the group goodwill note (note 15). Receivables from related parties are unsecured, have no fixed date of repayment and are not subject to any interest.

**20. Trade and other payables****Group**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Current</b>		
Trade payables	<b>6,513</b>	4,235
Payables to related parties	<b>18,521</b>	123,373
Other payables	<b>2,729</b>	1,267
Accruals	<b>20,808</b>	24,780
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<b>48,571</b>	153,655
Other payables – tax and social security payments	<b>10,074</b>	9,619
Deferred income	<b>11,744</b>	6,578
<b>Total current trade and other payables</b>	<b>70,389</b>	169,852

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

Payables to related parties 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Current</b>		
Trade payables	<b>2,152</b>	513
Payables to related parties	<b>121,387</b>	278,311
Other payables	<b>154</b>	407
Accruals	<b>6,406</b>	5,438
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<b>130,099</b>	284,669
Other payables – tax and social security payments	<b>750</b>	1,835
<b>Total current trade and other payables</b>	<b>130,849</b>	286,504

Payables to related parties are unsecured, have no fixed date of repayment and are not subject to any interest.

**21. Contract balances****Group**

Contract assets relate to fulfilled obligations which are billed monthly in arrears. 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 £25,527,000 (2022: £25,623,000).

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 £11,744,000 (2022: £6,578,000). 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**22. Loans and borrowings****Group**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Non-current</b>		
Lease liabilities	<b>23,429</b>	17,811
	<b>23,429</b>	17,811
<b>Current</b>		
Lease liabilities	<b>7,481</b>	7,585
	<b>7,481</b>	7,585
<b>Total loans and borrowings</b>	<b>30,910</b>	25,396

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

**Company**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Non-current</b>		
Lease liabilities	<b>47</b>	1,172
	<b>47</b>	1,172
<b>Current</b>		
Lease liabilities	<b>803</b>	1,679
	<b>803</b>	1,679
<b>Total loans and borrowings</b>	<b>850</b>	2,851

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****23. Provisions****Group**

	<b>Dilapidations</b>	<b>Contract provision</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 June 2022</b>	1,773	1,435	3,208
Charged to profit or loss	163	-	163
Utilised during the period	(215)	(273)	(488)
<b>At 31 May 2023</b>	<b>1,721</b>	<b>1,162</b>	<b>2,883</b>
<b>Due within one year or less</b>	792	1,162	1,954
<b>Due after more than one year</b>	929	-	929
<b>At 31 May 2023</b>	<b>1,721</b>	<b>1,162</b>	<b>2,883</b>

**Dilapidations**

The 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 8 and 9 years.

**Contract Provision**

Contract provisions are made for our target cost contracts. There is an agreed maximum margin stipulated in these contracts and when current performance exceeds the maximum margin a provision must be made to ensure the margin is in line with agreed levels as any excess margin cannot be realised.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**


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**23. Provisions (continued)****Company**

	<b>Dilapidations</b>
	<b>£000</b>
<b>At 1 June 2022</b>	363
Charged to profit or loss	90
Utilised during the period	(21)
<b>At 31 May 2023</b>	<b>432</b>
	<hr/>
<b>Due within one year or less</b>	199
<b>Due after more than one year</b>	233
<b>At 31 May 2023</b>	<b>432</b>
	<hr/>

**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 8 and 9 years.

**24. Contingent consideration****Group**

	<b>Contingent consideration</b>
	<b>£000</b>
<b>At 1 June 2022</b>	9,887
Utilised during the period	(2,887)
Unwind of discount	506
Fair value decrease	(2,106)
<b>At 31 May 2023</b>	<b>5,400</b>
	<hr/>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****24. Contingent consideration (continued)**

Contingent consideration relates to deferred payments on recent acquisitions that fall due if certain performance measures are met. In the year, a fair value adjustment of £2.1m has been recognised to reflect our best estimate of future consideration payments that will become due should these performance targets be met. At the current time the growth required to meet the revenue hurdles for the Vortex earnout do not appear likely. This has resulted in an adjustment of £1.9m. There has also been a £0.2m adjustment in relation to the Parktrade earnout as a result of changes in foreign exchange rates.

Contingent consideration is made up of £5.4m (2022: £8.0m) from the Parktrade acquisition. The Parktrade contingent consideration agreement is based on an annual performance measure of EBITDA and contains a cap on the maximum amount that can be paid. The Parktrade contingent consideration has reached its maximum cap in FY23 based on Parktrade's actual FY23 performance.

The contingent consideration agreement for Vortex IOT is based on exceeding revenue hurdles in the three years post-acquisition. The fair value of the consideration is based on management's assessment of the likely performance over the earnout period. In the current year, management have reassessed the revenue projections and at the balance sheet date it has been determined that revenue hurdles are not expected to be met based on our best estimates (2022: £1.9m). We will continue to reassess the business and its projections over the remainder of the earnout period to determine whether any further consideration may be payable as the business continues on its growth journey.

**Company**

	<b>Contingent consideration</b>
	<b>£000</b>
<b>At 1 June 2022</b>	8,024
Utilised during the period	(2,887)
Unwind of discount	506
Fair value decrease	(243)
<b>At 31 May 2023</b>	<b>5,400</b>

Contingent consideration is made up of £5.4m (2022: £8.0m) from the Parktrade acquisition. For more detail regarding the contingent consideration relating to the Parktrade acquisition see the Group contingent consideration note.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****25. Share capital****Authorised**

	2023 Number	2023 £000	2022 Number	2022 £000
<b>Shares treated as equity</b>				
Ordinary shares of £1.00 each	163,054,529	163,055	163,054,529	163,055
	<u>163,054,529</u>	<u>163,055</u>	<u>163,054,529</u>	<u>163,055</u>

**Issued and fully paid up**

	2023 Number	2023 £000	2022 Number	2022 £000
<b>Shares treated as equity</b>				
Ordinary shares of £1.00 each	163,054,529	163,055	163,054,529	163,055
	<u>163,054,529</u>	<u>163,055</u>	<u>163,054,529</u>	<u>163,055</u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

**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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**27. Analysis of amounts recognised in other comprehensive income or expense**

	<b>Retained earnings</b>
	<b>£000</b>
<b>Year to May 2023</b>	
Actuarial gain on defined benefit pension scheme	1,267
Deferred tax current year (charge)	(370)
	<b>897</b>
	<b>Retained earnings</b>
	<b>£000</b>
<b>Year to May 2022</b>	
Actuarial gain on defined benefit pension scheme	1,841
Deferred tax current year (charge)	(679)
	<b>1,162</b>

**28. Leases****Group****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:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Contractual discounted cash flows due</b>		
Not later than one year	7,481	7,585
Between one year and five years	16,933	13,964
Later than five years	6,496	3,847
	<b>30,910</b>	<b>25,396</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**28. Leases (continued)**

	No of right of use leases	Remaining lease term (months)	No of leases with extension options	No of leases with options to purchase	No of leases with termination options
<b>Rights of use assets</b>					
Property	81	1-221	0	0	0
Motor vehicles	715	1-59	0	83	0

There were no leases with variable payments linked to indexation.

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments at 31 May 2023 were as follows:

	Within one year	2-5 years	After 5 years	Total
	£000	£000	£000	£000
Lease payments	9,300	20,512	8,562	38,374
Finance charges	(1,819)	(3,579)	(2,066)	(7,464)
	<b>7,481</b>	<b>16,933</b>	<b>6,496</b>	<b>30,910</b>

Future minimum lease payments at 31 May 2022 were as follows:

	Within one year	2-5 years	After 5 years	Total
	£000	£000	£000	£000
Lease payments	8,660	15,944	4,393	28,997
Finance charges	(1,075)	(1,980)	(546)	(3,601)
	<b>7,585</b>	<b>13,964</b>	<b>3,847</b>	<b>25,396</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**


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**28. Leases (continued)****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:

	<b>2023</b>	2022
	<b>£000</b>	£000
Short term leases	610	228
	<b>610</b>	<b>228</b>

**29. Financial instruments – fair values and risk management****29.1 Financial risk management objectives****Introduction**

The Groups 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 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 civil parking services, DVLA services, consulting, traffic technology, business process outsourcing, enforcement and commercial debt.

**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.

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**29. Financial instruments – fair values and risk management (continued)****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's Directors review the capital structure on a regular 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.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for expected future credit losses. An allowance for impairment is made where there are identified expected credit losses 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.

	<b>Current</b>	<b>Over 30 days</b>	<b>Over 60 days</b>	<b>Over 90 days</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>31 May 2023</b>					
Expected credit loss rate	0.0%	0.0%	0.0%	32.2%	
Gross carrying amount	24,694	1,106	392	587	26,779
Lifetime expected credit loss	0	0	0	189	189

	<b>Current</b>	<b>Over 30 days</b>	<b>Over 60 days</b>	<b>Over 90 days</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>31 May 2022</b>					
Expected credit loss rate	0.6%	0.0%	4.5%	44.7%	
Gross carrying amount	19,963	249	103	376	20,691
Lifetime expected credit loss	120	0	5	168	293

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**29. Financial instruments – fair values and risk management (continued)****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 the Group's financial assets and liabilities as categorised at the balance sheet date of the reporting periods under review may also be categorised as below:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Trade receivables (note 19)	26,590	20,398
Receivables from related parties (note 19)	107,099	188,509
Other receivables (note 19)	6,742	6,493
Cash and cash equivalents	15,496	13,935
	<b>155,927</b>	<b>229,335</b>

**Financial Liabilities**

The Group's liabilities have contractual maturities which are summarised below:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>All due within 6 months</b>		
Trade payables (note 20)	6,513	4,235
Payables to related parties (note 20)	18,521	123,373
Other payables (note 20)	2,729	1,267
Contingent consideration (note 24)	5,400	9,887
	<b>33,163</b>	<b>138,762</b>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****29. Financial instruments – fair values and risk management (continued)****29.8 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 4.

**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.

**31. Reconciliation of liabilities arising from financing activities**

	<b>Lease liabilities</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 June 2022</b>	<b>25,396</b>	<b>25,396</b>
<b>Cashflows</b>		
Repayment of interest and capital	(9,183)	(9,183)
<b>Non cash</b>		
Interest accrued	1,974	1,974
Net additions/disposals	12,723	12,723
<b>At 31 May 2023</b>	<b>30,910</b>	<b>30,910</b>

	<b>Lease liabilities</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 June 2021</b>	<b>23,848</b>	<b>23,848</b>
<b>Cashflows</b>		
Repayment of interest and capital	(9,916)	(9,916)
<b>Non cash</b>		
Interest accrued	1,764	1,764
Net additions/disposals	9,700	9,700
<b>At 31 May 2022</b>	<b>25,396</b>	<b>25,396</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****32. Defined benefit schemes****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 Group 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 Group, 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 2024. 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 2021. The results of that valuation have been projected to 31 May 2023 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:

	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
Present value of scheme liabilities	(6,162)	(7,574)
Fair value of scheme assets	8,221	9,892
Funded status	2,059	2,318
Restriction on asset recognised	(2,059)	(2,318)
Net amount recognised at year end	-	-

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**32. Defined benefit schemes (continued)**

The amounts recognised in comprehensive income are:

	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
Service cost:		
Current service cost (net of employee contribution)	193	242
Administration expenses	5	72
Past service cost and loss/(gain) on settlements and curtailments	4	78
Net interest expense/(credit)	-	(44)
Charge/(credit) recognised in P&L	<u>202</u>	<u>348</u>
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	2,221	1,870
Loss/(gain) arising from changes in financial assumptions	(2,128)	(1,861)
Loss/(gain) arising from changes in demographic assumptions	(244)	-
Experience loss/(gain)	705	62
Adjustment for restrictions in the asset recognised	(343)	(71)
Charge/(credit) recorded in other comprehensive income	<u>211</u>	<u>-</u>
Total defined benefit cost/(credit)	<u><u>413</u></u>	<u><u>348</u></u>

The principal actuarial assumptions used were:

	<b>31 May 2023</b>	<b>31 May 2022</b>
Liability discount rate	5.40%	3.45%
Inflation assumption – RPI	3.10%	3.25%
Inflation assumption – CPI pre-2030	2.10%	2.25%
Inflation assumption – CPI post-2030	3.00%	3.05%
Rate of increase in salaries (average)	3.10%	2.00%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****32. Defined benefit schemes (continued)**

	31 May 2023	31 May 2022
Revaluation of deferred pensions:		
In line with RPI	3.10%	3.25%
In line with CPI pre-2030	2.10%	2.25%
In line with CPI post-2030	3.00%	3.05%
Increases for pensions in payment: RPI max 6%	3.10%	3.25%
Mortality assumption – pre-retirement	See below	See below
Mortality assumption – male post-retirement	SAPS S3PMA CMI_2021_M 1.5% long term trend	SAPS S3PMA CMI_2018_M 1.5% long term trend
Mortality assumption – female post-retirement	SAPS S3PFA CMI_2021_F 1.5% long term trend	SAPS S3PFA CMI_2018_F 1.5% long term trend
Expected age at death of current pensioner at age 65		
Male aged 65 at year end	85.9	87.1
Female aged 65 at year end	88.8	89.4
Expected age at death of future pensioner at age 65		
Male aged 45 at year end	87.2	88.9
Female aged 45 at year end	90.3	91.2

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****32. Defined benefit schemes (continued)**

Changes in the present value of assets over the period:

	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
Fair value of assets at start of period	9,892	11,595
Interest income	345	231
Return on assets (excluding amount included in net interest expense)	(2,221)	(1,870)
Assets distributed on settlements	(52)	(442)
Contributions from the employer	413	629
Contributions from the employees	17	18
Benefits paid	(168)	(197)
Administration expenses	(5)	(72)
Fair value of assets at end of period	<u>8,221</u>	<u>9,892</u>
Actual return on assets over the period	(1,876)	(1,639)

Changes in the present value of liabilities over the period:

	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
Liabilities at start of period	7,574	9,487
Current service cost	193	242
Interest cost	261	187
Contributions from employees	17	18
Actuarial gains arising from changes in financial assumptions	(2,128)	(1,861)
Actuarial gains arising from changes in demographic assumptions	(244)	-
Other experience items	705	62
Liabilities extinguished on settlements	(48)	(364)
Benefits paid	<u>(168)</u>	<u>(197)</u>
Liabilities at end of period	<u>6,162</u>	<u>7,574</u>
Average duration of the scheme's liabilities at the end of the period (years)	15	18

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**


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**32. Defined benefit schemes (continued)**

The major categories of scheme assets are as follows:

	31 May 2023	31 May 2022
	£000	£000
<u>Return seeking</u>		
UK equities	331	482
Overseas equities	340	450
Diversified growth	338	436
	1,009	1,368
<u>Debt instruments</u>		
Corporates	3,534	4,152
Index linked	3,397	4,102
	6,931	8,254
<u>Other</u>		
Annuities	278	268
Cash	3	2
	281	270
Total market value of assets	8,221	9,892

The Scheme has no investments in the Company or in property occupied by the Company. The Company expects to contribute £293,000 to the Scheme during year ending 31 May 2024.

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 £87,000 (increase by £89,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £86,000 (decrease by £85,000). 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 £8,600 (decrease by £8,500) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £178,000 (decrease by £189,000) if all the other assumptions remained unchanged.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023****32. Defined benefit schemes (continued)****Local Government Pension Scheme – NSL Limited**

NSL Limited (NSL) participated in 13 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 act 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 12 local Funds. Over the year NSL ceased participation in the Northamptonshire Pension fund.

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. NSL 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 2022 (31 March 2020 in Scotland), following which contribution rates for the period 2023 to 2026 were set (rates for the period 2021 to 2024 were set in Scotland at the 2020 valuation). The next actuarial valuation takes place as at 31 March 2025 (31 March 2023 in Scotland – which is currently not finalised), following which contribution rates from 1 April 2026 (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 NSL, 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.

NSL participate in some local LGPS Funds on a 'pass-through' basis, whereby NSL 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, NSL 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:

	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
Defined benefit obligation	(15,509)	(21,033)
Fair value of scheme assets	23,200	25,225
Restriction on asset recognised	(7,691)	(4,481)
Net defined benefit (liability) recognised at year end	-	(289)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**32. Defined benefit schemes (continued)**

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

	<b>31 May 2023</b>	31 May 2022
	<b>£000</b>	£000
Service cost:		
Current service cost (including expected administration expenses)	471	890
Past service cost and loss/(gain) on settlements and curtailments	919	(371)
Net interest expense	34	47
Charge recognised in P&L	<u>1,424</u>	<u>566</u>
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	394	(191)
Gain arising from changes in financial assumptions	(5,651)	(6,487)
Loss arising from changes in demographic assumptions	15	-
Experience loss	709	112
Adjustment for restrictions in the asset recognised	3,055	4,481
Credit recorded in other comprehensive income or expense	<u>(1,478)</u>	<u>(2,085)</u>
Total defined benefit credit	<u>(54)</u>	<u>(1,519)</u>

The principal actuarial assumptions used were:

	<b>31 May 2023</b>	31 May 2022
Liability discount rate	5.40%	3.45%
Inflation assumption – CPI pre-2030	2.10%	2.25%
Inflation assumption – CPI post-2030	3.00%	3.05%
Rates of increase in salaries (average)	3.10%	2.00%



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**32. Defined benefit schemes (continued)**

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

The mortality assumptions at 31 May 2023 are as per the assumptions set out by local Fund Actuaries at the previous valuation, with some adjustments to remove prudence in the local Fund Actuaries' assumptions where deemed appropriate. Further details can be obtained on request.

<b>Changes in the present value of assets over the period</b>	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
<b>Fair value of assets at start of period</b>	<b>25,225</b>	<b>25,977</b>
Interest income	816	499
Return on assets (excluding amount included in net interest expense)	(394)	191
Assets distributed on settlements	(2,232)	(1,318)
Contributions from the employer	235	275
Contributions from the employees	109	111
Benefits paid	(559)	(510)
<b>Fair value of assets at end of period</b>	<b>23,200</b>	<b>25,225</b>
Actual return on assets over the period	422	690

<b>Changes in the present value of liabilities over the period</b>	<b>31 May 2023</b>	<b>31 May 2022</b>
	<b>£000</b>	<b>£000</b>
<b>Liabilities at start of period</b>	<b>21,033</b>	<b>28,060</b>
Current service cost	471	890
Interest cost	695	546
Contributions from employees	109	111
Actuarial gains arising from changes in financial assumptions	(5,651)	(6,487)
Actuarial losses arising from changes in demographic assumptions	15	-
Other experience items	709	112
Past service cost, including curtailments and settlements	(1,313)	(1,689)
Benefits paid	(559)	(510)
<b>Liabilities at end of period</b>	<b>15,509</b>	<b>21,033</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MAY 2023**

**32. Defined benefit schemes (continued)**

The split of the schemes liabilities by category of membership is as follows:

	31 May 2023	31 May 2022
	£000	£000
Active members	8,423	14,557
Deferred pensioners	1,694	2,845
Pensions in payment (funded)	5,392	3,631
	<u>15,509</u>	<u>21,033</u>

The major categories of scheme assets are as follows:

	31 May 2023	31 May 2023
	£000	%
<u>Return seeking</u>		
UK equities	1,416	6%
Overseas equities	11,223	48%
Private equity	1,079	5%
	<u>13,718</u>	<u>59%</u>
<u>Debt instruments</u>		
Corporates	2,762	12%
Gilts	221	1%
Index linked	658	3%
	<u>3,641</u>	<u>16%</u>
<u>Other</u>		
Property	2,028	9%
Hedge funds	59	0%
Cash	709	3%
Infrastructure and commodities	1,616	7%
Others	1,429	6%
	<u>23,200</u>	<u>100%</u>
Total market value of assets	<u>23,200</u>	<u>100%</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****32. Defined benefit schemes (continued)**

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

The Scheme has no investments in NSL.

The Company expects to contribute £0.25m to the Scheme during year ending 31 May 2024.

**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 £1.5m if all the other assumptions remained unchanged.

If the salary growth assumption was 0.5 percent higher, the scheme liabilities would increase by £0.2m if all the other assumptions remained unchanged.

If the CPI inflation assumption was 0.5 percent higher, the scheme liabilities would increase by £1.3m if all the other assumptions remained unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £0.7m if all the other assumptions remained unchanged.

The sensitivities above have been determined based on the membership profile of MHL 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 2023, Free Flow Topco Limited, a company limited by shares and incorporated in England and Wales and domiciled in the United Kingdom. Consolidated accounts are available from 12<sup>th</sup> Floor One America Square, London, United Kingdom, EC3N 2LS.

**34. Contingent liabilities and assets****Contingent Liabilities**

The Group has given a number of performance and trade guarantees in the normal course of business. At 31 May 2023 the value of guarantees in place was £6.6m (2022: £11.0m).

Free Flow Bidco Limited holds both unitranche and RCF loans to which the Company is a cross guarantor, along with other trading subsidiaries of Free Flow Bidco Limited. The financial guarantee is secured by way of a charge covering all of the entity's assets.

**Contingent Assets**

The Group administer a defined benefit pension scheme (see note 32). During the year, the Group ceased participation in the Northamptonshire local fund and following the cessation, it was identified that there was a funding surplus of £1,080,000 which is being assessed for the exit credit determination.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2023****35. Parental guarantees**

The Company has taken advantage of the audit exemption for the following seventeen of its subsidiaries by virtue of s479a of the Companies Act 2006;

<b>Subsidiary</b>	<b>Company number</b>
Collectica Limited	03517395
Engage EV Limited	12329783
Field Services Investment Limited	12009931
Future Energy Metering Limited	09969384
Gasworks UK limited	06815079
Grosvenor Legal Services Limited	08994323
Grosvenor Services Group Limited	03621315
Iotics Limited	09287631
Marston Legal Services Limited	05397925
Marston Technologies Limited	13802667
Marston Technology Investments Limited	13803060
Moreton Smith Receivables Limited	08486496
Rossendales Limited	01501584
Smartworks Metering Limited	09845307
Videalert Development Limited	07640667
Videalert Limited	05040786
Vortex IOT Limited	11001894

The Company has provided parent guarantees to these seventeen subsidiaries which have taken advantage of the exemption from audit.

**36. Events after the reporting date**

There were no material events, subsequent to 31 May 2023 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.