Registered number: 07999493

MARSTON RESOURCES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

MARSTON RESOURCES LIMITED

COMPANY INFORMATION

Directors	S J Callaghan M J Corcoran
Company secretary	Squire Patton Boggs Secretarial Services Limited
Registered number	07999493
Registered office	12th Floor One America Square London United Kingdom EC3N 2LS
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Landmark St Peters Square 1 Oxford Street Manchester M1 4PB
Bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Solicitors	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2022

Introduction

The directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

Business review

The Company is an intermediary holding company for the group and did not have any trading activity during the year.

Principal risks and uncertainties

As with any business, the Company is subject to risks. The Directors have set out under the financial risk management objectives below the principal risks facing the business. The Directors are of the opinion that a thorough risk management process is adopted, which involves the formal review of all the risks identified. Processes are in place to monitor and mitigate such risks.

The principal risk of the company is considered to be financial risk.

Liquidity risk:
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Company maintains an accurate rolling 12 month cash flow forecast and on the basis of this, and allowing for future uncertainty, considers that it has sufficient liquidity going forward.

Credit Risk:
The company's principal financial assets are intercompany debtors. The group has sufficient net assets in place to meet their obligations to the Company as they fall due, the directors consider the credit risk to be low and no provision is made against the amount due.

Financial key performance indicators

The Company has no key performance indicators separate from the group given its non trading status.

This report was approved by the board on 26/7/2023 and signed on its behalf.

Mike Corcoran
....
M J Corcoran
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2022

The directors present their report and the financial statements for the year ended 31 May 2022.

Results and dividends

The loss for the year, after taxation, amounted to £5,000 *(2021 - £nil)*.

The directors do not recommend a payment of a dividend (2021: £nil).

Directors

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

R J Anderson (appointed 6 April 2022, resigned 31 May 2022)
M S Watson (resigned 6 April 2022)
S J Callaghan (appointed 31 May 2022)
M J Corcoran (appointed 6 April 2022)

Matters covered in the Strategic Report

The company's principal activities and risks and uncertainties are set out in the strategic report, as are the business review.

Disclosure of information to auditors

The directors confirm that:

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

Going Concern

In determining the appropriate basis of preparation for these financial statements, the Board has assessed the Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. The Company's financial projections and cash flow forecasts form part of a Group assessment and given that the Group manages its treasury on a Group basis the going concern assessment has also been prepared on a Group basis.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Directors have produced a set of base level forecast financial projections which cover the period through to August 2024 incorporating a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Forecasting for some of the larger business units are straight forward to project as revenues are contract based with any impact from contractual changes usually known at least up to 12 months in advance. Other business service lines, principally Enforcement, Commercial Debt and Traffic Technology, are variable based on caseload volumes. These latter services suffered the biggest impact of the Covid-19 restrictions, and the forecasts assume that the period to August 2024 will see a return to volumes in these business service lines close to pre-pandemic levels. The forecasts also assume a level of increased operating costs; however, the current economic environment makes forecasting precise future costs uncertain.

Trading since the reporting date continues to show significant increases in volumes and revenues. However, the Group is operating in an uncertain economic environment with cost-of-living pressures impacting the Group's operating costs and EBITDA performance. Management's momentum for the year ahead includes well established action to deliver cost savings to counter these impacts.

The base level forecasts that the Board have reviewed and approved indicate that the Group will remain in compliance with covenants in the assessment period to August 2024.

After the reporting date, the Group received an injection of funding from investors in the form of loan notes amounting to £10m on 2 February 2023. These are repayable on maturity (being 22 March 2030). Accrued interest is repayable on the same date.

The Group also successfully amended its total net debt cover and liquidity covenant requirements with lenders through to 31 May 2024. The amendment was required due to the covenant levels being set in a pre-pandemic environment on a reducing scale, which did not factor in the disruption caused by the pandemic. The business recovery has been positive post pandemic, however by amending covenant levels, along with the cash injection from investors, the Group has created additional headroom which provides a platform for growth. There has been no breach of any covenants in either the year ending 31 May 2022 or up to the date of approval of these financial statements.

The Board have prepared a plausible downside forecast covering the same time forecast period, being at least twelve months from the date of approval of these financial statements and have sensitised a reduction in the projected EBITDA by 10% in that period. Applying this sensitivity across all business service lines, without any mitigation, could result in a potential breach of covenants in the going concern period. However, if this should happen, the downside forecast scenario indicates that the Group's available liquidity would reduce but it would still have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

The Group have established cost reduction initiatives since the reporting date. These initiatives are well advanced and include cost reduction across all areas of operational spend. The impact of the cost reduction initiatives included in the forecast, result in covenant conditions being met throughout the forecast period, even under a 10% sensitivity downside scenario.

The Directors recognise that at the date of approval of these financial statements, there is a risk that future forecast growth rates and forecast cost savings may not be achieved in line with the forecast. Base level forecasts assume that volumes and revenues return to pre-pandemic levels and that the Group can effectively implement cost savings and manage future operating costs with inflation built into these assumptions. The degree of growth and the degree of cost inflation indicate the existence of a material uncertainty related to events or conditions which may be outside the Board's control.

Such events and conditions may cast doubt over the Group's ability to remain in compliance with all lending covenant requirements and liquidity. This may cast significant doubt on the Group and parent company ability to continue as a going concern, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

After review of both its base case forecasts and its plausible downside scenario, with mitigations, the Directors have a reasonable expectation that the Group will have sufficient funds to enable it to operate within its available facilities, settle its liabilities as they fall due for at least the next twelve months, and satisfy any upcoming covenant conditions in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

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

Auditors

The auditors, Grant Thornton UK LLP, have been engaged for many years and were most recently appointed as part of a tender process in 2021. Given the changes to the business, since the last tender and appointment, it is appropriate for both Grant Thornton and the Company to reconsider the audit of the Group. Grant Thornton will not be offering themselves for re-appointment in accordance with section 485 of the Companies Act 2006.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and accounting estimates that are reasonable and prudent;

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;'

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report was approved by the board on 26/7/2023 and signed on its behalf.

Mike Corcoran

M J Corcoran
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON RESOURCES LIMITED

Opinion

We have audited the financial statements of Marston Resources Limited (the 'company') for the year ended 31st May 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which explains that the company has received confirmation of on-going financial support and that the group manages its treasury on a group basis and the company's financial projections and cash flow forecasts form part of the group going concern assessment, of which the company is part of. A forecasting exercise has been completed at a group level which indicates that there is a risk forecast future growth rates and forecast cost savings may not be achieved and this may cast doubt over the group's ability to remain in compliance with all lending covenant requirements and liquidity. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities

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

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

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON RESOURCES LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4 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 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.

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates. We determined the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice.

- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated the results of our inquiries by inspecting supporting documentation such as board minutes.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:

    - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
    - Challenging assumptions and judgements made by management in its significant accounting estimates;
    - Identifying and testing journal entries with a focus on those with unusual account combinations; and
    - Identifying and testing related party transactions.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON RESOURCES LIMITED (CONTINUED)

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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.

Grant Thornton UK LLP

Paul Bamber MA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 26/7/2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2022

	Note	2022 £000	*2021 £000*
Turnover		-	-
Operating profit		-	-
Impairment of amounts owed by group undertakings	8	(5)	-
Loss before tax		(5)	-
Loss for the financial year		(5)	-

There was no other comprehensive income for 2022 (2021: £Nil).

The notes on pages 12 to 19 form part of these financial statements.

The above results were derived from continuing operations.

MARSTON RESOURCES LIMITED
REGISTERED NUMBER: 07999493

BALANCE SHEET
AS AT 31 MAY 2022

	Note		2022 £000		*2021* *£000*
Fixed assets					
Investments	7		**1**		*1*
			1		*1*
Current assets					
Debtors	8	**280,898**		*280,903*	
		280,898		*280,903*	
Creditors: amounts falling due within one year	9	**(47,596)**		*(47,596)*	
Net current assets			**233,302**		*233,307*
Total assets less current liabilities			**233,303**		*233,308*
Net assets			**233,303**		*233,308*
Capital and reserves					
Called up share capital	10		**79**		*79*
Capital contribution	11		**91,742**		*91,742*
Profit and loss account	11		**141,482**		*141,487*
			233,303		*233,308*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26/7/2023

Mike Corcoran
....
M J Corcoran
Director

The notes on pages 12 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2022

	Called up share capital	Capital contribution	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 June 2020	79	91,742	141,487	233,308
Result for the year	-	-	-	-
At 1 June 2021	79	91,742	141,487	233,308
Loss for the year	-	-	(5)	(5)
At 31 May 2022	79	91,742	141,482	233,303

The notes on pages 12 to 19 form part of these financial statements.

1. General information

Marston Resources Limited ("the Company") is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
12th Floor One America Square
London
United Kingdom
EC3N 2LS

The nature of the company's operations and its principal activities are set out in the Strategic Report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The functional currency of the Company is considered to be pounds sterling (£) because that is the currency of the primary economic environment in which the Company operates.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Free Flow Topco Limited as at 31 May 2022 and these financial statements may be obtained from 12th Floor One America Square, London, United Kingdom, EC3N 2LS.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of Free Flow Topco Limited and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

In determining the appropriate basis of preparation for these financial statements, the Board has assessed the Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. The Company's financial projections and cash flow forecasts form part of a Group assessment and given that the Group manages its treasury on a Group basis the going concern assessment has also been prepared on a Group basis.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Directors have produced a set of base level forecast financial projections which cover the period through to August 2024 incorporating a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Forecasting for some of the larger business units are straight forward to project as revenues are contract based with any impact from contractual changes usually known at least up to 12 months in advance. Other business service lines, principally Enforcement, Commercial Debt and Traffic Technology, are variable based on caseload volumes. These latter services suffered the biggest impact of the Covid-19 restrictions, and the forecasts assume that the period to August 2024 will see a return to volumes in these business service lines close to pre-pandemic levels. The forecasts also assume a level of increased operating costs; however, the current economic environment makes forecasting precise future costs uncertain.

Trading since the reporting date continues to show significant increases in volumes and revenues. However, the Group is operating in an uncertain economic environment with cost-of-living pressures impacting the Group's operating costs and EBITDA performance. Management's momentum for the year ahead includes well established action to deliver cost savings to counter these impacts.

The base level forecasts that the Board have reviewed and approved indicate that the Group will remain in compliance with covenants in the assessment period to August 2024.

After the reporting date, the Group received an injection of funding from investors in the form of loan notes amounting to £10m on 2 February 2023. These are repayable on maturity (being 22 March 2030). Accrued interest is repayable on the same date.

The Group also successfully amended its total net debt cover and liquidity covenant requirements with lenders through to 31 May 2024. The amendment was required due to the covenant levels being set in a pre-pandemic environment on a reducing scale, which did not factor in the disruption caused by the pandemic. The business recovery has been positive post pandemic, however by amending covenant levels, along with the cash injection from investors, the Group has created additional headroom which provides a platform for growth. There has been no breach of any covenants in either the year ending 31 May 2022 or up to the date of approval of these financial statements.

The Board have prepared a plausible downside forecast covering the same time forecast period, being at least twelve months from the date of approval of these financial statements and have sensitised a reduction in the projected EBITDA by 10% in that period. Applying this sensitivity across all business service lines, without any mitigation, could result in a potential breach of covenants in the

2. Accounting policies (continued)

2.4 Going concern (continued)

going concern period. However, if this should happen, the downside forecast scenario indicates that the Group's available liquidity would reduce but it would still have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

The Group have established cost reduction initiatives since the reporting date. These initiatives are well advanced and include cost reduction across all areas of operational spend. The impact of the cost reduction initiatives included in the forecast, result in covenant conditions being met throughout the forecast period, even under a 10% sensitivity downside scenario.

The Directors recognise that at the date of approval of these financial statements, there is a risk that future forecast growth rates and forecast cost savings may not be achieved in line with the forecast. Base level forecasts assume that volumes and revenues return to pre-pandemic levels and that the Group can effectively implement cost savings and manage future operating costs with inflation built into these assumptions. The degree of growth and the degree of cost inflation indicate the existence of a material uncertainty related to events or conditions which may be outside the Board's control.

Such events and conditions may cast doubt over the Group's ability to remain in compliance with all lending covenant requirements and liquidity. This may cast significant doubt on the Group and parent company ability to continue as a going concern, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

After review of both its base case forecasts and its plausible downside scenario, with mitigations, the Directors have a reasonable expectation that the Group will have sufficient funds to enable it to operate within its available facilities, settle its liabilities as they fall due for at least the next twelve months, and satisfy any upcoming covenant conditions in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans to related parties and investments in ordinary shares.

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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 amounts owed by group undertakings

Amounts owed by group undertakings at 31 May 2022 were £280,898,000 (2021: £280,903,000). In the year, we have assessed the recoverability of the amounts owed by group undertakings and identified indications of impairment. The expected credit loss applied to amounts owed by group undertakings totals £5,000 (2021: nil).

3. Judgements in applying accounting policies (continued)

There are no other significant estimates or judgements used in preparing these accounts.

4. Auditors' remuneration

	2022 **£000**	*2021* *£000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**14**	*13*

Audit fees are borne by another group company.

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration *(2021 - £NIL).*

6. Taxation

	2022 **£000**	*2021* *£000*
Total current tax	-	-
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - the same as)* the standard rate of corporation tax in the UK of 19% *(2021 - 19 %)*. The differences are explained below:

	2022 £000	*2021 £000*
(Loss) on ordinary activities before tax	(5)	-
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19 %)	(1)	-
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	1	-
Group relief	-	-
Transfer pricing adjustments	-	-
Total tax charge for the year	-	-

7. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 June 2021	1
At 31 May 2022	1

7. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Rossendales Collect Limited	United Kingdom	Ordinary	100%

8. Debtors

	2022 £000	*2021 £000*
Amounts owed by group undertakings	**280,898**	*280,903*
	280,898	*280,903*

Amounts owed by group undertakings are interest free, unsecured and repayable on demand. The expected credit loss applied to amounts owed by group undertakings totals £5k (2021: £nil).

9. Creditors: Amounts falling due within one year

	2022 £000	*2021 £000*
Amounts owed to group undertakings	**44,262**	*44,262*
Corporation tax	**3,334**	*3,334*
	47,596	*47,596*

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

10. Share capital

	2022 £000	*2021 £000*
Allotted, called up and fully paid		
78,895 *(2021 - 78,895)* Ordinary shares of £1.00 each	**79**	*79*

The Company has one class of ordinary shares which carries no right to fixed income.

11. Reserves

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Capital contribution

The capital contribution represents amounts received from the company's parent company, for no consideration of shares.

12. Contingent liabilities

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.

13. Ultimate controlling party

Magenta Bidco Limited is the immediate parent undertaking of Marston Resources Limited.

The smallest and largest group of undertakings for which consolidated financial statements have been drawn up is that headed by Free Flow Topco Limited. Consolidated accounts are available from 12th Floor One America Square, London, United Kingdom, EC3N 2LS.