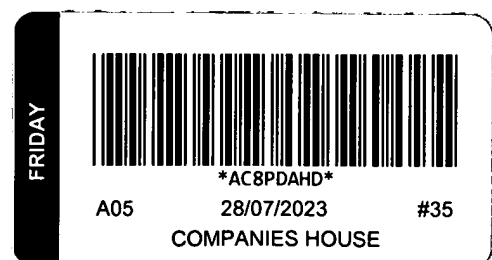


Registered number: 04305487

MARSTON (HOLDINGS) LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022



MARSTON (HOLDINGS) LIMITED

COMPANY INFORMATION

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

MARSTON (HOLDINGS) LIMITED

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MARSTON (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2022

Introduction

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 staff 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.

MARSTON (HOLDINGS) LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022**

Business review

The financial year demonstrated a positive rebound from the previous financial year which was impacted significantly by Covid 19. However, the impacts of the pandemic-related restrictions imposed on how the business can engage with the public, meant there were still headwinds that impacted on our operational delivery during the financial year.

The recommencement of enforcement activity in the previous financial year following the initial Covid 19 lockdown period allowed our enforcement business to continue our field visits but with restrictions. Enforcement activity restrictions were only removed in January 2022. Alongside operational field restrictions, there have been delays in Court services which have led to backlogs in cases being released to us, in turn impacting on funds being returned to local authorities and other clients.

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 turnover was £297m (2021: £255m) with all our service lines performing stronger than in 2021, demonstrating the strong resilience the Group has from generating revenue from multiple streams.

- profit from operations was £23.1m (2021: £12.5m profit)
- profit for the year was £19.5m (2021: £0.9m profit)
- cash and cash equivalents decreased from £25.2m to £13.9m
- current assets increased from £225.3m (as restated) to £263.7m
- net assets increased from £275.9m (as restated) to £299.0m

The improvement in operating profit and margin percentage is due to our increase in revenue across all 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.

Cash flow movements:

The Group generated net operating cashflows of £17.7m (2021: £20.2m) which included repayments in respect of the HMRC deferral scheme which assisted prior year liquidity management. Business combinations in the year were £10.9m (net of cash acquired) which was funded by a shareholder injection of £12m. Capital investment of £7.4m (2021: £5.1m) to continue to invest and support growth across all areas of the business as well as investment in inventory to support our technology businesses.

Balance sheet movements:

Net assets increased by £23.1m largely as a result of the following non-cash movements;

- in the year we made two acquisitions which resulted in an increase in goodwill of £11.6m and an increase in payables to related parties of £12m.
- movements in intercompany debtors and intercompany creditors due to management of cash flows within the wider group.

MARSTON (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

Business growth:

The Group made two acquisitions in the financial year which further enhanced our capabilities and market reach.

On 22nd December 2021 the Group acquired Vortex IOT Limited ("Vortex"), a supplier of environmental sensors, networks and data solutions that support improved air quality and decarbonisation initiatives. With the acquisition, the Group will strengthen its offering by delivering complimentary air quality and acoustic monitoring solutions that maximise awareness, identify pollution hotspots and improve public health.

On 14th March 2022 the Group acquired Grosvenor Services Group ("GSG"), a supplier of specialist services to utilities. GSG will complement the existing Field Services business, a technology driven field services provider that conducts visits to people, businesses and their properties every month across the UK and Ireland. A comprehensive range of end-to-end services are delivered to the utilities, financial services and government sectors.

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 from Covid 19 impacted financial periods. The deployed hours metric is showing a less favourable trend and is attributable to wider labour market shortages that have been well documented.

	31 May 2022	31 May 2021	Change %
EBITDA (£m)	£46.0m	£24.9m	84.7%
Casebank	1,723,000	1,145,000	50.4%
Caseload	1,268,000	1,047,000	21.1%
Deployed hours	3,232,000	3,258,000	-0.8%

Principal risks and uncertainties

The Group's business and financial performance is subject to a number of risks and uncertainties that could materially impact its success. We continually seek to improve the way in which we monitor and act on risks to ensure that controls are appropriate and that performance can be enhanced.

Enterprise Risk Management Framework

The Group identifies and manages risks through the Enterprise Risk Management Framework, which supports the business in its aim to embed effective risk management and a strong risk management culture.

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 and controlling risk.

MARSTON (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

Three Lines of Defence

The first line of defence is comprised of the revenue generating and client facing areas, along with all associated support functions, including Finance, Human Resources and Operations and Technology.

The first line identifies the risks, sets the controls, and escalates risk events to the second line of defence.

The second line of defence is made up of the Risk Framework Team Risk and oversees the first line by providing risk management tools, setting policy, and aggregating risk data for Risk and Audit Committee and Executive Committee. The Group's Compliance team also comprise part of the second line function.

The third line of defence is comprised of an Operational Audit Team reporting into the Chief Financial Officer, and an outsourced independent Internal Audit function. The Risk and Audit Committee is undertaking a review of the third line of defence. The objective of the review is to provide independent assurance to the Board and Executive Committee on the operation and effectiveness of the first and second lines of defence.

Top Corporate Risks

The Enterprise Risk Management Framework enables proactive identification, active management and monitoring of the Group's risks.

Risk registers are based around the organisational design to ensure clear accountability for risk. There are three levels of risk register to ensure sufficient consideration of risk across all Group activities.

Level 1 Top Corporate Risks
Level 2 Executive Committee Member
Level 3 Business Unit

Given the increasing risks associated with environmental, social and governance (ESG) and to support the Group's ambition to be net zero by 2040, ESG risk was added to the top corporate risks in the year.

The Group employs a range of risk management strategies, including: avoidance, mitigation, transfer (including insurance) and acceptance.

The Risk and Audit Committee monitor the implementation of Risk Mitigation Plans for the top corporate risks.

Top Corporate Risks and the implementation of Risk Mitigation Plans

The top corporate risks are:

Financial Performance Risk

The risk that EBITDA targets and underlying valuation assumptions are not achieved resulting in liquidity constraints and lender and shareholder dissatisfaction.

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.

Staff Retention and Recruitment Risk

The risk of the inability to attract or retain skilled or qualified staff resulting in failure to execute the business plan.

MARSTON (HOLDINGS) LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022**

Environmental, Social and Governance (ESG) Strategy Risk

The risk of not aligning and integrating ESG strategy with the Business Plan resulting in client and shareholder dissatisfaction and poor ESG governance.

Financial Risk Management:

The main financial exposures for the Group are trade debtors and trade creditors.

Trade debtors are largely generated from our customer civil parking contracts which contain standard contractual terms with minimal issues over credit risk owing to the nature of our long term working relationships with these clients and the basis of cash collections. Trade creditors are paid to agreed contractual terms.

Intangible Asset Valuations

The risk of market conditions impacting valuations of intangible assets is more difficult to mitigate.

Refer to note 31 for further information on market risk, credit risk and liquidity risk.

Future developments

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

The Group is expanding its investment in technology, to enhance and further develop new ways of working with its clients and suppliers, and the effective collaboration of our colleagues.

The Group's performance for the coming financial year is expected to continue to strengthen, with volumes returning to, and in certain cases exceeding, pre-Covid 19 levels. The business will be affected by the wider economic factors that are currently impacting on all members of society and how this influences our volumetric businesses is uncertain. Inflation levels across key categories have been increasing, with disposable income reduced and impacting many of the most vulnerable members of society the most. We are continuing to work along with our Local Authorities around re-engagement plans.

MARSTON (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

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

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

Engagement with other stakeholders

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;

Stakeholders	Our approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
Investors Our investors are essential to business growth and provide funding and knowledge to aid our strategic goals.	Investor engagement is frequent and performance information is provided by the Board to our investors.	As a Board the aim is to provide clear and concise management information to our investors, being clear with them as to the business opportunities and risks that exist and how the Board is working with these to drive investor value.
Lenders Our lenders are essential to the business as they lend funds to allow the business to prosper.	To have an open, regular and honest dialogue with lenders which includes sharing monthly reporting and regular business updates.	As a Board we are acutely aware of the importance of our lending relationships and look to provide a clear and transparent assessment of the business.
Customers We work closely with all of our customers to understand their evolving needs and requirements and ensure our business model compliments them.	To have a strong customer focus and where possible tailor our service offering to the customer needs.	Long term customer engagement is something the Group prides itself on given the nature of our primarily local authority customer base. The Boards focus is to continue to maintain high standards and service levels with its existing customer relationships. We also look at all opportunities to help our customers with additional services that create value for our customers.

MARSTON (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

Enforcement Conduct Board

The Group has been a key driver in the establishment of the Enforcement Conduct Board (ECB).

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.

The purpose of the Enforcement Conduct Board (ECB) is to ensure that all those who are subject to enforcement action in England and Wales are fairly treated. The ECB will provide independent oversight of the enforcement industry, with a special regard for those experiencing financial difficulty or other vulnerable circumstances.

Independent Advisory Group

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

The Advisory Group is led by an experienced, independent Chair, with current and prior leadership roles in well established governmental agencies and consumer advocacy organisations.

Platinum Investors in People accreditation

The board recognises the importance of its colleagues, which is reflected in the group being awarded Platinum Investors in People accreditation.

This places the Group in the top two per cent of the nearly 9,000 companies that have some level of Investors in People accreditation.

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

Employers' Initiative on Domestic Abuse

The Group is a founding member of the Employers' Initiative on Domestic Abuse.

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

Inclusion Initiative

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

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

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

MARSTON (HOLDINGS) LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022**

Colleague Engagement

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.

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. To encourage and assist this, the Board discussed investment strategies with its investors and identified acquisition targets that would complement our existing business offering and help deliver growth. The Group successfully acquired two businesses in the financial year with funding supported by our investors.

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

Mike Corcoran

M J Corcoran
Director

MARSTON (HOLDINGS) LIMITED

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 profit for the year, after taxation, amounted to £21,965,000 (2021 - £874,000).

Turnover generated for the year to May 2022 was £297,016,000 (year ended May 2021: £255,108,000).

The profit before tax was £19,536,000 (2021 £2,168,000).

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:

Stephen James Callaghan (appointed 31 May 2022)
Michael John Corcoran (appointed 6 April 2022)
Amanda Louise McCormack (appointed 6 April 2022)
Michael Stuart Watson (resigned 6 April 2022)
Richard John Anderson (resigned 6 April 2022)

Going concern

In determining the appropriate basis of preparation for these financial statements, the Board has assessed the ability of both the Free Flow Topco Group and Company to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. The Marston Holdings Limited Group has received confirmation of ongoing financial support from its ultimate parent company, Free Flow Topco Limited. Free Flow Topco Limited has prepared financial projections and cash flow forecasts as part of a wider Group assessment and given that the treasury function is managed on a wider Group basis the going concern assessment has also been prepared at the largest level of consolidation.

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 Free Flow Topco Group is operating in an uncertain economic environment with cost-of-living pressures impacting the Free Flow Topco 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 Free Flow Topco Group will remain in compliance with covenants in the assessment period to August 2024.

MARSTON (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022**

After the reporting date, the Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco Group's ability to remain in compliance with all lending covenant requirements and liquidity. This may cast significant doubt on the Free Flow Topco 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 Free Flow Topco 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.

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.

MARSTON (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

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 2022, 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 2022.

Principle 1: Purpose and Leadership

The Company'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 two non Executive Directors who represent the Shareholders interests. The Executive Team is headed by the Chief Executive and comprises a Chief Operating Officer, Chief Financial Officer, Chief Commercial Director and Chief Technology Officer. This composition ensures responsibilities, accountabilities and decision making are effectively balanced.

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.

MARSTON (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

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 our internal controls system allows the Board to make informed decisions on material environmental, social and governance issues to ensure we operate 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.

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 Company believes strongly in Equal Opportunities and takes a zero tolerance approach to discrimination or victimisation in any form. The Company 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 Company'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

The Board is committed to minimising the impact of its business activities on the environment and halving carbon emissions by 2030 on the path to net carbon neutrality by 2040.

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

Basis of preparation

2018/19 has been used as the base reporting year as this was the last financial year which was uninterrupted by the Covid-19 pandemic. Despite the change in ownership structure which occurred in March 2020 the underlying core business has been operating for a number of years and hence why the Board have decided to use this as the base year.

MARSTON (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

The following GHG emission sources have been included:

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

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

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

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

Location-based emissions factors have been used in the production of all returns.

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

Scope 1 and Scope 2
Mandatory greenhouse gas emissions by source

Base year comparison

	2022 KWh Energy	2019 KWh	2022 tCO ₂ e Emissions	2019 tCO ₂ e
Scope 1 - direct emissions, natural gas, vehicle fuel	18,925,983	25,290,107	4,368	6,143
Scope 2 - indirect emissions, electricity usage	4,397,989	4,701,966	934	1,202
	23,323,972	29,992,073	5,302	7,345

Prior year comparison

	2022 KWh Energy	2021 KWh	2022 tCO ₂ e Emissions	2021 tCO ₂ e
Scope 1 - direct emissions, natural gas, vehicle fuel	18,925,983	15,937,539	4,368	3,711
Scope 2 - indirect emissions, electricity usage	4,397,989	3,839,268	934	895
Total	23,323,972	19,776,807	5,302	4,606

MARSTON (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

As in previous years, Scope 1 energy usage, primarily vehicle fuel, has been responsible for the majority of Marston's carbon emissions. Scope 1 activities last year emitted 4,368 tCO₂e, with Scope 2 responsible for a further 934 tCO₂e, giving a combined annual total of 5,302 tCO₂e. This represents a reduction of 2,043 tCO₂e, or 28% against base year.

Marston applies an intensity ratio per million pounds of turnover to measure carbon performance as the business scales. The intensity ratio has improved from 24.8 to 17.7 tCO₂e / £m turnover, or 28.6%, against base year.

In 2021/22 Marston experienced a return to normal trading following the Covid-19 pandemic. Turnover increased from £255 million to £297 million, 16.5%. There have also been two acquisitions during the year, Vortex IOT Limited and Grosvenor Services Group Limited. Energy usage and emissions data from the respective dates of acquisition are included in the totals contained within this report.

Against this backdrop carbon emissions have increased 15% from 2020/21 to 2021/22. The intensity ratio has improved slightly from 18.1 to 17.7 tCO₂e / £m turnover.

The transition to electric and hybrid vehicles has continued as quickly as practicable despite pandemic related supply chain issues. This has contributed to the large drop in vehicle fuel usage and therefore emissions. Conversely, the transition has also contributed to a small year on year increase in the usage of electricity, which is now frequently being used to charge electric vehicles. Despite this small increase, compared to the base year a 22.3% reduction in emissions from electricity usage has been achieved.

Energy Efficiency Initiatives in 2021/22

All property refurbishment and procurement now incorporates environmental performance aspects, and where possible, consolidation of the property portfolio to reduce our 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.

Marston has developed and formally adopted a Carbon Reduction Plan and a Net Carbon Zero Plan, in which we declare our commitment to achieve net carbon zero by 2040, with a 50% net reduction, compared to our base year, by 2030.

A Carbon Steering Group has been set up as a sub-committee of the Group Environmental Committee. A dedicated Carbon Reduction Officer has also recently been appointed to support out climate ambitions.

As an environmentally responsible organisations we are extending our GHG emissions monitoring to include scope 3 and are calibrating our base year. Scope 3 emissions include those associated with our supply chain, waste disposal, business travel and employee commuting.

Directors' and officers' liability insurance

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

MARSTON (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022**

Disclosure of information to auditors

The directors confirm that:

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

Post year end events

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.

MARSTON (HOLDINGS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022**

Directors' Responsibilities Statement for the year ended 31 May 2022

The directors are responsible for preparing the Group Strategic Report, Directors' Report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the consolidated financial statements, state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the parent Company's and to prevent and detect 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

MARSTON (HOLDINGS) LIMITED

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

Opinion

We have audited the financial statements of Marston Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2022, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including 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 2022 and of the group's profit and the parent company'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 the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which explains that the group has received confirmation of on-going financial support from its ultimate parent company, Free Flow Topco Limited. Free Flow Topco Limited manages its treasury on a consolidated basis and the group's financial projections and cash flow forecasts form part of that going concern assessment. A forecasting exercise has been completed at a Free Flow Topco Limited level which indicates that there is a risk that the forecast future growth rates and forecast cost savings may not be achieved and this may cast doubt over Free Flow Topco Limited'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 group'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

MARSTON (HOLDINGS) LIMITED

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

Our evaluation of management's assessment of the entity's ability to continue as a going concern

The directors have completed their assessment of the entity's ability to continue as a going concern on an wider group basis at the Free Flow Topco Limited level, given the reliance on the debt facility of the wider group outlined within note 2 of these financial statements. Our evaluation of this assessment of the group and parent entity's ability to continue to adopt the going concern basis of accounting included:

- Analysing the reasonableness of management's forecasts and downside sensitivity;
- Challenging management assumptions underpinning the forecasts including the achievability of forecast cost savings;
- Assessing scenario sensitivities and reverse stress tests performed by management, and determining if they are plausible;
- Considering management's historic forecasting accuracy and the extent to which these impacts the forecasts produced;
- Corroborating the existence of the wider group loan facilities and relating covenant requirements for the period covered by management's forecasts; and
- Comparing post year end results achieved to those forecasted to determine if the business is trading in line with forecasts

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 group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group and parent 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 consolidated 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.

MARSTON (HOLDINGS) LIMITED

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

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 group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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:

MARSTON (HOLDINGS) LIMITED

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and parent 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, UK-adopted international accounting standards and United Kingdom Generally Accepted Accounting Practice.
- We obtained an understanding of how the group and parent 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 group and parent company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
 - o Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - o Challenging assumptions and judgements made by management in its significant accounting estimates;
 - o Identifying and testing journal entries with a focus on those with unusual account combinations relating to revenue ; and
 - o 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;
- 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.

Paul Thornton UK LLP

MARSTON (HOLDINGS) LIMITED

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

Gareth Hitchmough
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 26/7/2023

MARSTON (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2022**

	Note	2022 £000	2021 £000
Revenue	9	297,016	255,108
Other operating charges		(108,733)	(89,539)
Employee costs	12	(139,555)	(133,770)
Changes in inventories of finished goods*	20	(3,581)	-
Depreciation and amortisation expense	10	(22,049)	(19,333)
Profit from operations*		23,098	12,466
Finance income	13	-	21
Finance expense	13	(2,466)	(3,450)
Gain on bargain purchase	33	867	-
Impairment of intangible assets	17	(1,963)	(6,869)
Profit before tax		19,536	2,168
Tax credit/(expense)	14	2,429	(1,294)
Profit for the year		21,965	874
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	35	1,841	2,754
Deferred tax current year (charge)/credit	14	(679)	660
Other comprehensive income for the year, net of tax		1,162	3,414
Total comprehensive income		23,127	4,288

The notes on pages 33 to 101 form part of these financial statements.

*Changes in inventories in finished goods has been presented separately on the face of the Statement of Profit and Loss in the current year as the value of £3.6m for the period ending 31 May 2022 is considered material. The value for the changes in inventories in finished goods in the prior year was £1.3m. This is included within other expenses and has not been restated as it is not considered to be material.

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

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2022

	Note	2022 £000	<i>As restated</i> 2021 £000
Assets			
Non-current assets			
Property, plant and equipment	15	27,587	27,221
Intangible assets	16	221,342	214,529
		<u>248,929</u>	<u>241,750</u>
Current assets			
Inventories	20	1,846	402
Trade and other receivables	21	247,964	199,695
Cash and cash equivalents		13,935	25,213
		<u>263,745</u>	<u>225,310</u>
Total assets		<u>512,674</u>	<u>467,060</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	24	17,811	18,698
Employee benefit liabilities		289	2,083
Provisions	25	816	1,262
Deferred tax liability	14	5,030	6,245
Contingent consideration	26	9,887	3,948
		<u>33,833</u>	<u>32,236</u>
Current liabilities			
Trade and other liabilities	22	169,852	153,322
Loans and borrowings	24	7,585	5,150
Provisions	25	2,392	467
		<u>179,829</u>	<u>158,939</u>
Total liabilities		<u>213,662</u>	<u>191,175</u>
Net assets		<u>299,012</u>	<u>275,885</u>

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MAY 2022

	Note	2022 £000	<i>As restated</i> 2021 £000
Issued capital and reserves attributable to owners of the parent	28		
Share capital	27	163,055	163,055
Retained earnings		135,957	112,830
		<hr/> 299,012	<hr/> 275,885
TOTAL EQUITY		<hr/> 299,012 <hr/>	<hr/> 275,885 <hr/>

The financial statements on pages 24 to 101 were approved and authorised for issue by the board of directors on and were signed on its behalf by:

Mike Corcoran

M J Corcoran
 Director
 26/7/2023

The notes on pages 33 to 101 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2022

	Note	2022 £000	As restated 2021 £000
Assets			
Non-current assets			
Property, plant and equipment	15	3,393	5,480
Intangible assets	16	5,987	2,833
Other non-current investments	18	225,848	225,099
Deferred tax asset	14	826	25
		<u>236,054</u>	<u>233,437</u>
Current assets			
Trade and other receivables	21	325,792	251,201
Cash and cash equivalents		3,241	2,915
		<u>329,033</u>	<u>254,116</u>
Total assets		<u>565,087</u>	<u>487,553</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	24	1,172	2,740
Provisions	25	167	264
Contingent consideration	26	8,024	3,949
		<u>9,363</u>	<u>6,953</u>
Current liabilities			
Trade and other liabilities	22	286,504	206,111
Loans and borrowings	24	1,679	2,353
Provisions	25	196	98
		<u>288,379</u>	<u>208,562</u>
Total liabilities		<u>297,742</u>	<u>215,515</u>
Net assets		<u>267,345</u>	<u>272,038</u>

MARSTON (HOLDINGS) LIMITED
REGISTERED NUMBER: 04305487

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MAY 2022

	Note	2022 £000	<i>As restated</i> 2021 £000
Issued capital and reserves attributable to owners of the parent	28		
Share capital	27	163,055	163,055
Retained earnings		104,290	108,983
TOTAL EQUITY		<u>267,345</u>	<u>272,038</u>

The Company has taken the exemption from presenting the parent company Statement of Profit or Loss and Other Comprehensive Income. The Company's loss for the year was £5,293,000 (2021 - profit £253,000).

The financial statements on pages 24 to 101 were approved and authorised for issue by the board of directors on and were signed on its behalf by:

Mike Corcoran

M J Corcoran
 Director
 26/7/2023

The notes on pages 33 to 101 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

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

	Share capital £000	Retained earnings £000	Total attributable to equity holders of parent £000	Total equity £000
At 1 June 2020	163,055	108,542	271,597	271,597
Comprehensive income for the year				
Profit for the year	-	874	874	874
Other comprehensive loss (note 29)	-	3,414	3,414	3,414
Total comprehensive income for the year	<u>-</u>	<u>4,288</u>	<u>4,288</u>	<u>4,288</u>
At 31 May 2021	163,055	112,830	275,885	275,885
At 1 June 2021	163,055	112,830	275,885	275,885
Comprehensive income for the year				
Profit for the year	-	21,965	21,965	21,965
Other comprehensive income (note 29)	-	1,162	1,162	1,162
Total comprehensive income for the year	<u>-</u>	<u>23,127</u>	<u>23,127</u>	<u>23,127</u>
At 31 May 2022	163,055	135,957	299,012	299,012

The notes on pages 33 to 101 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

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

	Share capital £000	Retained earnings £000	Total equity £000
At 1 June 2020	163,055	108,279	271,334
Comprehensive income for the year			
Profit for the year	-	253	253
Share of partnership loss/deferred tax	-	451	451
Total comprehensive income for the year	-	704	704
At 31 May 2021	163,055	108,983	272,038
At 1 June 2021	163,055	108,983	272,038
Comprehensive income for the year			
Profit for the year	-	(5,293)	(5,293)
Share of partnership profit	-	600	600
Total comprehensive income for the year	-	(4,693)	(4,693)
At 31 May 2022	163,055	104,290	267,345

The notes on pages 33 to 101 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

	Note	2022 £000	As restated 2021 £000
Cash flows from operating activities			
Profit for the year		21,965	874
Adjustments for			
Depreciation of property, plant and equipment	15	11,770	10,538
Amortisation of intangible fixed assets	16	10,279	8,795
Impairment losses on intangible assets	16	1,963	6,869
Finance expense		1,231	3,450
Increase in contingent consideration		6,398	(165)
Income tax expense	14	(2,429)	1,294
		<u>51,177</u>	<u>31,655</u>
Movements in working capital:			
Increase in trade and other receivables		(48,269)	(32,887)
(Increase)/decrease in inventories		(1,444)	15
Increase in trade and other payables		16,530	16,556
(Decrease)/increase in provisions and employee benefits		(315)	484
		<u>17,679</u>	<u>15,823</u>
Cash generated from operations			
Income taxes paid		-	4,380
		<u>17,679</u>	<u>20,203</u>
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(10,947)	-
Purchases of property, plant and equipment		(1,810)	(2,219)
Purchase of intangibles	16	(5,603)	(2,996)
Interest received		-	21
Payment of contingent consideration		(459)	(4,734)
		<u>(18,819)</u>	<u>(9,928)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Repayment of bank borrowings		(222)	-
Payments of finance lease creditors		(9,916)	(10,805)
		<u>(10,138)</u>	<u>(10,805)</u>
Net cash used in financing activities			
Net cash decrease in cash and cash equivalents		<u>(11,278)</u>	<u>(530)</u>

MARSTON (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

	2022	2021
	£000	£000
Cash and cash equivalents at the beginning of year	25,213	25,743
Cash and cash equivalents at the end of the year	<u>13,935</u>	<u>25,213</u>

The notes on pages 33 to 101 form part of these financial statements.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

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 8.

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, interpretations and amendments not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 May 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Going Concern

In determining the appropriate basis of preparation for these financial statements, the Board has assessed the ability of both the Free Flow Topco Group and Company to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. The Marston Holdings Limited Group has received confirmation of ongoing financial support from its ultimate parent company, Free Flow Topco Limited. Free Flow Topco Limited has prepared financial projections and cash flow forecasts as part of a wider Group assessment and given that the treasury function is managed on a wider Group basis the going concern assessment has also been prepared at the largest level of consolidation.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

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 Free Flow Topco Group is operating in an uncertain economic environment with cost-of-living pressures impacting the Free Flow Topco 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 Free Flow Topco Group will remain in compliance with covenants in the assessment period to August 2024.

After the reporting date, the Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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 Free Flow Topco 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.

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Such events and conditions may cast doubt over the Free Flow Topco Group's ability to remain in compliance with all lending covenant requirements and liquidity. This may cast significant doubt on the Free Flow Topco 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 Free Flow Topco 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.

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.

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Accounting policies (continued)**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.

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

4. Accounting policies (continued)

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 these are received from circa 145 different authorities.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

4. Accounting policies (continued)

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. 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022

4. Accounting policies (continued)

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.

Airport transportation

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

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

The airports operation ceased in November 2020.

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 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.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Accounting policies (continued)

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.

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

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

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Accounting policies (continued)

4.6 Leasing (continued)

The Group as a lessee (continued)

lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 4.10.

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

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.

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,

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Accounting policies (continued)**4.7 Foreign currency (continued)**

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.

4.9 Taxation

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

4. Accounting policies (continued)**4.9 Taxation (continued)**

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.

(iii) Current and deferred tax for the year

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Accounting policies (continued)
4.10 Property, plant and equipment

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

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

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

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

4.11 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) - 5 years
Other intangible assets - Brand	Straight line over 4 - 10 years
Other intangible assets - Contracts	Straight line over 6 - 19 years
Computer software	3 - 5 years on a straight-line basis

(ii) Intangible assets acquired in a business combination

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

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

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

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4. Accounting policies (continued)

4.12 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'.

4.13 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.

4.14 Trade receivables

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

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

4.15 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.

4.16 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.

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

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4. Accounting policies (continued)

impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

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

Impairment of financial assets

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

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

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

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

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

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

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

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

4. Accounting policies (continued)*Derecognition of financial assets*

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

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

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

4.17 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.

4.18 Provisions

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

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

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

4. Accounting policies (continued)**4.19 Financial liabilities and equity instruments***Financial liabilities*

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 31.

Other financial liabilities

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

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

4. Accounting policies (continued)

4.20 Defined contribution schemes

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

4.21 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 crystalize. This would reflect the fact that under the scheme rules a refund of contributions would be made to the Group of amounts paid over and above the amounts required to fund the benefits. The surplus is not recognised as an asset because management do not consider they have the right to reduced contributions or refunds in line with scheme rules.

4.22 Contingent consideration

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

5. Prior Year Adjustments

During the year it was identified that there were a number of items in the financial statements for the year ending 31 May 2021 that required amending:

1) Contingent Consideration

Contingent consideration was previously included within provisions, however, as it is a material financial instrument it should be shown separately in the Consolidated Statement of Financial Position, Company Statement of Financial Position and Consolidated Statement of Cashflows. This has now been amended with no impact to net assets.

Consolidated Statement of Financial Position

	Restated 2021 £000	Original 2021 £000	Variance £000
Non-current liabilities			
Provisions	1,262	5,211	(3,949)
Contingent consideration	<u>3,949</u>	<u>-</u>	<u>3,949</u>
Net assets	<u>275,886</u>	<u>275,866</u>	<u>-</u>

Company Statement of Financial Position

	Restated 2021 £000	Original 2021 £000	Variance £000
Non-current liabilities			
Provisions	264	4,213	(3,949)
Contingent consideration	<u>3,949</u>	<u>-</u>	<u>3,949</u>
Net assets	<u>272,038</u>	<u>272,038</u>	<u>-</u>

Consolidated Statement of Cash Flows

	Restated 2021 £000	Original 2021 £000	Variance £000
Cashflows from operating activities			
Increase in contingent consideration	(165)	5,211	(165)
Movements in working capital	3,949	-	3,949
(Decrease)/increase in provisions and employee benefits	<u>484</u>	<u>319</u>	<u>165</u>
Net cash decrease in cash and cash equivalents	<u>(530)</u>	<u>(530)</u>	<u>-</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

2) Revenue

The timing of revenue recognition disclosure shown within note 9 has been amended as the prior year classification was not in line with the revenue accounting policies. This amendment has had no impact on the primary financial statements.

Timing of revenue recognition

	Restated 2021 £000	Original 2021 £000	Variance £000
Goods and services transferred at a point in time	115,141	238,257	(123,116)
Goods and services transferred over time	<u>139,967</u>	<u>16,851</u>	<u>123,116</u>
	<u>255,108</u>	<u>255,108</u>	<u>-</u>

6. Disclosure exemptions - Parent Company individual financial statements

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

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

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 .

7. Functional and presentation currency

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

8. Accounting estimates and judgements**8.1 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

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 £1,963,000 (2021: £6,869,000) and there was no impairment (2021: £nil) of intangible assets (excluding goodwill). The net book value of goodwill at 31 May 2022 was £169,479,000 (2021: £159,837,000). See note 17 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 2022 were £188,509,000 (2021: £153,081,000). In the year, we have assessed the recoverability of the receivables from related parties and identified no indications of impairment.

Company:

Amounts due from group undertakings at 31 May 2022 were £309,320,000 (2021: £238,357,000). In the year we have assessed the recoverability of the amounts due from group undertakings and identified indications of impairment. The expected credit loss applied to amounts due from group undertakings totals £9,796,000 (2021: nil). 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 17).

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

9. Revenue

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

	2022	2021
	£000	£000
Civil Parking Services	126,167	122,349
Enforcement	71,513	-
Road Traffic Debt Recovery	-	28,805
Council Tax Recovery	-	9,740
Civil Enforcement	-	9,636
Field Services	-	7,846
Criminal Fine Enforcement	-	7,779
Metering	-	4,245
Motor Vehicle Recoveries	-	3,213
DVLA Services	27,792	22,104
Consulting	22,615	18,459
Business Process Outsourcing	22,636	20,778
Commercial Debt	17,793	-
Traffic Technology	8,500	-
Airports	-	122
Other Enforcement	-	32
	297,016	255,108

The lines of business were reviewed in the year and have been recategorized to align with the latest Group reporting structure implemented during the year.

Analysis of revenue by country of destination:

	2022	2021
	£000	£000
United Kingdom	292,865	253,327
Rest of Europe	4,151	1,781
	297,016	255,108

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

9. Revenue (continued)

Timing of revenue recognition:

	2022 £000	As restated 2021 £000
Goods and services transferred at a point in time	142,385	115,141
Services transferred over time	154,631	139,967
	<u>297,016</u>	<u>255,108</u>

Refer to note 5 for details of the restatement.

10. Expenses by nature - Group

		2022 £000	2021 £000
Employee costs	12	139,555	133,770
Impairment of intangible assets	17	1,963	6,869
Amortisation of intangible assets	16	10,279	8,795
Depreciation of property, plant and equipment	15	11,770	10,618
Contingent consideration release	25	-	629
		<u> </u>	<u> </u>

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

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

	2022 £000	2021 £000
Group		
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	107	45
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries	401	230
	<u>508</u>	<u>275</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

12. Employee benefit expenses**Group**

	2022	2021
	£000	£000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	124,711	125,041
National insurance	11,999	11,029
Defined contribution pension cost	3,139	3,075
Furlough Income	(294)	(5,375)
	<u>139,555</u>	<u>133,770</u>

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

	2022	2021
	No.	No.
Operational	4,071	4,290
Administration	411	416
	<u>4,482</u>	<u>4,706</u>

Key management personnel compensation

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

	2022	2021
	£000	£000
Key management personnel compensation		
Emoluments	1,333	831
Pension contributions	63	63
	<u>1,396</u>	<u>894</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2022	2021
	£000	£000
Directors' emoluments		
Emoluments	1,115	647
Pension contributions	-	-
	1,115	647

During the period, retirement benefits were accruing to one of the directors in respect of money purchase pension schemes. The highest paid director received remuneration of £412,000 (2021: £258,000) and pension contributions of £nil (2021: £nil) during the period.

Company

	2022	2021
	£000	£000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	19,612	18,810
National insurance	1,955	1,813
Defined contribution pension cost	524	533
Furlough Income	(136)	(2,006)
	21,955	19,150

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

	2022	2021
	No.	No.
Operational	362	355
Administration	277	258
	639	613

The highest paid director received remuneration of £112,011 (2021: nil) during the period.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

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

	2022	2021
	£000	£000
Finance income		
Interest on:		
- Bank and other interest received	-	21
Total interest income	<u>-</u>	<u>21</u>
Total finance income	<u>-</u>	<u>21</u>
Finance expense		
Bank interest payable	287	1,008
Interest on lease liabilities	1,764	2,372
Discount rate amortisation	368	-
Net interest expense on defined benefit liability	47	70
Total finance expense	<u>2,466</u>	<u>3,450</u>
Net finance expense recognised in profit or loss	<u><u>(2,466)</u></u>	<u><u>(3,429)</u></u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

14. Tax expense**14.1 Income tax recognised in profit or loss**

	2022	2021
	£000	£000
Current tax		
Current tax on profits for the year	107	-
Adjustments in respect of prior years	(711)	68
Total current tax (credit)/charge	<u>(604)</u>	<u>68</u>
Deferred tax		
Origination and reversal of timing differences	508	(592)
Adjustments in respect of prior years	(383)	412
Deferred tax asset not previously recognised	(2,141)	-
Effects of changes in tax rates	191	1,406
Total deferred tax (credit)/charge	<u>(1,825)</u>	<u>1,226</u>
Total tax (credit)/charge	<u>(2,429)</u>	<u>1,294</u>
	<u><u>(2,429)</u></u>	<u><u>1,294</u></u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

14. Tax expense (continued)**14.1 Income tax recognised in profit or loss (continued)**

The tax on profit before tax for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19%.

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

	2022	2021
	£000	£000
Profit for the year	21,965	874
Income tax (credit)/charge	(2,429)	1,294
Profit before income taxes	19,536	2,168
Tax using the Company's domestic tax rate of 19% (2021:19%)	3,712	412
Non-tax deductible amortisation of goodwill and impairment	368	1,336
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	1,163	-
Deferred tax asset not previously recognised	(2,141)	-
Non-qualifying depreciation	2	-
Adjustments to tax charge in respect of prior periods	(1,094)	480
Non-taxable income	(93)	-
Losses - overseas subsidiaries	(425)	-
Deferred tax not recognised	102	-
Effects of changes in tax rates	191	1,405
Group relief	(5,038)	(1,460)
Transfer pricing adjustments	824	(879)
Total tax (credit)/charge	(2,429)	1,294

Changes in tax rates and factors affecting the future tax charges

The Finance Act 2021 states that the corporation tax main rate will remain at 19% up to and including 31 March 2023. From 1 April 2023, the UK corporation tax rate will increase to 25%, and therefore deferred taxes at the balance sheet date have been measured and reflected in these financial statements using the expected future tax rate of 25%.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

14. Tax expense (continued)**14.2 Current tax assets and liabilities**

	2022 £000	2021 £000
Current tax assets		
Corporation tax repayable	3,578	2,618
	<u>3,578</u>	<u>2,618</u>

14.3 Deferred tax balances

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

	2022 £000	2021 £000
Deferred tax liabilities	(5,030)	(6,245)
	<u>(5,030)</u>	<u>(6,245)</u>

Deferred tax liabilities

	2022 £000	2021 £000
Provision at start of period	(6,245)	(5,679)
Acquired during period	69	-
Adjustment in respect of prior years	383	(412)
Deferred tax asset not previously recognised	2,141	-
Deferred tax (credit)/charge to profit and loss account for the period	(699)	(814)
Pension credit to OCI	(533)	660
Prior year charge/(credit) to OCI	(146)	-
	<u>(5,030)</u>	<u>(6,245)</u>

	2022 £000	2021 £000
Fixed asset timing differences	(6,573)	(6,932)
Short term timing differences	554	687
Losses	989	-
	<u>(5,030)</u>	<u>(6,245)</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

Company

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

	2022	2021
	£000	£000
Deferred tax assets	826	25
	<u>826</u>	<u>25</u>

Deferred tax assets/(liabilities)

	2022	2021
	£000	£000
Deferred tax asset/(liability) at start of period	25	(1,012)
Adjustment in respect of prior years	-	(179)
Deferred tax asset not previously recognised	2,141	-
Deferred tax (credit)/charge to profit and loss account for the period	(1,340)	23
Prior year charge to OCI	-	1,193
	<u>826</u>	<u>25</u>

	2022	2021
	£000	£000
Fixed asset timing differences	(180)	(20)
Short term timing differences	17	45
Losses	<u>989</u>	<u>-</u>
	<u>826</u>	<u>25</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

15. Property, plant and equipment**Group**

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 June 2020	22,178	16,184	5,686	15,813	59,861
Additions	3,856	3,176	85	1,263	8,380
Disposals	-	(55)	(10)	(40)	(105)
At 31 May 2021	26,034	19,305	5,761	17,036	68,136
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)
Transfers between classes*	-	-	-	(350)	(350)
At 31 May 2022	27,585	21,252	6,061	16,883	71,781

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

15. Property, plant and equipment (continued)

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Accumulated depreciation and impairment					
At 1 June 2020	5,821	7,685	4,469	12,401	30,376
Charge owned for the year	73	154	499	1,753	2,479
Charged financed for the year	4,979	3,160	-	-	8,139
Disposals	-	(32)	(8)	(39)	(79)
At 31 May 2021	10,873	10,967	4,960	14,115	40,915
Charge owned for the year	94	104	435	1,793	2,426
Charged financed for the year	5,014	4,330	-	-	9,344
Disposals	(5,101)	(2,270)	(313)	(807)	(8,491)
At 31 May 2022	10,880	13,131	5,082	15,101	44,194
Net book value					
At 1 June 2020	16,357	8,499	1,217	3,412	29,485
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

*In the year, there has been a £350k transfer of assets from computer equipment in property, plant and equipment into computer software in intangible assets.

15.1. 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:

	31 May 2022 £000	31 May 2021 £000
Property, plant and equipment owned	3,223	4,495
Right-of-use assets	24,364	22,726
	27,587	27,221

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

15. Property, plant and equipment (continued)**15.1 Assets held under leases (continued)**

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

Net book value

	31 May 2022	31 May 2021
	£000	£000
Property	16,647	14,817
Motor vehicles	7,717	7,909
	24,364	22,726

Depreciation charge for the year ended

	31 May 2022	31 May 2021
	£000	£000
Property	5,014	4,979
Motor vehicles	4,330	3,161
	9,344	8,140

Capital Commitments

The Group has a contractual commitment to acquire IT equipment of £416k payable in financial year 2023. There were no other material contractual commitments to acquire property, plant and equipment at 31 May 2022 (2021: £NIL).

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

15. Property, plant and equipment (continued)

Company

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 June 2021	-	8,614	-	673	9,287
Additions	18	7	399	345	769
Disposals	-	(477)	-	(149)	(626)
Transfers between classes*	-	-	-	(176)	(176)
At 31 May 2022	18	8,144	399	693	9,254
	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Accumulated depreciation and impairment					
At 1 June 2021	-	3,713	-	94	3,807
Charge owned for the year	1	-	40	134	175
Charged financed for the year	-	2,294	-	-	2,294
Disposals	-	(415)	-	-	(415)
At 31 May 2022	1	5,592	40	228	5,861
Net book value					
At 31 May 2021	-	4,901	-	579	5,480
At 31 May 2022	17	2,552	359	465	3,393

*In the year, there has been a £176k transfer of assets from computer equipment in property, plant and equipment into computer software in intangible assets.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

15. Property, plant and equipment (continued)**15.2. 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:

	31 May 2022	31 May 2021
	£000	£000
Property, plant and equipment owned	849	579
Right-of-use assets	2,544	4,901
	<u>3,393</u>	<u>5,480</u>

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

Net book value

	31 May 2022	31 May 2021
	£000	£000
Motor vehicles	2,544	4,901
	<u>2,544</u>	<u>4,901</u>

Depreciation charge for the year ended

	31 May 2022	31 May 2021
	£000	£000
Motor vehicles	2,294	1,197
	<u>2,294</u>	<u>1,197</u>

Capital Commitments

The Company has a contractual commitment to acquire IT equipment of £416k payable in financial year 2023. There were no other material contractual commitments to acquire property, plant and equipment at 31 May 2022 (2021: £NIL).

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

16. Intangible assets

Group

	Goodwill £000	Other intangibles £000	Computer software £000	Total £000
Cost				
At 1 June 2020	183,092	73,467	31,033	287,592
Additions	-	-	2,996	2,996
At 31 May 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
At 31 May 2022	194,697	73,467	41,479	309,643
	Goodwill £000	Other intangibles £000	Computer software £000	Total £000
Accumulated amortisation and impairment				
At 1 June 2020	16,386	28,340	15,669	60,395
Charge for the year - owned	-	4,256	4,539	8,795
Impairment charge	6,869	-	-	6,869
At 31 May 2021	23,255	32,596	20,208	76,059
Charge for the year - owned	-	3,569	6,710	10,279
Impairment charge	1,963	-	-	1,963
At 31 May 2022	25,218	36,165	26,918	88,301
Net book value				
At 1 June 2020	166,706	45,127	15,364	227,197
At 31 May 2021	159,837	40,871	13,821	214,529
At 31 May 2022	169,479	37,302	14,561	221,342

The impairment in the year of £1,963k relates to an impairment of goodwill, further detail on this can be found on page 72.

*In the year, there has been a £350k transfer of assets from computer equipment in property, plant and equipment into computer software in intangible assets.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Company

	Computer software £000
Cost	
At 1 June 2021	3,332
Additions	3,938
Transfer between classes*	176
At 31 May 2022	7,446
	Computer software £000
Accumulated amortisation and impairment	
At 1 June 2021	499
Charge for the year - owned	960
At 31 May 2022	1,459
Net book value	
At 31 May 2021	2,833
At 31 May 2022	5,987

*In the year, there has been a £176k transfer of assets from computer equipment in property, plant and equipment into computer software in intangible assets.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

17. Goodwill**Group**

	2022 £000	2021 £000
Cost	194,697	183,092
Accumulated impairment	(25,218)	(23,255)
	169,479	159,837
	2022 £000	2021 £000
Cost		
At 1 June	183,092	183,092
Acquired through business combinations	11,605	-
At 31 May	194,697	183,092
Accumulated impairment		
At 1 June	23,255	16,386
Impairment charge	1,963	6,869
At 31 May	25,218	23,255

The impairment charge of £6,869km in the prior period relates to the Airport CGU which was discontinued in November 2020.

The impairment in the year of £1,963k relates to an impairment of goodwill, further detail on this can be found in note 17.1.

The addition in the year relates to the acquisition of Vortex IOT Limited. Please refer to the business combinations note (note 33) for further details.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

17. Goodwill (continued)**17.1 Allocation of goodwill to cash generating units**

The Group's CGU have been defined as each of the main operating lines of business. The lines of business were reviewed in the year and have been recategorised to align with the latest Group reporting structure implemented during the year. This largely consisted of condensing our Enforcement business units into one CGU. £4,335k was transferred from the enforcement CGU into the Commercial Debt CGU as our revenue and EBITDA of the business is now reported and managed under this CGU.

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

Prior to the recategorisation of the CGUs an impairment review was performed based on the existing CGUs which resulted in no impairment. Following the recategorisation of the CGUs a further impairment review was undertaken which resulted in an impairment of £1,963k.

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

	2022	2021
	£000	£000
Consulting	11,184	11,294
Civil parking services	26,471	28,324
Business process outsourcing	32,874	32,874
Traffic technology	33,011	21,406
Road traffic debt recovery	-	13,408
DVLA services	10,332	10,332
Commercial debt	9,276	4,941
Criminal Fines Enforcement, Civil Enforcement and Council Tax Recovery	-	29,240
Scotland	8,018	8,018
Enforcement	38,313	-
	<u>169,479</u>	<u>159,837</u>

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.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

17. Goodwill (continued)

17.1 Allocation of goodwill to cash generating units (continued)

Traffic technology

Technology comprises the Videalert, Logic Valley and Vortex business 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 provides internal IT development and support.

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.

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

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

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

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

Scotland

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

17. Goodwill (continued)**17.1 Allocation of goodwill to cash generating units (continued)****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 2022 for each division was as follows

Line of Business	Discount Rate
Enforcement	8.5%
Civil Parking Services	10.4%
Commercial Debt	8.5%
Business Process Outsourcing	10.4%
Traffic Technology	10.4%
Scotland	8.5%
Consulting	10.4%
DVLA Services	10.4%

Cash flow projections which have been reviewed and approved by the Board are derived from a detailed FY23 reforecast exercise alongside overlay assumptions for forecasts through to 2025, which were produced by division and comprised of a bottom up forecast of which management have used the forecast for the purposes of the impairment review.

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

Impairment review results 2022

Following the review of the carrying value of goodwill as at 31 May 2022, 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 £1,963k impairment being recognised in respect of the following CGUs:

Civil parking services- £1,853k

Consulting - £110k

This reflects the slower recovery post pandemic to volumes and activity, inflationary cost pressures and a change in mix of work.

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.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

17. Goodwill (continued)**17.1 Allocation of goodwill to cash generating units (continued)**

Line of Business	Discount rate increase of 1% £m
Civil Parking	5.1
Business Process Outsourcing	1.9
Scotland	0.7
Consulting	1.4
Total	9.1

Following the assessment of a potential increase in discount factors across all business streams, this would result in an increase of impairment of £9.1m.

In line with the downside profit scenario adopted in our going concern assessment, this is a 5-10% profit reduction. Management have sensitised the goodwill impairment model on the same basis and this results in no further impairment.

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.

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

	2022 £000	2021 £000
Investments in subsidiary companies	225,848	225,099
	<u>225,848</u>	<u>225,099</u>

Investments in subsidiary companies

	£000
Cost	
At 1 June 2021	225,099
Additions	749
	<u>225,848</u>

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

19. Subsidiaries

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

Name of Subsidiary	Principal Activity	Place of incorporation or operation	Proportion of interest and voting power held by the Group (%)	
			2022	2021
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)	93	93
Marston Group Limited	Enforcement services	United Kingdom (3)	100	100
Moreton Smith Receivables Limited	International debt collection	United Kingdom (3)	100	100
Rossendales Limited	Enforcement services	United Kingdom (3)	100	100
Scott & Co (Scotland) LLP	Sheriff officers	United Kingdom (2)	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	0
Grosvenor Services Group Limited	Field service delivery	United Kingdom (1)	100	0

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Registered addresses:

- (1) 12th Floor One America Square, London, United Kingdom, EC3N 2LS
- (2) 9 Melville Crescent, Edinburgh, United Kingdom, EH3 7LZ
- (3) Rutland House, 8th Floor, 148 Edmund Street, Birmingham, United Kingdom, B3 2JR
- (4) Vijay Towers, 2 and 3rd floor, No 22, Father Randy St, R S Puram West, Coimbatore, TamilNadu, India, Pin Code – 641002
- (5) Sturegatan 16 114 36, Stockholm, Sweden

20. Inventories**Group**

	2022	2021
	£000	£000
Finished goods and goods for resale	1,846	402
	<u>1,846</u>	<u>402</u>

In 2022 a total of £3.5m (2021: £1.3m) of inventories was included in profit and loss as an expense. This includes an amount of £nil (2021: £nil) resulting from the write down of inventories.

21. Trade and other receivables**Group**

	2022	2021
	£000	£000
Current		
Trade receivables	20,398	19,952
Receivables from related parties	188,509	153,081
Prepayments and accrued income	32,564	21,591
Other receivables	6,493	5,071
Total current trade and other receivables	<u>247,964</u>	<u>199,695</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

21. Trade and other receivables (continued)

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

The value of prepayments at 31 May 2022 was £6,941k (2021: £5,812k) and the value of accrued income at 31 May 2022 was £25,623k (2021: £15,779k).

The Group does not hold any collateral as security.

All of the Group's trade and other receivables are presented net of allowances for doubtful debts. Allowances against doubtful debts are recognised based on estimated irrecoverable amounts determined by reference to past default experience. At 31 May 2022 trade and other receivables of £0.3m (2021:£0.5m) were considered past due and impaired.

Amounts due from related parties relate to receivables from fellow subsidiaries of the ultimate parent undertaking. As set out in note 36, 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.

Company

	2022	2021
	£000	£000
Current		
Trade receivables	2,314	1,399
Amounts due from group companies	309,320	238,357
Prepayments and accrued income	8,296	5,882
Other receivables	5,862	5,563
	325,792	251,201

The value of prepayments at 31 May 2022 was £1,114k (2021: £2,342k) and the value of accrued income at 31 May 2022 was £7,182k (2021: £3,540k).

The expected credit loss applied to the amount due from group companies totals £9,796k. 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 17). Amounts due from group companies are unsecured, have no fixed date of repayment and are not subject to any interest.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

22. Trade and other payables**Group**

	2022	2021
	£000	£000
Current		
Trade payables	4,235	2,610
Payables to related parties	123,373	96,756
Other payables	1,267	1,201
Accruals	24,780	20,892
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	153,655	121,459
Other payables - tax and social security payments	9,619	23,435
Deferred income	6,578	8,428
Total current trade and other payables	169,852	153,322

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 36, 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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Company

	2022 £000	2021 £000
Current		
Trade payables	513	768
Amounts owed to group undertakings	278,311	198,052
Other payables	407	155
Accruals	5,438	5,850
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	284,669	204,825
Other payables - tax and social security payments	1,835	1,127
Deferred income	-	160
Total current trade and other payables	286,504	206,112

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

23. 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 period end is £25,623,000 (2021: £16,303,000)

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 period end is £6,578,000 (2021: £9,647,000). This revenue is expected to be recognised within 12 months of the period 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.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. Loans and borrowings**Group**

	2022 £000	2021 £000
Non-current		
Lease liabilities	17,811	18,698
	<u>17,811</u>	<u>18,698</u>
Current		
Lease liabilities	7,585	5,150
	<u>7,585</u>	<u>5,150</u>
Total loans and borrowings	<u>25,396</u>	<u>23,848</u>

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

Company

	2022 £000	2021 £000
Non-current		
Lease liabilities	1,172	2,740
	<u>1,172</u>	<u>2,740</u>
Current		
Lease liabilities	1,679	2,353
	<u>1,679</u>	<u>2,353</u>
Total loans and borrowings	<u>2,851</u>	<u>5,093</u>

MARSTON (HOLDINGS) LIMITED

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25. Provisions**Group**

	Dilapidations £000	Contract Provision £000	Total £000
At 1 June 2021	1,730	-	1,730
Charged to profit or loss	90	1,435	1,525
Utilised during the year	(47)	-	(47)
At 31 May 2022	1,773	1,435	3,208
Due within one year or less	957	1,435	2,392
Due after more than one year	816	-	816
	1,773	1,435	3,208

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.

Contract Provision

Contract provisions are made against a number of our target cost contracts whereby current performance exceeds agreed contract levels.

Company

	Dilapidations £000
At 1 June 2021	363
At 31 May 2022	363
Due within one year or less	196
Due after more than one year	167
	363

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25. Provisions (continued)

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.

26. Contingent Consideration

Group

	Contingent Consideration £000
At 1 June 2021	3,948
Utilised during the period	(458)
On business combinations	1,863
Fair value adjustment	4,165
Unwind of discount	<u>369</u>
At 31 May 2022	<u>9,887</u>

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 £4.2m has been recognised to reflect our best estimate of future consideration payments that will become due should these performance targets be met. This change has arisen following an amendment to the original agreement which has extended the time period over which the performance targets can be met, to take into account the fact that trading was suppressed during the pandemic and this was the reason for performance targets not being met.

Contingent consideration is made up of £8m from the Parktrade acquisition and £1.9m from the Vortex IOT acquisition. The Parktrade contingent consideration agreement is based on a annual performance measure of EBITDA and contains a cap on the maximum amount that can be paid. Based on the actual and forecasted performance of Parktrade, the current fair value of the contingent consideration is based on all of the annual performance measures being met and is therefore capped at the maximum amount payable. Any increase in the forecasted EBITDA would not result in a material increase in the fair value of the contingent consideration. If the EBITDA performance measures were not met in FY23-FY25, the fair value of the contingent consideration would decrease by £4.8m. The contingent consideration agreement for Vortex IOT is based on exceeding revenue hurdles in the three years post acquisition. The fair value of consideration is based on managements assessment of the likely performance over the earnout period. The range of possible outcomes are between nil and £11.5m – with any changes in revenue performance either increasing/ decreasing the contingent consideration payable.

MARSTON (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Company

	Contingent Consideration £000
At 1 June 2021	3,948
Utilised during the period	(458)
Fair value adjustment	4,165
Unwind of discount	369
At 31 May 2022	<u>8,024</u>

Contingent consideration is made up of £8m from the Parktrade acquisition. For more detail regarding the contingent consideration relating to the Parktrade acquisition see the Group contingent consideration note.

27. Share capital

Authorised

	2022 Number	2022 £000	2021 Number	2021 £000
Shares treated as equity				
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

	2022 Number	2022 £000	2021 Number	2021 £000
Shares treated as equity				
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.

MARSTON (HOLDINGS) LIMITED

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28. 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.

29. Analysis of amounts recognised in other comprehensive income

	Retained earnings £000
Year to 31 May 2022	
Actuarial gain on defined benefit pension schemes	1,841
Deferred tax current year (charge)	(679)
	<u>1,162</u>
	Retained earnings £000
Year to 31 May 2021	
Actuarial gain on defined benefit pension schemes	2,754
Deferred tax current year credit	660
	<u>3,414</u>

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022**

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

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

Lease liabilities are due as follows:

	2022	2021
	£000	£000
Contractual undiscounted cash flows due		
Not later than one year	7,585	8,318
Between one year and five years	13,964	13,352
Later than five years	3,848	2,178
	25,397	23,848

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

	No of right- of-use assets leased	Ave remaining lease term (months)	No of leases with extension options	No of leases with options to purchase	No of leases with termination options
Right-of-use asset					
Property	96	1-113	0	0	0
Motor vehicles	688	1-53	0	356	0

There were no leases with variable payments linked to indexation.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 May 2022 were as follows:

	Within 1 year £000	2-5 years £000	After 5 years £000	Total £000
31 May 2022				
Lease payments	8,660	15,944	4,393	28,997
Finance charges	(1,075)	(1,979)	(545)	(3,600)
Net present values	7,585	13,965	3,848	25,397

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

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

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:

	2022 £000	2021 £000
Short term leases	228	299
Leases of low value assets	-	-
Variable lease payments	-	-
	228	299

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. Financial instruments - fair values and risk management

31.1 Financial risk management objectives

Introduction

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

Risk management structure

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

31.2 Market risk

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

Volumes not guaranteed

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

31.3 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.

31.4 Capital market risk

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

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

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

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. Financial instruments - fair values and risk management (continued)**31.5 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 doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

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

	Current £000	Over 30 days £000	Over 60 days £000	Over 90 days £000	Total £000
31 May 2022					
Expected credit loss rate	0.6%	0%	4.5%	44.7%	
Gross carrying amount	19,963	249	104	376	20,692
Lifetime expected credit loss	120	0	5	168	293

MARSTON (HOLDINGS) LIMITED

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31.6 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.

31.7 Fair value measurements/Financial instruments

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

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

	2022	2021
	£000	£000
Financial assets		
Trade receivables (note 21)	20,398	19,952
Amounts due from related parties (note 21)	188,509	153,081
Other receivables (note 21)	6,493	5,071
Cash and cash equivalents	13,935	25,213
	229,335	203,317
	2022	2021
	£000	£000
Current liabilities		
Trade payables (note 22)	4,235	2,610
Amounts owed to related parties (note 22)	123,373	96,756
Other payables (note 22)	1,267	1,201
Contingent consideration (note 26)	9,887	3,948
	138,762	104,515

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As at 31 May 2022 and 31 May 2021 the Group's liabilities have contractual maturities which are summarised below:

	2022	2021
	£000	£000
All due within 6 months		
Trade payables (note 22)	4,235	2,610
Amounts owed to related parties (note 22)	123,373	96,756
Other payables (note 21)	1,267	1,201
	128,875	100,567

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

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instruments are disclosed in note 4.

32. Related party transactions

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

33. Business combinations during the year

	Name	Principal activity	Date of acquisition	Proportion of voting interest acquired %	Consideration transferred £'000
	Vortex IOT Limited	Sales of air quality sensors	22/12/2021	100	12,144
	Grosvenor Services Group Limited	Field service delivery	14/03/2022	100	749

The acquisition of Grosvenor Services Group (GSG) was through the purchase of 100% of the share capital of the entity. The acquisition of GSG will complement the existing Field Services business, a technology driven field services provider that conducts over 50,000 visits to people, businesses, and their properties every month across the UK and Ireland.

The acquisition of Vortex IOT Limited was through the purchase of 100% of the share capital of the entity. The acquisition will strengthen the Group offering by delivering complimentary air quality and acoustic monitoring solutions that maximise awareness, identify pollution hotspots and improve public health.

MARSTON (HOLDINGS) LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Business combinations during the year (continued)**Consideration transferred**

	Vortex IOT Limited £'000	Grosvenor Services Group Limited £'000
Cash	10,281	749
Contingent consideration	<u>1,863</u>	<u>-</u>
	<u><u>12,144</u></u>	<u><u>749</u></u>

The contingent consideration is based on the entity achieving performance thresholds in the three years post ownership. Management have estimated the likelihood of the amounts payable and discounted these back to the present value using a discount rate of 10%.

Assets acquired and liabilities recognised at the date of acquisition

	Vortex IOT Limited £'000	Grosvenor Services Group Limited £'000
Non current assets		
Property, plant and equipment	129	144
Intangible assets	<u>1,497</u>	<u>-</u>
	<u><u>1,626</u></u>	<u><u>144</u></u>
Current assets		
Cash and cash equivalents	14	69
Trade and other receivables	231	1,968
Inventories	<u>174</u>	<u>-</u>
	<u><u>419</u></u>	<u><u>2,037</u></u>
Current liabilities		
Trade and other liabilities	<u>(1,506)</u>	<u>(565)</u>
	<u><u>539</u></u>	<u><u>(565)</u></u>

MARSTON (HOLDINGS) LIMITED

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33. Business combinations during the year (continued)**Goodwill arising on acquisition**

	Vortex IOT Limited £'000	Grosvenor Services Group Limited £'000
Consideration transferred	12,144	749
Fair value of identifiable assets acquired	<u>539</u>	<u>(1,616)</u>
Goodwill	11,605	-
	-	(867)
Gain on bargain purchase	<u><u>-</u></u>	<u><u>(867)</u></u>

In respect of GSG there was a gain on bargain purchase of £867k which has been recognised in the income statement as a separately disclosed item described as gain on bargain purchase. On acquisition management have assessed the assets and liabilities acquired and are satisfied that there were no additional fair value adjustments required. The addition of this entity to the Group will be expected to generate further synergies as we are able to combine the operations with our existing line of business that work with similar clients.

In respect of Vortex IOT Limited, on acquisition management performed a review and assessment of the acquired assets and liabilities to identify if there were any identifiable intangible assets independent of goodwill that should be recognised. Management have concluded that there were no other identifiable intangible assets to record. The goodwill generated on acquisition can be supported by the synergies the acquired entity will gain from accessing the Groups wider customer base and deploying the acquired entities product base.

Net cash outflow arising on acquisition

	Vortex IOT Limited £'000	Grosvenor Services Group Limited £'000
Consideration paid in cash	10,281	749
Less: cash and cash equivalents acquired on acquisition	<u>(14)</u>	<u>(69)</u>
	<u><u>10,267</u></u>	<u><u>680</u></u>

The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period were as follows:

Vortex IOT Limited:
Revenue: £110k
Loss: £891k

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33. Business combinations during the year (continued)

Grosvenor Services Group:
Revenue: £1,332k
Profit: £352k

The revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period were as follows:

Vortex IOT Limited:
Revenue: £407k
Loss: £1,808k

Grosvenor Services Group:
Revenue: £5,353k
Profit: £1,458k

34. Reconciliation of liabilities arising from financing activities

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

	Lease Liabilities £000	Total £000
1 June 2020	26,120	26,120
Cashflows		
Repayment of interest and capital	(10,805)	(10,805)
Non Cash		
Interest accrued	2,372	2,372
Net additions/disposals	6,161	6,161
31 May 2021	23,848	23,848

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

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

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

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

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

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

A formal actuarial valuation was carried out as at 31 December 2018. The results of that valuation have been projected to 31 May 2022 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

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

	31 May 2022	31 May 2021
	£000	£000
Present value of scheme liabilities	(7,574)	(9,487)
Fair value of scheme assets	9,892	11,595
Funded Status	<u>2,318</u>	<u>2,108</u>
Restriction on asset recognised	<u>(2,318)</u>	<u>(2,108)</u>
Net amount recognised at year end	<u><u>-</u></u>	<u><u>-</u></u>

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

MARSTON (HOLDINGS) LIMITED

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	31 May 2022	31 May 2021
	£000	£000
Service Cost:		
Current service cost (net of employee contribution)	242	376
Administration expenses	72	79
Administration expenses Past service cost and loss/(gain) on settlements and curtailments	78	-
Net interest credit	(44)	(19)
Charge recognised in P&L	348	436
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	1,870	(236)
Actuarial (gains)/losses	(1,799)	(563)
Adjustment for restrictions on the asset recognised	(71)	799
Credit recorded in other comprehensive income	-	-
Total defined benefit cost	348	436

The principal actuarial assumptions used were:

	31 May 2022	31 May 2021
Liability discount rate	3.45%	2.00%
Inflation assumption - RPI	3.25%	3.20%
Inflation assumption - CPI	2.25% pre 2030/3.05% post 2030	2.2 % pre 2030/3.0% post 2030
Rate of increase in salaries	2.00%	1.50%
Revaluation of deferred pensions:		
In line with RPI	3.25%	3.20%
In line with CPI	2.25% pre 2030/3.05% post 2030	2.2% pre 2030/3.0% post 2030
Increases for pensions in payment:		
RPI max 6%	3.25%	3.20%
Mortality assumption - pre retirement	See below	See below
Mortality assumption - male post retirement	SAPS S3PMA CMI_2018_M 1.5% long term trend	SAPS S3PMA CMI_2018_M 1.5% long term trend
Mortality assumption - female post retirement	SAPS S3PFA CMI_2018_F 1.5% long term trend	SAPS S3PFA CMI_2018_F 1.5% long term trend

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Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	87.1	87.1
Female aged 65 at year end:	89.4	89.4
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	88.9	88.8
Female aged 45 at year end:	91.2	91.1

Changes in the present value of assets over the period:

	31 May 2022	31 May 2021
	£000	£000
Fair value of assets at start of period	11,595	10,681
Interest income	231	175
Return on assets (excluding amount included in net interest expense)	(1,870)	236
Assets distributed on settlements	(442)	-
Contributions from the employer	629	726
Contributions from employees	18	18
Benefits paid	(197)	(162)
Administration expenses	(72)	(79)
Fair value of assets at end of period	<u>9,892</u>	<u>11,595</u>

Actual return on assets over the period	(1,639)	411
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Changes in the present value of liabilities over the period:

	31 May 2022	31 May 2021
	£000	£000
Liabilities at start of period	9,487	9,662
Current service cost	242	376
Interest cost	187	156
Contributions from employees	18	18
Remeasurement (gains)/losses:	-	-
Actuarial gains and losses arising from changes in financial assumptions	(1,861)	(563)
Other experience items	62	-
Loss/(gain) on curtailments	-	-
Liabilities extinguished on settlements	(364)	-
Benefits paid	(197)	(162)
Liabilities at end of period	<u>7,574</u>	<u>9,487</u>

Average duration of the scheme's liabilities at the end of the period (years)	18	22
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MARSTON (HOLDINGS) LIMITED

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The major categories of scheme assets are as follows:

	31 May 2022	31 May 2021
	£000	£000
Return seeking		
UK equities	482	1,429
Overseas equities	450	1,756
Diversified growth	435	1,264
Return seeking subtotal	<u>1,368</u>	<u>4,449</u>
Debt instruments		
Corporates	4,152	3,463
Index-linked	4,102	3,383
Debt instrument subtotal	<u>8,254</u>	<u>6,846</u>
Other		
Annuities	268	298
Cash	3	2
Total market value of assets	<u><u>9,892</u></u>	<u><u>11,595</u></u>

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

The NSL Limited expects to contribute £529,000 to the Scheme during year ending 31 May 2023.

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 £135k (increase by £139k) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £140k (decrease by £137k). 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 £20k (decrease by £20k) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £268k (decrease by £282k) if all the other assumptions remained unchanged.

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Local Government Pension Scheme - NSL Limited

NSL Limited participated in 14 local Funds of the Local Government Pension Scheme ("the Scheme") over the financial year (excluding those where a pass through agreement is in place). The LGPS is a funded multi-employer defined benefit pension scheme in the UK. Each LGPS Fund is administered by the Local Authority named as the 'Administering Authority'. The Administering Authority acts in the interest of the Scheme and all relevant stakeholders, including the members and all the participating employers. The Administering Authority is also responsible for the investment of the Fund's assets. At the year-end NSL participated in 14 local Funds.

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

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

The Scheme poses a number of risks to NSL Limited, 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 Limited participate in some local LGPS Funds on a 'pass-through' basis, whereby NSL Limited 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 Limited is only responsible for paying annual contributions detailed under the 'pass through' agreement (and the cost of any employer specific experience) so the value of the assets and liabilities in respect of these admission agreements is not included in this disclosure. This approach is consistent with that taken last year.

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

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

	31 May 2022	31 May 2021
	£000	£000
Defined benefit obligation	(21,033)	(28,060)
Fair value of scheme assets	25,225	25,977
Net defined benefit (liability)	4,192	(2,083)
Restriction on asset recognised	(4,481)	-
Net defined benefit (liability) recognised at year end	(289)	(2,083)

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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.

	31 May 2022	31 May 2021
	£000	£000
Service cost:		
Current service cost (including expected administration expenses)	890	876
Past service cost and loss on settlements and curtailments	(371)	-
Net interest expense	47	70
Charge recognised in P&L	566	946
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	(191)	(3,000)
Loss arising from changes in financial assumptions	(6,487)	1,221
(Gain) arising from changes in demographic assumptions	-	(663)
Experience (gain)	112	(312)
Restriction on asset recognised	4,725	-
Charge/(credit) recorded in other comprehensive income	(1,841)	(2,754)
Total defined benefit (credit)	(1,275)	(1,808)

The principal actuarial assumptions used were:

	31 May 2022	31 May 2021
Liability discount rate	3.45%	2.00%
Inflation assumption - CPI pre 2030	2.25%	2.20%
Inflation assumption - CPI post 2030	3.05%	3.00%
Rate of increase in salaries (average)	2.00%	1.50%

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

The mortality assumptions at 31 May 2022 are as per the assumptions set by local Fund Actuaries at the previous valuation. Further details can be obtained on request.

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Changes in the present value of assets over the period:

	31 May 2022 £000	31 May 2021 £000
Fair value of assets at start of period	25,977	22,881
Interest income	499	364
Return on assets (excluding amount included in net interest expense)	191	3,000
Assets distributed on settlements	(1,318)	-
Contributions from the employer	275	292
Contributions from employees	111	122
Benefits paid	(510)	(682)
	-	-
Fair value of assets at end of period	25,225	25,977

Actual return on assets over the period	690	3,364
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Changes in the present value of liabilities over the period:

	31 May 2022 £000	31 May 2021 £000
Liabilities at start of period	28,060	27,063
Current service cost	890	876
Interest cost	546	434
Contributions from employees	111	122
Remeasurement gains:		-
Actuarial gains and losses arising from changes in financial assumptions	(6,487)	1,221
Actuarial gains and losses arising from changes in demographic assumptions	-	(663)
Other experience items	112	(312)
Past service cost, including curtailments and settlements	(1,689)	-
Benefits paid	(510)	(682)
	-	-
Liabilities at end of period	21,033	28,059

The major categories of scheme assets are as follows:

	31 May 2022 £000	31 May 2022 %
UK Equities	2,264	9
Overseas Equities	11,814	46
Unquoted/private equity	1,027	4
Corporate bonds	1,944	8
Fixed-interest government bonds	437	2
Index-linked government bonds	1,046	4
Property	2,264	9
Hedge Funds	165	1
Cash and Deposits	962	4
Infrastructure and Commodities	1,181	5
Others	2,121	8
Total Market Value of Assets	25,225	100

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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 Limited.

The NSL Limited expects to contribute £0.26m to the Scheme during year ending 31 May 2023.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.5 percent lower, the scheme liabilities would increase by £2.2m if all the other assumptions remained unchanged.

If the salary growth assumption was 0.5 percent higher, the scheme liabilities would increase by £0.3m if all the other assumptions remained unchanged.

If the CPI inflation assumption was 0.5 percent higher, the scheme liabilities would increase by £1.7m if all the other assumptions remained unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by £0.8m if all the other assumptions remained unchanged.

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

36. 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 2022, Free Flow Topco Limited. Consolidated accounts are available from 12th Floor One America Square, London, United Kingdom, EC3N 2LS.

37. Contingent liabilities

The Group has given a number of performance and trade guarantees in the normal course of business. At 31 May 2022 the value of guarantees in place was £11m (2021: £10.9m).

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.

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38. Parental Guarantees

The company has taken advantage of the audit exemption for seventeen of its subsidiaries, Field Services Investment Limited (company number 12009931), Engage EV Limited (company number 12329783), Future Energy Metering Limited (company number 09969384), Smartworks Metering Limited (company number 09845307), Videalert Development Limited (company number 07640667), Collectia Limited (company number 03517395), Rossendales Limited (company number 01501584), Videalert Limited (company number 05040786), Moreton Smith Receivables Limited (company number 08486496), Marston Legal Services Limited (company number 05397925), Gasworks UK Limited (company number 06815079), Marston Technologies Limited (13802667), Marston Investments Limited (10553549), Vortex IOT Limited (11001894), Iotics Limited (09287631), Grosvenor Services Group Limited (03621315), Grosvenor Legal Services Limited (08994323) by virtue of s479a of the Companies Act 2006. The Company has provided parent guarantees to these seventeen subsidiaries which have taken advantage of the exemption from audit.

39. Events after the reporting date

There were no material events subsequent to 31 May 2022 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.