Registered number: 06033060

NSL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

COMPANY INFORMATION

Directors	S J Callaghan M J Corcoran
Company secretary	Squire Patton Boggs Secretarial Services Limited
Registered number	06033060
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

NSL LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2022

Introduction

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

Principal activity
The principal activities of NSL Limited ("the company") during the period were managed through three UK business sectors:

(1) Civil parking services;
(2) Driver and Vehicle Licencing Agency ("DVLA") services; and
(3) Business process outsourcing

Business review

The ultimate parent company of the Group is Free Flow Topco Limited.

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. Furthermore our DVLA contract performed stronger this financial year as a result of improvement operating conditions and a reduction in Covid 19 restrictions throughout the period.

Company turnover was £164.6m (2021: £159.1m) with our service lines performing stronger overall than in 2021, demonstrating the strong resilience the Company has from generating revenue from multiple streams.

• operating profit was £9.0m (2021: £5.8m)
• operating margin was 5.4% (2021: 3.6%)
• profit for the year was £9.2m (2021: £5.9m)
• cash and cash equivalents decreased from £10.1m to £1.9m
• net assets increased from £43.3m to £53.6m

The improvement in operating profit, EBITDA and margin percentage is due to our increase in revenue 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.

Balance sheet movements
• The Board is satisfied with the net asset position at 31 May 2022 of £53.6m which was an increase of £10.3m from £43.3m in the prior year. The increase in net assets is reflective of the improved performance of the Company due to the rebound from Covid 19.
• The decrease in cash and cash equivalents of £8.2m from £10.1m in the prior year to £1.9m largely relates to the movements in intercompany debtors and intercompany creditors due to management of cash flows within the wider group.

Key performance indicators

The Company 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 Company is satisfied that the EBITDA KPI is 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)	£14.1m	£11.4m	26%
Number of contracts	80	80	0%
Deployed hours	3,232,000	3,258,000	-0.8%

Principal risks and uncertainties

The Company'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 Company 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 Company 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.

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 and oversees the first line by providing risk management tools, setting policy, and aggregating risk data for the Risk and Audit Committee and Executive Committee. The Company'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 Company'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 Company's 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 Company's ambition to be net zero by 2040, ESG risk was added to the top corporate risks in the year.

The Company 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.

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 Company 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.

Future developments

The Board considers that the Company has the necessary resources, controls and risk management processes to professionally manage commercial risk and any residual impact of Covid 19.
The Company 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 Company's performance for the coming financial year is expected to continue to strengthen. The business will be affected by the wider economic factors that are currently impacting on all members of society and local authorities. Inflation levels across key categories have been increasing, with disposable income reduced and impacting many of the most vulnerable members of society the most.

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.

Enforcement Conduct Board

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

The parent company 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 Company'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 parent company being awarded Platinum Investors in People accreditation.

This places the Company 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 parent company 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 Company 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.

Colleague Engagement

Colleagues are a vital part of the success of the Company, 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 Company 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 Company continues to recover from the impact of the pandemic. The investment cycle of the parent company 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 parent company 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

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M J Corcoran
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2022

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

The company is not required to include Streamlined Energy and Carbon Reporting (SECR) as they are a subsidiary undertaking and are included in the SECR group report of the parent company for the same financial year.

Results and dividends

The profit for the year, after taxation, amounted to £9,190,000 (2021: £5,942,000)

Turnover generated for the period to May 2022 was £164,581,000 (2021: £159,107,000).

Profit before tax was £8,626,000 (2021: £5,404,000).

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:

M J Corcoran (appointed 6 April 2022)
M S Watson (resigned 6 April 2022)
M I Hoskin (resigned 15 July 2022)
S J Callaghan (appointed 15 July 2022)

Going concern

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

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

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

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

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

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

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

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

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

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

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

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

Disabled employees

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

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

Stakeholder engagement

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

Colleague engagement

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

Statement of corporate governance arrangements

For the year ended 31 May 2022, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company 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 Company 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.

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).

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 balance sheet events

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

Auditors

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

Directors' responsibilities statement for the year ended 31 May 2022

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

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

• select suitable accounting policies and then apply them consistently;

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

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

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

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

Mike Corcoran

M J Corcoran
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NSL LIMITED

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st May 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Material uncertainty related to going concern

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

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

Our 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 overall group basis given the reliance on the group debt facility outlined within note 2 of these financial statements. Our evaluation of this assessment of the 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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

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

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

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

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

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

• The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;

• We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

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

Grant Thornton UK LLP

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

26/7/2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2022

	Note	2022 £000	2021 £000
Turnover	4	**164,581**	*159,107*
Other operating income	5	**147**	*1,917*
Other operating charges		**(56,407)**	*(54,030)*
Staff costs	8	**(94,265)**	*(95,623)*
Depreciation and amortisation		**(5,102)**	*(5,586)*
Profit from operations*	6	**8,954**	*5,785*
Interest receivable and similar income	10	**-**	*3*
Interest payable and similar expenses	11	**(328)**	*(384)*
Profit before tax		**8,626**	*5,404*
Tax on profit	12	**564**	*538*
Profit for the financial year		**9,190**	*5,942*
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme	26	**1,841**	*2,754*
Movement of deferred tax relating to pension deficit	20	**(679)**	*(534)*
Other comprehensive income for the year		**1,162**	*2,220*
Total comprehensive income for the year		**10,352**	*8,162*

The notes on pages 19 to 50 form part of these financial statements.

*Profit from operations is an alternative performance measure, please refer to note 2.23 for further information.

NSL LIMITED
REGISTERED NUMBER: 06033060

BALANCE SHEET
AS AT 31 MAY 2022

	Note		2022 £000		2021 £000
Fixed assets					
Intangible assets	13		**16,991**		*20,528*
Tangible assets	14		**1,929**		*2,568*
Investments	15		**3,733**		*3,733*
			22,653		*26,829*
Current assets					
Debtors: amounts falling due after more than one year	16	**1,989**		*2,633*	
Debtors: amounts falling due within one year	16	**359,574**		*176,657*	
Bank and cash balances	17	**1,852**		*10,083*	
		363,415		*189,373*	
Creditors: amounts falling due within one year	18	**(329,408)**		*(169,345)*	
Net current assets			**34,007**		*20,028*
Total assets less current liabilities			**56,660**		*46,857*
Creditors: amounts falling due after more than one year	19		**-**		*(143)*
Provisions for liabilities					
Other provisions	21		**(2,755)**		*(1,367)*
Pension liability	26		**(289)**		*(2,083)*
Net assets			**53,616**		*43,264*
Capital and reserves					
Called up share capital	22		**1,481**		*1,481*
Profit and loss account	23		**52,135**		*41,783*
			53,616		*43,264*

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

Mike Corcoran
....
M J Corcoran
Director

The notes on pages 19 to 50 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 June 2020	**1,481**	**33,621**	**35,102**
Profit for the year	-	5,942	5,942
Other comprehensive income (note 25)	-	2,220	2,220
At 1 June 2021	**1,481**	**41,783**	**43,264**
Profit for the year	-	9,190	9,190
Other comprehensive income (note 25)	-	1,162	1,162
At 31 May 2022	**1,481**	**52,135**	**53,616**

The notes on pages 19 to 50 form part of these financial statements.

1. General information

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

The address of its registered office is:
Rutland House, 8th Floor
148 Edmund Street
Birmingham
B3 2JR

The nature of the company's operations and its principal activities are set out in the Strategic report on pages 1 to 6.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

NSL Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it.

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

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

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.3 Group financial statements

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Marston (Holdings) Limited which prepares consolidated financial statements that are publicly available. These financial statements therefore present information about the company as an individual undertaking and not about its group.

2.4 Going concern

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

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

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

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

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

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

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

The Board have prepared a plausible downside forecast covering the same time forecast period, being at least twelve months from the date of approval of these financial statements and have

2. Accounting policies (continued)

2.4 Going concern (continued)

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

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

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

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

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

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2. Accounting policies (continued)

2.5 Foreign currency translation (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue streams:

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)

2. Accounting policies (continued)

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. We have estimated variable revenue in respect of vehicle disposal based on the number of vehicles held in stock multiplied by a rolling average scrap price, from typical market values of similar vehicles. We believe this provides an estimate consistent with the expected value using probability weighted amounts. Under this method we consider it highly probable that a significant reversal of revenue will not occur.

Business Process Outsourcing
This consists of the following services: back-office processing for government authorities of Penalty Charge Notices, taxi licences and right to work checks. The above services have separate contracts with their own performance obligations which include processing payments for taxi applications, eligibility checking and issuing penalty notices to Dartford Tunnel users. All elements have a fixed fee determined by the contract. Revenues arising as a result of the performance obligations are recognised at a point in time.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Defined contribution schemes

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

2.11 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:

2. Accounting policies (continued)

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

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Accounting policies (continued)

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	20 years straight line
Computer software	-	3 to 5 years straight line

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- straight line over the length of the lease
Motor vehicles	- four to seven years
Fixtures and fittings	- four to ten years
Computer equipment	- three to five years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.16 Debtors

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

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.18 Creditors

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

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.20 Financial assets and liabilities

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when

2. Accounting policies (continued)

2.20 Financial assets and liabilities (continued)

there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.21 Share capital

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

2.22 Other income

Other income relates to that received from the UK government for the Coronavirus Job Retention Scheme (Furlough Scheme). The performance model is used to assess when revenue should be recognised. There are no performance obligations attached therefore revenue is recognised when received.

2.23 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.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are 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.

Defined Benefit Pension Scheme
Managements estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense (as analysed in note 26). At 31 May 2022 there was a surplus of £4,192k (2021: deficit of £2,083k) in respect of the LGPS pension scheme and a surplus of £2,318k (2021: surplus of £2,108k) in respect of Prudential Platinum.

In respect of the surplus; an asset could be recognised to reflect the surplus in the scheme were the benefits to crystallize. This would reflect the fact that under the scheme rules a refund of contributions would be made to NSL Limited of amounts paid over and above the amounts required to fund the benefits.

3. Judgments in applying accounting policies (continued)

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.

Goodwill
Management estimates that the useful life of goodwill is 20 years. This estimate is based upon the long term nature of the contracts entered into and the entities ability to demonstrate a strong level of retention of contracts over a significant period of time. Variations in these assumptions may impact the net book value of goodwill. At 31 May 2022, the net book value of goodwill was £15,220k (2021: £18,368k).

Impairment of amounts owed by group undertakings
The amounts owed by group undertakings at 31 May 2022 were £335,871k (2021: £151,575k). We have assessed the recoverability of the amounts owed by group undertakings and have concluded that there were no signs of impairment.

There were no other significant estimates or judgements used in preparing these financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	Year ended 31 May 2022 £000	*Year ended 31 May 2021 £000*
Civil Parking Services	**118,841**	*121,342*
DVLA Services	**27,793**	*22,104*
Business Process Outsourcing	**17,927**	*15,506*
Traffic Technology	**20**	-
Airports	-	*122*
Other Enforcement	-	*33*
	164,581	*159,107*

All turnover arose within the United Kingdom.

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

5. Other operating income

	2022 £000	*2021 £000*
Other operating income	**147**	*1,917*
	147	*1,917*

Other operating income relates to income received from the UK Government in respect of the Coronavirus Job Retention Scheme (Furlough Scheme).

6. Operating profit

The operating profit is stated after charging:

		2022 £000	*2021 £000*
Depreciation of tangible assets owned by the company	14	**1,242**	*1,719*
Amortisation of intangible assets	13	**3,860**	*3,867*
Exchange differences		**4**	-
Operating lease expense - plant and machinery		**1,111**	*1,264*
Operating lease expense - other operating lease costs		**4,785**	*4,666*

7. Auditors' remuneration

	2022 £000	*2021 £000*
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**222**	*65*

8. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	84,257	85,775
Social security costs	7,945	7,730
Cost of defined contribution scheme	2,063	2,118
	94,265	95,623

The average monthly number of employees including directors during the year was as follows:

	2022 No.	2021 No.
Operational	3,258	3,492
Administration	66	67
	3,324	3,559

9. Directors' remuneration

	2022 £000	2021 £000
Remuneration	940	433
Pension contributions	18	18
	958	451

The highest paid director received remuneration of £412,000 (2021: £258,000) and pension contributions of £nil (2021: £nil) during the period.

All directors' costs were borne by another group company.

10. Interest receivable

	2022 £000	2021 £000
Other interest receivable	-	3
	-	3

11. Interest payable and similar expenses

	2022 £000	*2021* *£000*
Bank interest payable	265	*269*
Finance leases and hire purchase contracts	16	*45*
Other interest payable	47	*70*
	328	*384*

12. Taxation

	2022 £000	*2021* *£000*
Corporation tax		
Adjustments in respect of previous periods	(529)	-
	(529)	-
Total current tax	(529)	-
Deferred tax		
Origination and reversal of timing differences	185	*227*
Changes to tax rates	58	*(754)*
Adjustment in respect of previous periods	(278)	*(11)*
Total deferred tax	(35)	*(538)*
Taxation on profit on ordinary activities	(564)	*(538)*

12. Taxation (continued)

Factors affecting tax charge for the year

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

	2022 £000	*2021 £000*
Profit on ordinary activities before tax	**8,626**	*5,404*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**1,639**	*1,027*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**710**	*848*
Adjustments to tax charge in respect of prior periods	**(807)**	*(11)*
Non-taxable income	**(42)**	-
Group relief	**(708)**	*(1,228)*
Tax rate changes	**58**	*(753)*
Transfer pricing adjustments	**(1,414)**	*(421)*
Total tax charge for the year	**(564)**	*(538)*

Factors that may affect 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%.

13. Intangible assets

	Computer software £000	Goodwill £000	Total £000
Cost			
At 1 June 2021	5,233	63,825	69,058
Additions	148	-	148
Transfer between classes*	175	-	175
At 31 May 2022	5,556	63,825	69,381
Amortisation			
At 1 June 2021	3,073	45,457	48,530
Charge for the year	712	3,148	3,860
At 31 May 2022	3,785	48,605	52,390
Net book value			
At 31 May 2022	1,771	15,220	16,991
At 31 May 2021	*2,160*	*18,368*	*20,528*

*The transfer between classes is a transfer from tangible fixed assets (note 14) to intangible assets.

14. Tangible fixed assets

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 June 2021	11	3,877	3,439	7,617	14,944
Additions	220	135	94	510	959
Disposals	-	(378)	-	(53)	(431)
Transfers between classes*	-	-	-	(175)	(175)
At 31 May 2022	231	3,634	3,533	7,899	15,297
Depreciation					
At 1 June 2021	2	3,129	2,917	6,328	12,376
Charge for the year	2	241	263	736	1,242
Disposals	-	(250)	-	-	(250)
At 31 May 2022	4	3,120	3,180	7,064	13,368
Net book value					
At 31 May 2022	227	514	353	835	1,929
At 31 May 2021	*9*	*748*	*522*	*1,289*	*2,568*

*The transfer between classes is a transfer from tangible fixed assets (note 14) to intangible assets.

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 June 2021	3,733
At 31 May 2022	3,733

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
Project Centre Limited	Rutland House 8th Floor, 148 Edmund Street, Birmingham, England, B3 2JR, United Kingdom	Design and consultancy	100%
Task Enforcement Limited	12th Floor One America Square, London, United Kingdom, EC3N 2LS, United Kingdom	Traffic Enforcement	100%

16. Debtors

		2022 £000	*2021 £000*
Due after more than one year			
Deferred tax asset	20	**1,989**	*2,633*
		1,989	*2,633*

	2022 £000	*2021 £000*
Due within one year		
Trade debtors	**10,735**	*11,911*
Amounts owed by group undertakings	**335,871**	*151,575*
Other debtors	**171**	*339*
Prepayments and accrued income	**12,797**	*12,832*
	359,574	*176,657*

Included in prepayments and accrued income is prepayments of £2,653k (2021: £3,610k) and accrued income of £10,144k (2021: £9,222k).

Amounts owed by group companies are unsecured, interest free and repayable on demand.

17. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**1,852**	*10,083*
	1,852	*10,083*

18. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	**2,003**	*634*
Amounts owed to group undertakings	**305,355**	*134,887*
Corporation tax	**-**	*529*
Other taxation and social security	**5,549**	*15,371*
Obligations under finance lease and hire purchase contracts	**184**	*192*
Other creditors	**387**	*381*
Accruals and deferred income	**15,930**	*17,351*
	329,408	*169,345*

The amount due to group undertakings are unsecured, are repayable on demand and interest free.

Included in other creditors is £373k (2021: £375k) relating to pension contributions to be paid over to the relevant employee pension schemes within one month of the end of the financial period.

Included in accruals and deferred income is accruals of £14,655k (2021: £12,588k) and deferred income of £1,275k (2021: £4,763k).

19. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Net obligations under finance leases and hire purchase contracts	**-**	*143*
	-	*143*

Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £000	2021 £000
Within one year	**204**	*210*
Between 1-5 years	**-**	*204*
	204	*414*

20. Deferred taxation

	2022 £000	2021 £000
At beginning of year	**2,633**	*2,629*
Deferred tax charge in the income statement for the period	**35**	*538*
Deferred tax charge in OCI for the period	**(679)**	*(534)*
At end of year	**1,989**	*2,633*

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	**1,588**	*2,020*
Tax losses carried forward	**401**	*613*
	1,989	*2,633*

The deferred tax asset is expected to be recoverable after more than 12 months.

21. Provisions

	Dilapidation provision £000	Contract Provision £000	Total £000
At 1 June 2021	1,367	-	1,367
Charged to profit or loss	-	1,435	1,435
Utilised in year	(47)	-	(47)
At 31 May 2022	**1,320**	**1,435**	**2,755**

Dilapidations

The dilapidations 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 ten years.

Contract Provision

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

22. Share capital

	2022 £000	*2021 £000*
Allotted, called up and fully paid		
14,812,491 *(2021 - 14,812,491)* Ordinary shares of £0.10 each	1,481	*1,481*

Each share is entitled to one vote in any circumstance.
Each share is equally entitled to dividend payment or any other distribution.
Each share is equally entitled to participate in a distribution arising from a winding up of the company.
The shares are not redeemable.

23. Reserves

Profit and loss account

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

24. Commitments under operating leases

At 31 May 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	*2021* *£000*
Land and Buildings		
Not later than 1 year	**3,474**	*3,876*
Later than 1 year and not later than 5 years	**5,884**	*8,076*
Later than 5 years	**4,916**	*1,152*
	14,274	*13,104*

	2022 £000	*2021* *£000*
Vehicles		
Not later than 1 year	**219**	*359*
Later than 1 year and not later than 5 years	**255**	*258*
	474	*617*

25. Analysis of amounts recognised in other comprehensive income

	Retained earnings £000
Period to 31 May 2022	
Actuarial gain on defined benefit pension schemes	**1,841**
Movement of deferred tax relating to pension deficit	**(679)**
	1,162

	Retained earnings £000
Period to 31 May 2021	
Actuarial gain on defined benefit pension schemes	**2,754**
Movement of deferred tax relating to pension deficit	**(534)**
	2,220

26. Financial instruments - fair values and risk management

26.1 Financial risk management objectives

Introduction
The Company'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.

Risk management structure
The Board is responsible for the Company'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.

Competitive pressure is a continuing risk for the Company, 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 Company's contracts do not guarantee a set volume of work to be issued. The Company manages this risk by maintaining a broad client base and a range of income streams. These income streams include civil parking services, DVLA services and business process outsourcing.

26.2 Capital market risk

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

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

The Company'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.

26.3 Cashflow and credit risk management

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

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

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

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

31 May 2021	Current £000	Over 30 days £000	Over 60 days £000	Over 90 days £000	Totals £000
Expected credit loss rate	0%	0%	0%	4.2%	
Gross carrying amount	11,713	37	1	167	11,919
Lifetime expected credit loss	0	0	0	7	7

31 May 2022	Current £000	Over 30 days £000	Over 60 days £000	Over 90 days £000	Totals £000
Expected credit loss rate	0.2%	0%	0%	25%	
Gross carrying amount	10,684	68	0	8	10,760
Lifetime expected credit loss	23	0	0	2	25

26.4 Liquidity risk management

Liquidity risk is the risk that the Company 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 Company's exposure to liquidity risk arises mainly from the management of working capital.

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

26.5 Fair value measurements/Financial instruments

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

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

No related party transactions occurred in the period.

		2022 £000	*2021 £000*
Financial assets			
Trade debtors	16	**10,735**	*11,911*
Other debtors	16	**171**	*339*
Cash and cash equivalents	17	**1,852**	*10,083*
		12,758	*22,333*

Financial Liabilities

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

	Current Within 6 months £000
Trade and other payables (note 18)	**2,003**

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

	Current Within 6 months £000
Trade and other payables (note 18)	**634**

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 2.

27. Pension and other schemes

Prudential Platinum - NSL Limited

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

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

Active members of the scheme pay contributions at a rate depending on their benefit structure and the 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 balance sheet 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	2,318	2,108
Restriction on asset recognised	(2,318)	(2,108)
Net amount recognised at year end	-	-

The amounts recognised in comprehensive income are:

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

The amounts recognised in comprehensive income are:

Service Cost:	**31 May 2022**	31 May 2021
Current service cost (net of employee contribution)	242	376
Administration expenses	72	79
Past service cost and loss 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 in interest expense)	1,870	(236)
Loss arising from changes in financial assumptions	(1,861)	(123)
(Gain) arising from changes in demographic assumptions		(226)
Experience loss/(gain)	62	(214)
Restriction on asset recognised	(71)	799
Amounts recorded in other comprehensive income		
	348	436
Total defined benefit cost		

The principal actuarial assumptions used were:	**31 May 2022**	31 May 2021
	3.45%	2.00%
Liability discount rate	3.25%	3.20%
Inflation assumption - RPI	2.5% pre 2030/3.05% post 2030	2.2% pre 2030/3.0% post 2030
Inflation assumption - CPI Rate of increase in salaries	2.00%	1.50%
Rate of increase in salaries		
Revaluation of deferred pensions:	3.25%	3.20%
In line with RPI	2.25% pre 2030/3.05% post 2030	2.2% pre 2030/3.0% post 2030
In line with CPI		
Increases for pensions in payment:	3.25%	3.20%
RPI max 6%		
	See below	See below
Mortality assumption - pre retirement		
Mortality assumption - male post retirement	CMI_2018_M 1.5% long term trend	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

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

	31 May 2022	31 May 2021
Changes in the present value of assets over the period:	**£000**	£000
	11,595	10,681
Fair value of assets at start of period	231	175
Interest income	(1,870)	236
Return on assets (excluding amount included in net interest expense)	(442)	-
Assets distributed on settlements		-
Assets acquired in a business combination	629	726
Contributions from the employer	18	18
Contributions from employees	(197)	(162)
Benefits paid	(72)	(79)
Administration expenses	9,892	11,595
Fair value of assets at end of period		
	(1,639)	411
Actual return on assets over the period		

	31 May 2022	31 May 2021
Changes in the present value of liabilities over the period:	**£000**	£000
	9,487	9,662
Liabilities at start of period	242	376
Current service cost	187	156
Interest cost	18	18
Contributions from employees		
Remeasurement (gains)/losses:	(1,861)	(123)
Actuarial gains arising from changes in financial assumptions		(226)
Actuarial gains arising from changes in demographic	62	(214)
Other experience items		-
Loss on curtailments	(364)	-
Liabilities extinguished on settlements	(197)	(162)
Benefits paid	7,574	9,487
Liabilities at end of period		

	31 May 2022	31 May 2021
	18	22
Average duration of the scheme's liabilities at the end of the period (years)		

	31 May 2022 **£000**	31 May 2021 £000
The major categories of scheme assets are as follows:		
Return seeking	482	1,429
UK equities	450	1,756
Overseas equities	436	1,264
Diversified growth	1,368	4,449
Return seeking subtotal		
Debt instruments	4,152	3,463
Corporates	4,102	3,383
Index-linked	8,254	6,846
Debt instrument subtotal		
Other	268	298
Annuities	3	2
Cash		
	9,892	11,595
Total market value of assets		

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

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

Local Government Pension Scheme - NSL Limited

NSL Limited (NSL) participated in 14 local Funds of the Local Government Pension Scheme ("the Scheme") over the financial year (excluding those where a pass through agreement in in place). The LGPS is a funded multi-employer defined benefit pension scheme in the UK. Each LGPS Fund is administered by the Local Authority named as the 'Administering Authority'. The Administering Authority act in the interest of the Scheme and all relevant stakeholders, including the members and all the participating employers. The Administering Authority is also responsible for the investment of the Fund's assets. At the year-end NSL participated in 15 local Funds.

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

Active members of the Scheme pay contributions as set out in LGPS Regulations. NSL pay contributions to each Fund in which it participates at different rates, set at each triennial valuation by the Fund Actuary and documented in the Rates and Adjustments certificate. The previous actuarial valuation was carried out as at 31 March 2019 (31 March 2020 in Scotland, the valuation as at 31 March 2020), following which contribution rates for the period 2020 to 2023 were set (rates for the period 2021 to 2024 were set in Scotland at the 2020 valuation). The next actuarial valuation takes place as at 31 March 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, for example longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The Administering Authorities (to each Fund) are aware of these risks and use various techniques to control them.

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

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

The amounts recognised in the balance sheet are as follows:

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

The amounts recognised in comprehensive income are:

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

	31 May 2022 £000	31 May 2021 £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)
(Gain)/loss arising from changes in financial assumptions	(6,487)	1,221
(Gain) arising from changes in demographic assumptions	-	(663)
Experience loss/(gain)	112	(312)
Restriction on asset recognised	4,725	-
(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	2.25% pre 2030/3.05% post 2030	2.20% pre 2030/3.00% post 2030
Rate of increase in salaries (average)	2.00%	1.50%

Proportion of employees commuting pension for cash are 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.

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	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

Changes in the present value of liabilities over the period:

	31 May 2022	31 May 2021
	£000	£000
Liabilities at start of period	28,059	27,063
Current service cost	890	876
Interest cost	546	434
Contributions from employees	111	122
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)
Unfunded benefits paid		
Liabilities at end of period	**21,033**	28,059

The split of the scheme's liabilities by category of membership is as follows:

	31 May 2022 £000	31 May 2021 £000
Active members	14,557	18,757
Deferred pensioners	2,845	4,112
Pensions in payment (funded)	3,631	5,190
	21,033	28,059

The major categories of scheme assets are as follows:

	31 May 2022 £000	%
Return seeking		
UK Equities	2,264	9
Overseas Equities	11,814	46
Private Equity	1,027	4
Return seeking subtotal	15,105	59
Debt instruments		
Corporates	1,944	8
Gilts	437	2
Index Linked	1,046	4
Debt instrument subtotal	3,427	14
Property	2,264	9
Hedge Funds	165	1
Cash	963	4
Infrastructure & commodities	1,181	5
Others	2,120	8
Total market value of assets	**25,225**	100.00

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

The Scheme has no investments in NSL.

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

28. Contingent liabilities

The company 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 £10.4m (2021: £10.4m).

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.

29. Post balance sheet events

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.

30. Ultimate controlling party

Marston (Holdings) Limited is the immediate parent undertaking of NSL Limited. Marston (Holdings) Limited has included the company in its group financial statements, copies of which are available from its registered office - Rutland House, 8th Floor, 148 Edmund Street, Birmingham, B3 2JR.

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.