Registered number: 12187599

FREE FLOW TOPCO LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

FREE FLOW TOPCO LIMITED

COMPANY INFORMATION

Directors	Stephen James Callaghan Michael John Corcoran (resigned 15 September 2023) Thomas Lemay Green Gareth Hughes (resigned 11 October 2022) Martin Johnson (appointed 4 August 2023) David John Packford (appointed 29 June 2023) Matthew James Robinson
Registered number	12187599
Registered office	12th Floor One America Square London EC3N 2LS
Independent auditors	Cooper Parry Group Limited Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA
Bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
Solicitors	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2023

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

Principal activities

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

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

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

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

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

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

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

Business review

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

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

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

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

- operating profit was £18.8m (2022: £12.9m profit)
- operating profit margin increased from 4% to 6%
- loss for the year was £59.3m (2022: £184.5m loss)
- cash and cash equivalents increased from £14.3m to £15.5m
- current assets increased from £79.8m to £92.7m

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

The decline in net liabilities and the extent of the reported loss in the year are significantly impacted by adjustments to the value of certain intangible and derivative assets as described further below.

Cash flow movements:

The Group generated net operating cashflows of £43.9m (2022: £30.7m) which is driven by an improvement in working capital.

Interest payments on external financing were £41.6m (2022: £24.9m) and have been managed through a hedging instrument which offset some of the effect of the rise in underlying interest rates.

Balance sheet movements:

Net liabilities increased by £58.4m largely as a result of the following non-cash movements;

- an impairment of intangible assets of £4.2m being recorded which is largely the result of a slower growth trajectory than the original investment case.

- a reduction in our financial derivative asset by £37.7m. At the year-end management reviewed the assumptions supporting the recognition of an asset. Given changes that had been seen in the wider credit market and the changes in our comparable credit spread index, it was assessed that there was no value attributable to the voluntary prepayment option within our facilities agreement.

Key performance indicators

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

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

	31 May 2023	31 May 2022	Change %
EBITDA (£m)[1]	51.3	48.7	5%
Profit from operations (£m)[2]	18.8	12.9	46%
Operating cashflow (£m)	43.9	30.7	43%
Casebank[3]	1,730,000	1,268,000	36%
Caseload[3]	1,870,000	1,428,000	31%
Deployed hours[4]	3,473,489	3,231,562	7%

(1) Earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated by adding depreciation and amortisation cost of £32,458,000 (2022: £35,817,000) to profit from operations of £18,793,000 (2022: £12,867,000).

(2) Profit from operations is an alternative performance measure, please refer to note 3.3 for further information.

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

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

Principal risks and uncertainties

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

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

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

Three Lines of Defence

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

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

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

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

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

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

Top Corporate Risks

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

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

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

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

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

The top 5 corporate risks are as follows:

No.	Risk	Risk description	Key controls
1	Reputational risk	Negative publicity in media or from stakeholders leading to damage to reputation and financial loss.	• Public and external affairs function and media escalation process. • Complaints management process and monitoring. • Customer Experience Committee monitors complaint trends and refines the customer journey. • Quality management systems assured to BSI standard. • Staff and field induction and refresher training programmes. • Independent Advisory Group complaint appeals process. • Internal and quality audit programmes.
2	Data security breach risk	The risk of a significant commercial or personal data breach resulting in regulatory intervention or fines, reputational damage and loss of clients and associated financial loss.	• Data Protection Officer and Data Privacy Team. • Data Protection Policy Framework. • Staff and field data protection induction and refresher training programmes. • Data Protection and information security audit programme. • Data Protection Committee responsible for data governance across the Group. • Head of Cyber and Information Security and team. • Information Security Policy. • IT Security and Penetration Testing Programme. • Cyber insurance policy. • British Standard ISO27001 certification.

No.	Risk	Risk description	Key controls
3	Vehicle operator licence risk	The risk that there is a breach of our Vehicle Operator Licence leading to potential regulatory fines, reputational damage and potential financial loss.	• Transport Committee monitors vehicle operator license compliance. • Head of Fleet & Transport and fleet management team. • Fleet Operations Manual. • Fleet audit programme.
4	Treasury management risk	The risk of a volatile interest rate and economic environment adversely impacting our ability to continue to service and renew our private equity and corporate debt.	• Treasury management team. • Interest rate hedging strategy. • Cashflow forecasting and planning. • Bank covenant monitoring. • Effective working relationships with senior and super senior leaders.
5	Credit rating risk	The risk that credit reference agency scores are not monitored and managed leading to enquiries from suppliers or clients and potentially impacting credit terms or commercial targets.	• Business plan monitoring system. • Cashflow forecasting and planning. • Bank covenant and headroom monitoring. • Excellent relationships with senior and super senior leaders. • Business Continuity Plan.

Future Developments

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

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

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

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

The table below sets out the Group's 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 The Group's investors are essential to business growth and provide funding and knowledge to aid the Group's strategic goals.	Investor engagement is frequent and performance information is provided by the Board to the Group's investors.	As a Board the aim is to provide clear and concise management information to the Group's investors, being clear with them as to the business opportunities and risks that exist and how the Board is working with these to drive investor value.
Lenders The Group's 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 The Group works closely with all of the Group's customers to understand their evolving needs and requirements and ensure the Group's business model compliments them.	To have a strong customer focus and where possible tailor the Group's service offering to the customer needs.	Long term customer engagement is something the Group prides itself on given the nature of the Group's primarily Local Authority customer base. The Board's focus is to continue to maintain high standards and service levels with its existing customer relationships. The Group also looks at all opportunities to help the Group's customers with additional services that create value for the Group's customers.

Engagement with other stakeholders

Enforcement Conduct Board

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

The Group supported the Centre for Social Justice in its efforts to drive reform for enforcement, sponsoring research and roundtable discussions to facilitate this landmark achievement.

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

Independent Advisory Group

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

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

Platinum Investors in People accreditation

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

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

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

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 our colleagues to work together towards creating an inclusive and diverse working community.

To further support this, we launched a Group wide 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 Group, and a significant focus of management's 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.

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

The Group has focused on how it supports its colleagues to work considering the challenges raised by the pandemic and continues to offer, where appropriate, hybrid working solutions which helps support our people focused agenda.

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

This report was approved by the board on 30 November 2023 and signed on its behalf by:

DocuSigned by:
Martin Johnson
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Martin Johnson
Director

FREE FLOW TOPCO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2023

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

Results and dividends

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

The loss for the period, after taxation, amounted to £59,265,000 (2022: loss £184,451,000).

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

Directors

The directors who served during the year were:

Stephen James Callaghan
Michael John Corcoran (resigned 15 September 2023)
Thomas Lemay Green
Gareth Hughes (resigned 11 October 2022)
Martin Johnson (appointed 4 August 2023)
David John Packford (appointed 29 June 2023)
Matthew James Robinson

Going concern

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

The base level forecast, reviewed and approved by the Board, was produced through to November 2024, and incorporates a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Contractually based revenues, which cover our largest business units, are only significantly impacted by contractual changes usually known at least up to 12 months in advance. Other business units, principally Enforcement, Commercial Debt and Traffic Technology, have more variability due to the impact of volumetric changes such as caseload volumes, and these were most impacted by Covid-19 restrictions. In previous periods, our forecasts had to make high level assumptions on the return to pre-pandemic levels of business, which had inherently higher levels of uncertainty. As we move further from the pandemic era and have more trading experience in the post-pandemic environment, we are able to forecast with increased confidence in our assumptions.

Our base forecast assumes that the period to November 2024 will see revenues return to the levels seen pre-pandemic, which is supported by our experiences in the 2023 calendar year to date. The forecasts also assume a level of increased operating costs. Although in the current economic environment forecasting future costs includes an elevated level of uncertainty, we are seeing more stabilisation in our main cost drivers as inflation has reduced in the second half of 2023, and supply side pressures associated with this have eased. The Group is also well advanced with delivering procurement and resource cost savings through a comprehensive cost review that mitigate these impacts. We have also taken measures to limit our exposure to the interest rate risk on our borrowings by entering into an interest rate hedge that largely caps the maximum cash outflow were interest rates to rise further over the next 12 months. The investors have provided the company with letters of support which confirm that they are committed to provide financial and operational resources to the company, were these to be required, for a period up to 18 months from the signing of the financial statements.

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

Both the base level and sensitised forecasts demonstrate that the Group will remain in compliance with cash requirements and EBITDA covenants in the assessment period to November 2024. Therefore, with the improving business stability and the Board's increased confidence in its ability to forecast, the Directors have confidence that the headroom available against any further potential downside identified in our modelling is adequate to meet the requirements of our going concern assessment.

Disabled employees

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

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

Stakeholder engagement

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

Colleague engagement

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

Statement of Corporate Governance Arrangements

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

Principle 1: Purpose and Leadership

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

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

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

Principle 2: Board Composition

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

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

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

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

Principle 3: Directors Responsibilities

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

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

Principle 4: Opportunities and Risk

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

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

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

Principle 5: Remuneration

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

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

Principle 6: Stakeholder relationship and engagement

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

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

Streamlined Energy and Carbon Reporting

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

Energy consumption

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

GHG emissions

	FY23 Emissions tCO2e	FY22 Emissions tCO2e	FY19 Emissions tCO2e	**FY22 % Change**	**FY19 % Change**
Natural gas and vehicle fuel (scope 1)	**4,629**	4,368	6,143	+6%	-25%
Purchased electricity (scope 2)	**871**	934	1,202	-7%	-28%
	5,500	5,302	7,345	**+4%**	**-25%**

Carbon intensity ratios

	FY23 tCO2e	FY22 tCO2e	FY19 tCO2e
Scope 1 and 2 per £m of revenue	**16.9**	17.9	28.8

Marston's scope 1 energy consumption is principally vehicle fuel (78%). Total scope 1 emissions were 4,629 tCO2e. Purchased electricity, scope 2, accounted for 871 tCO2e (16%).

Total emissions increased by 3.7% in FY23 to 5,500 tCO2e while revenues increased by 9.9% over the same period.

Marston's carbon intensity ratio continues to fall and is currently 16.9 tCO2e per million pounds of revenue. This is 4.5% improvement on FY22 and a 41.3% improvement on base year.

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

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

GHG emissions	**FY23 Emissions tCO2e**	**FY22 Emissions tCO2e**	**Difference**
Business travel – where employees are reimbursed for using their own vehicle	427	329	+29.8%

The GHG emissions for business travel, where employees are reimbursed for using their own vehicle, was 427 tCO2e in FY23 compared to 329 tCO2e for FY22, a 29.8% increase.

Methodology

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

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

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

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

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

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

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

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

Carbon Targets and Net Zero Strategy

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

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

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

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

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

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

Post balance sheet events

At the balance sheet date, an interest rate swap hedging arrangement was in place which hedged £315m of the £420m Unitranche loan from floating to fixed. This arrangement lapsed on 29 September 2023. A new hedging arrangement was entered into on 29 September 2023 which caps the SONIA rate to a maximum of 5.5% on £315m of the £420m Unitranche loan.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Directors' and officers' liability insurance

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

Auditors

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

Directors' Responsibilities Statement for the Period Ended 31 May 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

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.

To the best of our knowledge:

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

This report was approved by the board on 30 November 2023 and signed on its behalf by:

DocuSigned by:
Martin Johnson
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Martin Johnson
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FREE FLOW TOPCO LIMITED

Opinion

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2023 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FREE FLOW TOPCO LIMITED (CONTINUED)

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

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

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

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.

Cooper Parry Group Limited

Emre Saka (Senior Statutory Auditor)
for and on behalf of
Cooper Parry Group Limited
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

30 November 2023

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

	Note	2023 £000	As restated 2022 £000
Revenue	6	**326,293**	297,016
Employee costs	8	**(160,951)**	(142,771)
Other expenses		**(111,452)**	(101,980)
Changes in inventories of finished goods	16	**(2,639)**	(3,581)
Depreciation and amortisation		**(32,458)**	(35,817)
Profit from operations*		**18,793**	12,867
Finance income	9	**6,516**	-
Finance expense	9	**(58,981)**	(43,851)
Gain on bargain purchase		**-**	867
IAS 19 charge**		**(352)**	(420)
(Loss)/gain on derivative financial instrument – interest rate swap	18	**(1,761)**	9,028
Impairment of intangible assets***	12	**(4,153)**	(143,546)
Reversal of impairment loss	12	**1,750**	-
(Loss) from derivative financial instrument – voluntary prepayment option	18	**(37,664)**	(36,145)
Loss before tax		**(75,852)**	(201,200)
Tax credit**	10	**16,587**	16,749
Loss for the year from continuing operations		**(59,265)**	(184,451)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	26	**1,267**	1,841
Movement in deferred tax relating to pension schemes	10	**(370)**	(679)
		897	1,162
Other comprehensive income for the year, net of tax		**897**	1,162
Total comprehensive loss		**(58,368)**	(183,289)

The notes on pages 33 to 115 form part of these financial statements.

*Profit from operations is an alternative performance measure, please refer to note 3.3 for further information.

**IAS 19 charge – the charge relates to the IAS 19 element of the preference shares return dependent on future employment. The IAS 19 charge was restated in FY22 and FY21 and as a result the tax credit was also restated in FY22, please refer to note 3.31 for further details.

***Impairment of intangible assets was restated in FY22 and FY21, please refer to note 3.31 for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

	Note	2023 £000	As restated 2022 £000	As restated 2021 £000
Assets				
Non-current assets				
Property, plant and equipment	11	**34,316**	27,867	27,701
Intangible assets*	12	**455,721**	474,641	623,016
Derivative financial assets	18	**-**	40,978	77,123
		490,037	543,486	727,840
Current assets				
Inventories	16	**3,103**	1,845	402
Trade and other receivables	17	**67,131**	55,024	44,368
Derivative financial assets	18	**6,912**	8,673	-
Cash and cash equivalents		**15,522**	14,291	25,235
		92,668	79,833	70,005
Total assets		**582,705**	623,319	797,845
Liabilities				
Non-current liabilities				
Loans and borrowings*	21	**571,095**	537,306	506,856
Employee benefit liabilities	29	**-**	289	2,083
Provisions	22	**929**	815	1,263
Deferred tax liability*	10	**3,321**	19,716	35,240
Contingent consideration	23	**-**	9,887	3,948
		575,345	568,013	549,390
Current liabilities				
Trade and other liabilities*	19	**55,196**	47,110	58,548
Loans and borrowings*	21	**15,615**	18,240	18,328
Provisions	22	**1,954**	2,393	467
Derivative financial liabilities		**-**	-	260
Contingent consideration	23	**5,400**	-	-
		78,165	67,743	77,603
Total liabilities		**653,510**	635,756	626,993

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

	Note	**2023 £000**	As restated 2022 £000	As restated 2021 £000
Net (liabilities)/assets		**(70,805)**	(12,437)	170,852
Issued capital and reserves attributable to owners of the parent				
Share capital	24	**1**	1	1
Share premium reserve		**211,782**	211,782	211,782
Other reserves		**(6,500)**	(6,500)	(6,500)
Retained earnings*		**(276,088)**	(217,720)	(34,431)
		(70,805)	(12,437)	170,852
TOTAL EQUITY		**(70,805)**	(12,437)	170,852

*Intangible assets, loans and borrowings, trade and other liabilities, deferred tax liability and retained earnings were restated in FY22 and FY21, please refer to note 3.31 for further details.

The financial statements and notes on 23 to 115 were approved and authorised for issue by the board of directors on 30 November 2023 and were signed on its behalf by:

DocuSigned by:

Martin Johnson

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Martin Johnson
Director

The notes on pages 33 to 115 form part of these financial statements.

FREE FLOW TOPCO LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

	Note	2023 £000	As restated 2022 £000	As restated 2021 £000
Assets				
Non-current assets				
Loans	21	**46,437**	41,329	36,783
		46,437	41,329	36,783
Current assets				
Trade and other receivables	17	**1,393**	109,966	179,913
		1,393	109,966	179,913
Total assets		**47,830**	151,295	216,696
Liabilities				
Current liabilities				
Trade and other liabilities*	19	**15,722**	11,197	7,380
		15,722	11,197	7,380
Total liabilities		**15,722**	11,197	7,380
Net assets		**32,108**	140,098	209,316

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

	Note	2023 £000	As restated 2022 £000	As restated 2021 £000
Issued capital and reserves attributable to owners of the parent				
Share capital	24	**1**	1	1
Share premium reserve		**211,782**	211,782	211,782
Other reserves		**(6,500)**	(6,500)	(6,500)
Retained earnings*		**(173,175)**	(65,185)	4,033
TOTAL EQUITY		**32,108**	140,098	209,316

The Company's loss for the period was £108.0m (2022: loss £69.2m).

*Trade and other liabilities and retained earnings were restated in FY22 and FY21, refer to note 3.31 for further details.

The financial statements and notes on pages 23 to 115 were approved and authorised for issue by the board of directors on 30 November 2023 and were signed on its behalf by:

DocuSigned by:
Martin Johnson
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Martin Johnson
Director

The notes on pages 33 to 115 form part of these financial statements.

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

	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to equity holders of parent	Total equity
	£000	£000	£000	£000	£000	£000
At 1 June 2021 (as reported)	**1**	**211,782**	**(6,500)**	**(19,304)**	**185,979**	**185,979**
Prior year adjustment (note 3.31)	-	-	-	(15,127)	(15,127)	(15,127)
At 1 June 2021 (as restated)	**1**	**211,782**	**(6,500)**	**(34,431)**	**170,852**	**170,852**
Comprehensive income for the period						
Loss for the period (as restated)	-	-	-	(184,451)	(184,451)	(184,451)
Other comprehensive income	-	-	-	1,162	1,162	1,162
Total comprehensive loss for the period	-	-	-	(183,289)	(183,289)	(183,289)
At 31 May 2022	**1**	**211,782**	**(6,500)**	**(217,720)**	**(12,437)**	**(12,437)**
At 1 June 2022 (as reported)	**1**	**211,782**	**(6,500)**	**(175,877)**	**29,406**	**29,406**
Prior year adjustment (note 3.31)	-	-	-	(41,843)	(41,843)	(41,843)
At 1 June 2022 (as restated)	**1**	**211,782**	**(6,500)**	**(217,720)**	**(12,437)**	**(12,437)**
Comprehensive income for the period						
Loss for the period	-	-	-	(59,265)	(59,265)	(59,265)
Other comprehensive income	-	-	-	897	897	897
Total comprehensive loss for the period	-	-	-	(58,368)	(58,368)	(58,368)
At 31 May 2023	**1**	**211,782**	**(6,500)**	**(276,088)**	**(70,805)**	**(70,805)**

*Retained earnings and loss for the period were restated in FY22 and FY21, see note 3.31 for further details.

The notes on pages 33 to 115 form part of these financial statements.

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

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 June 2021 (as reported)	**1**	**211,782**	**(6,500)**	**2,073**	**207,356**
Prior year adjustment (note 3.31)	-	-	-	1,960	1,960
At 1 June 2021 (as restated)	**1**	**211,782**	**(6,500)**	**4,033**	**209,316**
Comprehensive income for the period					
Loss for the period (as restated)	-	-	-	(69,218)	(69,218)
Total comprehensive loss for the period	-	-	-	(69,218)	(69,218)
At 31 May 2022	**1**	**211,782**	**(6,500)**	**(65,185)**	**140,098**
At 1 June 2022 (as reported)	**1**	**211,782**	**(6,500)**	**(68,825)**	**136,458**
Prior year adjustment (note 3.31)	-	-	-	3,640	3,640
At 1 June 2022 (as restated)	**1**	**211,782**	**(6,500)**	**(65,185)**	**140,098**
Comprehensive income for the period					
Loss for the period	-	-	-	(107,990)	(107,990)
Total comprehensive loss for the period	-	-	-	(107,990)	(107,990)
At 31 May 2023	**1**	**211,782**	**(6,500)**	**(173,175)**	**32,108**

*Retained earnings and loss for the period were restated in FY22 and FY21, see note 3.31 for further details.

The notes on pages 33 to 115 form part of these financial statements.

FREE FLOW TOPCO LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2023

	Note	2023 £000	As restated 2022 £000
Cash flows from operating activities			
Loss for the period*		**(59,265)**	(184,451)
Adjustments for			
Depreciation of property, plant and equipment	11	**10,356**	12,028
Amortisation of intangible fixed assets	12	**22,102**	23,783
Impairment losses on intangible assets*	12	**2,403**	143,546
Finance expense	9	**52,465**	42,984
Loss on derivative financial instruments		**39,425**	27,117
IAS 19 charge*		**352**	420
Increase/(decrease) in contingent consideration	23	**(1,600)**	6,397
Income tax credit*	10	**(16,587)**	(16,749)
		49,651	55,075
Movements in working capital:			
Increase in trade and other receivables	17	**(12,107)**	(10,657)
(Increase)/decrease in inventories	16	**(1,258)**	(1,443)
Increase/(decrease) in trade and other payables*	19	**7,964**	(13,706)
Increase/(decrease) in provisions		**(325)**	1,478
Cash generated from operations		**43,925**	30,747
Net cash from operating activities		**43,925**	30,747
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**-**	(10,947)
Purchases of property, plant and equipment	11	**(3,508)**	(2,015)
Purchase of intangibles	12	**(6,084)**	(5,503)
Payment of contingent consideration	23	**(2,887)**	(458)
Interest received		**6,516**	-
Net cash used in investing activities		**(5,963)**	(18,923)
Cash flows from financing activities			
Proceeds from investor funding		**14,054**	12,000
Interest paid		**(41,602)**	(24,852)
Payments of lease creditors		**(9,183)**	(9,916)
Net cash used in financing activities		**(36,731)**	(22,768)

CONSOLIDATED STATEMENT OF CASHFLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

	2023 £000	2022 £000
Net cash increase/(decrease) in cash and cash equivalents	**1,231**	(10,944)
Cash and cash equivalents at the beginning of period	**14,291**	25,235
Cash and cash equivalents at the end of the period	**15,522**	14,291

*Loss for the period, impairment losses on intangible assets, IAS 19 charge, income tax credit and trade and other liabilities have been restated for FY22 and FY21. Please refer to note 3.31 for further details on the restatement.

The notes on pages 33 to 115 form part of these financial statements.

1. Reporting entity

Free Flow Topco Limited (the 'Company') is a limited company incorporated in England. The Company's registered office is at 12th Floor One America Square, London. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in an integrated range of transportation services and other debt recovery and enforcement services, as set out in the Strategic Report on pages 3 to 11.

2. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK adopted international accounting standards. The Company's individual financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

Details of the Group's accounting policies, including changes during the period, are included in note 3.

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

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

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

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 4.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC and, therefore, the Company's financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- IFRS 7 "Financial Instruments: Disclosures";
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Where relevant, equivalent disclosures have been given in the consolidated accounts.

2. Basis of preparation (continued)

Going Concern

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

The base level forecast, reviewed and approved by the Board, was produced through to November 2024, and incorporates a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Contractually based revenues, which cover our largest business units, are only significantly impacted by contractual changes usually known at least up to 12 months in advance. Other business units, principally Enforcement, Commercial Debt and Traffic Technology, have more variability due to the impact of volumetric changes such as caseload volumes, and these were most impacted by Covid-19 restrictions. In previous periods, our forecasts had to make high level assumptions on the return to pre-pandemic levels of business, which had inherently higher levels of uncertainty. As we move further from the pandemic era and have more trading experience in the post-pandemic environment, we are able to forecast with increased confidence in our assumptions.

Our base forecast assumes that the period to November 2024 will see revenues return to the levels seen pre-pandemic, which is supported by our experiences in the 2023 calendar year to date. The forecasts also assume a level of increased operating costs. Although in the current economic environment forecasting future costs includes an elevated level of uncertainty, we are seeing more stabilisation in our main cost drivers as inflation has reduced in the second half of 2023, and supply side pressures associated with this have eased. The Group is also well advanced with delivering procurement and resource cost savings through a comprehensive cost review that mitigate these impacts. We have also taken measures to limit our exposure to the interest rate risk on our borrowings by entering into an interest rate hedge that that largely caps the maximum cash outflow were interest rates to rise further over the next 12 months. The investors have provided the company with letters of support which confirm that they are committed to provide financial and operational resources to the company, were these to be required, for a period up to 18 months from the signing of the financial statements.

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

Both the base level and sensitised forecasts demonstrate that the Group will remain in compliance with cash requirements and EBITDA covenants in the assessment period to November 2024. Therefore, with the improving business stability and the Board's increased confidence in its ability to forecast, the Directors have confidence that the headroom available against any further potential downside identified in our modelling is adequate to meet the requirements of our going concern assessment.

2. Basis of preparation (continued)

2.1 Basis of measurement

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

2.2 Changes in accounting policies

i) New standards

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

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

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

ii) Standards issued but not yet effective

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

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

3. Accounting policies

3.1 Basis of consolidation

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

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

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

3. Accounting policies (continued)

3.1 Basis of consolidation (continued)

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

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

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

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

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

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

3.2 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

3. Accounting policies (continued)

3.2 Business combinations (continued)

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

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

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

3.3 Profit from operations

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

3. Accounting policies (continued)

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.2) less accumulated impairment losses, if any.

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

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

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

3.5 Revenue from contracts with customers

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

Revenue streams:

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

Civil Enforcement relates to the enforcement of High Court orders which can be of significant value.

Council tax consists of the collection of liability orders for local authorities.

Compliance fee income is the fee recognised on the satisfaction of the performance obligation to complete the compliance work which involves sending a letter of enforcement to the debtor. The fee is set by the TCE at £75 per case for compliance work. For High Court enforcement, on completion of the compliance work, the fee is payable regardless of the success of the enforcement. For the road traffic, criminal fines and council tax enforcement, the fee is dependent on the recovery of the underlying debt. We refer to s51-54 of IFRS15 in considering this revenue to be variable as a result of this. As the revenue is recognised on the satisfaction of the performance obligation to complete the compliance work, the revenue recognised is therefore accrued at £75 multiplied by the number of ongoing cases within the compliance process less a provision for collection risk. The provision for collection risk is an estimate and is calculated based on historical collection levels and reduced debts collected. We use these to set our variable revenue at a value consistent with the expected value using probability weighted amounts.

3. Accounting policies (continued)

3.5 Revenue from contracts with customers (continued)

The receipt of the £75 fee is dependent on the debt being repaid to the customer, however this methodology of revenue recognition gives management comfort that it is not highly probable that a cumulative reversal of expected revenue will be required on conclusion of the case. Refer to note 4 for further information on the estimation involved in the calculation of the compliance fee accrual.

Civil Parking Services
The contracts consist of the provision of Civil Enforcement Officers (CEOs) to local authorities and general back office processing services in relation to this. The distinct performance obligations of contracts entered in to for civil parking enforcement are:

- Deployment of CEOs
- Provision of payment machines
- Processing penalty charge notices and;
- Maintenance of roadside equipment.

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

DVLA Services
This contract is an exclusive nationwide contract with DVLA for the enforcement of vehicle excise duty warrants, warning notices, clamping, impounding and disposing of vehicles.

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

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

The above services have separate contracts with their own performance obligations which include processing payments for taxi applications, eligibility checking and issuing penalty notices to Dartford Tunnel users. All elements have a fixed fee determined by the contract. Revenues arising as a result of the performance obligations are recognised at a point in time.

3. Accounting policies (continued)

3.5 Revenue from contracts with customers (continued)

Consulting
This is the provision of planning, development and engineering consulting services to local authorities.

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

Commercial Debt
Commercial debt is the provision of a standard range of enforcement services to private clients, such as utility companies or energy providers. Performance obligations are identified within the contract as a pre-disconnection visit, reconnection, disconnection or voiding – the obligations are all highly interdependent. Price of each workstream is set based on transaction prices included within the overall contract, with no variable elements to consider. Revenue is recognised at a point in time in line with IFRS 15.

Revenue related assets:

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

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

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

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

Impairment of non-financial assets

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

3. Accounting policies (continued)

3.5 Revenue from contracts with customers (continued)

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

3.6 Leasing

The Group as a lessee

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

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

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

In determining the incremental borrowing rate, Management has reviewed the lease portfolio of the Group and applied the cost of borrowing applicable to the Revolving Credit facility held by the Group being SONIA +3% as a proxy for a market participant cost of lease.

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

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

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

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

3. Accounting policies (continued)

3.6 Leasing (continued)

The Group as a lessee (continued)

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

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

The right-of-use assets are included in the 'Property, Plant and Equipment' lines, as applicable, in the Consolidated Statement of Financial Position. The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3.15.

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

3.7 Foreign currency

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

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

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

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other

3. Accounting policies (continued)

3.7 Foreign currency (continued)

comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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

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

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

3.8 Borrowing costs

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

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

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

3.9 Government grants

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

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

3. Accounting policies (continued)

3.9 Government grants (continued)

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

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

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

3.10 Employee benefits

(i) Retirement benefit costs and termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Refer to note 29 for further detail on the estimates and assumptions used in the actuarial valuation. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

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

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

3. Accounting policies (continued)

3.10 Employee benefits (continued)

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

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

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

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

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

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

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

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

3.11 Taxation

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

(i) Current tax

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

3. Accounting policies (continued)

3.11 Taxation (continued)

(ii) Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.12 Investment

Investments in subsidiaries and associates are measured at cost less impairment in accordance with IAS 27. Impairment reviews are carried out if there is some indication that the carrying value of the investments may have been impaired. Where, in the opinion of the Directors, an impairment of the investment has arisen, provisions are made in accordance with IAS 36 'Impairment of Assets'.

3.13 Property, plant and equipment

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

3. Accounting policies (continued)

3.13 Property, plant and equipment (continued)

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

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

3.14 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

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

Columbus (software)	Straight line over 5 years
Columbus (software additions)	Over remaining useful life of Columbus (software)
Computer software	Straight line over 3-5 years

(ii) Intangible assets acquired in a business combination

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

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

Other intangible assets - relationships	Straight line over 5 - 15 years
Other intangible assets - brand	Straight line over 5 years
Other intangible assets - contracts	Straight line over 17 - 23 years

3. Accounting policies (continued)

3.15 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3.16 Inventories

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

3.17 Provisions

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

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

3. Accounting policies (continued)

3.17 Provisions (continued)

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

3.18 Share Capital

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

3.19 Financial instruments

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

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

3.20 Cash and cash equivalents

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

3.21 Trade receivables

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

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

3. Accounting policies (continued)

3.21 Trade receivables (continued)

The Group assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics. They have been grouped on the days past due. Refer to note 28 for detailed analysis of how the impairment receivable requirements of IFRS 9 are applied.

3.22 Trade payables

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

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

3.23 Financial assets

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

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

3.24 Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

3. Accounting policies (continued)

3.24 Financial liabilities and equity instruments (continued)

(iii) Compound instruments (continued)

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

(iv) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. Accounting policies (continued)

3.24 Financial liabilities and equity instruments (continued)

(iv) Financial liabilities (continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see note 28). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'fair value gains/losses' line item.

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

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 28.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

3. Accounting policies (continued)

3.24 Financial liabilities and equity instruments (continued)

(iv) Financial liabilities (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance income' or 'finance expense' line item, for gains and losses respectively, in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

See note regarding the recognition of exchange differences where the foreign currency risk component of a financial liability is designated as a hedging instrument for a hedge of foreign currency risk.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Accounting policies (continued)

3.25 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 18.

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

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured at either amortised cost or FVTPL as appropriate. See note 3.23 for the Group's policy on classification of financial assets.

3.26 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.

3.27 Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

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

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

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

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

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

3. Accounting policies (continued)

3.27 Defined benefit schemes (continued)

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

3.28 Contingent consideration

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

3.29 Dividends

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

Dividends on preference shares, which are classified as a financial liability, are treated as finance costs and are recognised on an accruals basis when an obligation exists at the reporting date.

3.30 Client accounts

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

3. Accounting policies (continued)

3.31 Prior year adjustment

(1) Goodwill impairment

As part of the preparation of the FY23 calculation, it was identified that there was an adjustment required to the discounted cash flow model used in previous years. The model did not include cash outflows in respect of certain items and so had overstated the present values of cashflow and as a result understated the potential requirement or level of impairment booked in previous years.

The disclosures in note 13 have been updated as follows:

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Cost	490,429	490,429	-	478,824	478,824	-
Accumulated impairment	(165,402)	(121,231)	(44,171)	(23,606)	(6,519)	(17,087)
	325,027	369,198	(44,171)	455,218	472,305	(17,087)
Accumulated Impairment						
At 1 June	23,606	6,519	17,087	-	-	-
Impairment charge	141,796	114,712	27,084	23,606	6,519	17,087
At 31 May	165,402	121,231	44,171	23,606	6,519	17,087

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

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Civil parking services	-	19,415	(19,415)	14,848	29,240	(14,392)
DVLA services	10,666	10,666	-	10,666	10,666	-
Traffic technology	50,619	50,619	-	39,014	39,014	-
Consulting	5,534	9,651	(4,117)	11,659	11,659	-
Enforcement	216,984	223,126	(6,142)	-	-	-
Commercial debt	23,757	25,868	(2,111)	39,553	39,553	-
Business process outsourcing	12,867	25,093	(12,226)	22,398	25,093	(2,695)
High court, Taxation and Criminal fines	-	-	-	153,027	153,027	-
Scotland	4,600	4,760	(160)	13,478	13,478	-
Road traffic	-	-	-	150,575	150,575	-
	325,027	**369,198**	**(44,171)**	**455,218**	**472,305**	**(17,087)**

3. Accounting policies (continued)

3.31 Prior year adjustment (continued)

(1) Goodwill impairment (continued)

The disclosures in note 12 have been updated as follows:

Intangible assets:	Contracts Restated 2022 £000	Contracts Original 2022 £000	Variance £000
Accumulated amortisation and impairment			
Impairment charge	1,750	-	1,750
Net book value			
At 31 May 2022	**50,001**	**51,751**	**(1,750)**

	Goodwill Restated 2022 £000	Goodwill Original 2022 £000	Variance £000
Accumulated amortisation and impairment			
At 1 June 2021	23,606	6,519	17,087
Impairment charge	141,796	114,712	27,084
Net book value			
At 31 May 2022	**325,027**	**369,198**	**(44,171)**

(2) Preference shares

As part of the articles of association it was defined that elements of the preference share dividend had requirements of being employed which required an annual charge to the income statement. Subsequent review of this treatment has identified not all preference shares were equal and some shareholders had different agreements which did not require an annual charge to the income statement. As such the income statements in previous years have been overcharged.

In the prior year, we reclassified the redeemable preference shares to trade and other liabilities as they relate to an employment liability. In FY21, the redeemable preference shares were included in loan and borrowings, we have therefore restated FY21 to bring the presentation in line with FY23 and FY22.

3. Accounting policies (continued)

3.31 Prior year adjustment (continued)

(3) Loans and borrowings

During the year it was identified that the current/non-current split of the loans and borrowings in the financial statements for FY22 and FY21 required amending. In the prior years, the accrued interest on the Unitranche and RCF loans had been classified as non-current. As these amounts were due within 12 months, they have been restated to current with no impact to net assets.

The impact on the notes of adjustments 2 and 3 is as follows:

Note 21. Loans and borrowings (Group)

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Non-current						
Bank loans and loan notes	-	530,245	(530,245)	-	501,435	(501,435)
Bank loans	442,645	-	442,645	439,000	-	439,000
Loan notes	76,849	-	76,849	52,378	-	52,378
Lease liabilities	17,812	17,812	-	15,478	15,478	-
	537,306	**548,057**	**(10,751)**	**506,856**	**516,913**	**(10,057)**
Current						
Bank loans	10,751	-	10,751	10,057	-	10,057
Redeemable preference shares	-	-	-	-	2,450	(2,450)
Lease liabilities	7,489	7,489	-	8,271	8,271	-
	18,240	**7,489**	**10,751**	**18,328**	**10,721**	**7,607**
Total loans and borrowings	**555,546**	**555,546**	**-**	**525,184**	**527,634**	**(2,450)**

3. Accounting policies (continued)

3.31 Prior year adjustment (continued)

Note 21. Loans and borrowings (Company)

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Current liabilities						
Redeemable preference shares	-	-	-	-	(2,450)	2,450

Note 19. Trade and other payables (Group)

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Other payables	2,209	5,849	(3,640)	1,724	1,234	490
Total trade and other payables	**47,110**	**50,750**	**(3,640)**	**58,548**	**58,058**	**490**

Note 19. Trade and other payables (Company)

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Other payables	910	4,550	(3,640)	490	-	490
Total trade and other payables	**11,197**	**14,837**	**(3,640)**	**7,380**	**6,890**	**490**

3. Accounting policies (continued)

3.31 Prior year adjustment (continued)

Note 10.1 Income tax recognised in profit or loss

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Total deferred tax	(16,145)	(15,707)	(438)	8,978	8,978	-
Total tax expense	(16,749)	(16,311)	(438)	9,046	9,046	-

Note 10.2 Tax assets and liabilities

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Deferred tax liabilities	19,716	20,154	(438)	35,240	35,240	-

Primary financial statements

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Expense (Group)

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Impairment of intangible assets (1)	(143,546)	(114,712)	(28,834)	(25,316)	(8,229)	(17,087)
IAS 19 charge (2)	(420)	(2,100)	1,680	(140)	(2,100)	1,960
(Loss)/profit before tax	**(201,200)**	**(174,046)**	**(27,154)**	**(14,201)**	**926**	**(15,127)**
Tax credit/(expense) (2)	16,749	16,311	438	(9,046)	(9,046)	-
Loss for the period from continuing operations	**(184,451)**	**(157,735)**	**(26,716)**	**(23,247)**	**(8,120)**	**(15,127)**

3. **Accounting policies (continued)**

3.31 Prior year adjustment (continued)

Primary financial statements (continued)

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Assets						
Non-current assets						
Intangible assets (1)	474,641	520,562	(45,921)	623,016	640,103	(17,087)
Total assets	**623,319**	**669,240**	**(45,921)**	**797,845**	**814,932**	**(17,087)**
Liabilities						
Non-current liabilities						
Loans and borrowings (2&3)	537,306	548,057	(10,751)	506,856	516,913	(10,057)
Deferred tax liability (2)	19,716	20,154	(438)	35,240	35,240	-
Current liabilities						
Trade and other liabilities (2&3)	47,110	50,750	(3,640)	58,548	58,058	490
Loans and borrowings (2&3)	18,240	7,489	10,751	18,328	10,721	7,607
Total liabilities	**635,756**	**639,834**	**(4,078)**	**626,993**	**628,953**	**(1,960)**
Net (liabilities)/assets	**(12,437)**	**29,406**	**(41,843)**	**170,852**	**185,979**	**(15,127)**
Retained earnings	(217,720)	(175,877)	(41,843)	(34,431)	(19,304)	(15,127)
Total equity	**(12,437)**	**29,406**	**(41,843)**	**170,852**	**185,979**	**(15,127)**

3. Accounting policies (continued)

3.31 Prior year adjustment (continued)

Primary financial statements (continued)

Company Statement of Financial Position

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Liabilities						
Trade and other liabilities (2)	11,197	14,837	(3,640)	7,380	6,890	490
Loans and borrowings (2)	-	-	-	-	2,450	(2,450)
Total liabilities	**11,197**	**14,837**	**(3,640)**	**7,380**	**9,340**	**(1,960)**
Net assets	**140,098**	**136,458**	**3,640**	**209,316**	**207,356**	**1,960**
Retained earnings	(65,185)	(68,825)	3,640	4,033	2,073	1,960
Total equity	**140,098**	**136,458**	**3,640**	**209,316**	**207,356**	**1,960**

Consolidated Statement of Cash Flows

	Restated 2022 £000	Original 2022 £000	Variance £000	Restated 2021 £000	Original 2021 £000	Variance £000
Loss for the period	(184,451)	(157,735)	(26,716)	(23,247)	(8,120)	(15,127)
Adjustments for:						
Impairment losses on intangible assets (1)	143,546	114,712	28,834	25,316	8,229	17,087
IAS 19 charge (2)	420	2,100	(1,680)	140	2,100	(1,960)
Income tax (credit)/expense (2)	(16,749)	(16,311)	(438)	9,046	9,046	-
Net cash from operating activities	**30,747**	**30,747**	-	**31,595**	**31,595**	-

4. Accounting estimates and judgements

Estimates and assumptions

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

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

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. During the year, the impairment of goodwill was £4.2m (2022: £141.8m as restated) and there was no impairment (2022: £1.8m as restated) of intangible assets (excluding goodwill). See note 13 for further detail of the estimates and assumptions involved in the impairment assessment.

During the current year impairment testing it was identified that the recoverable amount of the Civil Parking Services CGU had increased since the previous impairment test and no indications of impairment were present. Given this, the prior year impairment of the contract intangible asset was reversed in the current year (refer to note 12).

Impairment of amounts owed by group undertakings - Company

Amounts owed by group undertakings at 31 May 2023 were £180.3m (2022: £179.9). In the year we assessed the recoverability of the amounts owed by group undertakings and identified indications of impairment. The expected credit loss applied to amounts owed by group undertakings totals £179.7m (2022: £70.2m). Refer to note 17 for further information.

Financial assets at fair value through profit or loss (FVTPL) - IFRS 9

Financial assets that are held within a different business model other than ‘hold to collect’ or ‘hold to collect and sell’ are categorised at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's banking facilities include a derivative financial asset in respect of a clause allowing the potential early repayment of the underlying loan. The fair value of the Voluntary Prepayment Option is an embedded derivative separately measured at FVTPL. During the year, this resulted in a fair value loss of £37,664,000 (2022: £36,145,000 loss) which has been recognised in the profit and loss account for the year. Refer to note 18 for further detail regarding the fair value loss on the prepayment option.

5. Functional and presentational currency

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

6. Revenue

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

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

Analysis of revenue by country of destination:

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

6. Revenue (continued)

Timing of revenue recognition:

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

7. Auditors' remuneration

	2023 £000	2022 £000
Group		
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	**93**	25
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries	**286**	578
	379	603
Other audit related services	**30**	3

8. Employee benefit expenses

Group

	2023 £000	2022 £000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**141,875**	127,526
National Insurance	**14,631**	12,265
Defined contribution pension cost	**4,445**	3,274
Furlough income	**-**	(294)
	160,951	142,771

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Group listed on page 1. The directors were paid by Magenta Bidco Limited and Free Flow Bidco Limited.

	2023 £000	2022 £000
Emoluments	**2,092**	1,333
Pension contributions	**93**	63
	2,185	1,396

	2023 £000	2022 £000
Directors' emoluments	**989**	1,115
	989	1,115

During the period, retirement benefits were accruing to none (2022: none) of the directors in respect of money purchase pension schemes. The highest paid director received remuneration of £392,000 (2022: £412,000) and pension contributions of £nil (2022: £nil) during the period.

8. Employee benefit expenses (continued)

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

	2023	2022
Operational	4,219	4,071
Administrative	544	422
	4,763	4,493

Company

The company had no employees during the current year and prior year.

9. Finance income and expense

Recognised in profit or loss

	2023 £000	2022 *£000*
Finance income		
Interest on:		
Interest rate swap	6,486	-
Bank deposits	30	-
Total interest income arising from financial assets	6,516	-
Total finance income	6,516	-
Finance expense		
Bank interest payable	272	1,473
Interest expense on leases	1,974	1,764
Other loan interest payable	53,827	37,693
Net interest expense on defined benefit liability	34	47
Interest expense for borrowings at amortised cost	2,874	2,874
Total finance expense	58,981	43,851
Net finance expense recognised in profit or loss	(52,465)	(43,851)

10. Tax expense

10.1 Income tax recognised in profit or loss

	2023 £000	As restated 2022 £000
Current tax		
Current tax on loss for the period	-	107
Adjustments in respect of prior years	**177**	(711)
Total current tax	**177**	(604)
Deferred tax expense		
Origination and reversal of timing differences	**(13,352)**	(9,644)
Adjustments in respect of prior years	**(88)**	(1,345)
Deferred tax asset not previously recognised	-	(2,141)
Effects of changes in tax rates	**(3,324)**	(3,015)
Total deferred tax	**(16,764)**	(16,145)
	(16,587)	(16,749)
Total tax expense		
Current tax charge/(credit)	**177**	(604)
Deferred tax credit	**(16,764)**	(16,145)
	(16,587)	(16,749)

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

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

	2023 £000	As restated 2022 £000
Loss for the period	(59,265)	(184,451)
Income tax expense (including tax on associate, joint venture and discontinued operations)	(16,587)	(16,749)
Loss before income taxes	(75,852)	(201,200)

10. Tax expense (continued)

10.1 Income tax recognised in profit or loss (continued)

Tax using the Company's domestic rate of 19.45% (2022: 19%)	**(14,757)**	(38,228)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	**2,295**	29,426
Deferred tax asset not previously recognised	**(32)**	(2,141)
Adjustments to tax charge in respect of prior periods	**90**	(2,056)
Tax rate changes	**(3,324)**	(3,015)
Non-taxable income	**-**	(412)
Losses - overseas subsidiaries	**(746)**	(425)
Deferred tax not recognised	**-**	100
Non-qualifying depreciation	**-**	2
Losses	**(113)**	-
Total tax credit	**(16,587)**	(16,749)

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

10.2 Tax assets and liabilities

	2023 £000	2022 *£000*
Current tax		
Corporation tax asset	**263**	-
	263	-
Deferred tax liabilities		
Provision at start of period	**19,716**	35,240
Acquired during period	**-**	(69)
Adjustment in respect of prior years	**(88)**	(1,345)
Deferred tax asset not previously recognised	**-**	(2,141)
Deferred tax credit to profit and loss account for the period	**(16,677)**	(12,648)
Pension credit to OCI	**370**	533
Prior year charge/(credit) to OCI	**-**	146
	3,321	19,716
	3,321	19,716

10. Tax expense (continued)

10.2 Tax assets and liabilities (continued)

	2023 £000	2022 £000
Fixed asset timing differences	**27,198**	30,580
Short term timing differences	**(420)**	7,936
Non trading timing differences	**(12,996)**	(14,438)
Losses	**(10,461)**	(4,362)
	3,321	19,716

The net deferred tax liability is made up as follows:

	1 June 2022 £000	Prior Year charge/ (credit) £000	OCI charge/ (credit) £000	Current year charge/ (credit) £000	31 May 2023
Fixed assets	6,506	31	-	162	6,699
Short term timing differences	(1,480)	-	370	-	(1,110)
Losses	(4,362)	(947)	-	(5,151)	(10,460)
Other intangible assets	24,074	-	-	(2,888)	21,186
Derivative contracts	9,416	828	-	(10,244)	-
Corporate interest restriction	(14,438)	-	-	1,444	(12,994)
	19,716	**(88)**	**370**	**(16,677)**	**3,321**

The corporate interest rate restriction is calculated using the group ratio. There is a deferred tax asset of £12,994,000 (2022: £14,438,000) on the full restriction carried forward.

11. Property, plant and equipment

Group

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 June 2021	21,551	13,416	1,370	4,722	41,059
Additions	238	161	563	1,027	1,989
Acquisition of subsidiary	-	-	102	171	273
Disposals	(4,689)	(2,040)	(62)	(216)	(7,007)
Right of Use Asset additions	6,002	4,353	-	-	10,355
Transfers between classes*	-	-	-	(350)	(350)
At 31 May 2022	**23,102**	**15,890**	**1,973**	**5,354**	**46,319**
Additions	36	189	267	3,016	3,508
Disposals	(1,457)	(2,944)	(245)	(380)	(5,026)
Right of Use Asset additions	6,127	6,530	-	-	12,657
Fair value correction	2,431	235	-	-	2,666
Transfers between classes*	-	-	-	473	473
At 31 May 2023	**30,239**	**19,900**	**1,995**	**8,463**	**60,597**

11. Property, plant and equipment (continued)

	Long-term leasehold property	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
Accumulated depreciation and impairment					
At 1 June 2021	5,961	5,027	569	1,801	13,358
Charge owned for the period	94	89	435	1,795	2,413
Charge on right of use assets	5,014	4,609	-	-	9,623
Disposals	(5,101)	(1,812)	(10)	(19)	(6,942)
At 31 May 2022	5,968	7,913	994	3,577	18,452
Charge owned for the period	168	288	391	1,557	2,404
Charge on right of use assets	4,028	3,924	-	-	7,952
Disposals	(2,297)	(2,472)	(230)	(351)	(5,350)
Fair value correction	2,602	235	-	-	2,837
Transfers between classes*	-	-	-	(14)	(14)
At 31 May 2023	**10,469**	**9,888**	**1,155**	**4,769**	**26,281**
Net book value					
At 31 May 2021	15,590	8,389	801	2,921	27,701
At 31 May 2022	17,134	7,977	979	1,777	27,867
At 31 May 2023	19,770	10,012	840	3,694	34,316

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

11. Property, plant and equipment (continued)

11.1. Assets held under leases

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

	31 May 2023	31 May 2022
	£000	*£000*
Property, plant and equipment owned	**5,064**	**3,685**
Right-of-use assets	**29,252**	**24,182**
	34,316	**27,867**

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

Net book value

	31 May 2023	31 May 2022
	£000	£000
Property	**19,414**	16,647
Motor vehicles	**9,838**	7,535
	29,252	24,182

Depreciation charge for the year ended

	31 May 2023	31 May 2022
	£000	£000
Property	**4,028**	5,014
Motor vehicles	**3,924**	4,609
	7,952	9,623

Capital Commitments

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

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

12. Intangible assets

Group

	Goodwill £000	Columbus £000	Customer Relationship £000	Contracts £000	Brand £000	Computer software £000	Total £000
Cost							
At 1 June 2021	478,824	11,707	86,720	57,750	29,550	9,370	673,921
Additions - external	-	1,676	-	-	-	3,827	5,503
Transfers between classes*	-	-	-	-	-	350	350
On acquisition of subsidiaries	11,605	-	-	-	-	1,497	13,102
At 31 May 2022	490,429	13,383	86,720	57,750	29,550	15,044	692,876
Additions - external	-	2	-	-	-	6,082	6,084
Disposals	-	-	-	-	-	(160)	(160)
Transfer between classes**	-	-	-	-	-	(473)	(473)
At 31 May 2023	**490,429**	**13,385**	**86,720**	**57,750**	**29,550**	**20,493**	**698,327**

12. Intangible assets (continued)

	Goodwill £000	Columbus £000	Customer Relationship £000	Contracts £000	Brand £000	Computer software £000	Total £000
Accumulated amortisation and impairment							
At 1 June 2021 (as restated)***	23,606	1,344	10,370	3,230	7,689	4,666	50,905
Charge for the period - owned	-	3,869	8,272	2,769	5,703	3,171	23,784
Transfer between classes*	-	1,069	-	-	-	(1,069)	-
Impairment charge (as restated)***	141,796	-	-	1,750	-	-	143,546
At 31 May 2022	165,402	6,282	18,642	7,749	13,392	6,768	218,235
Charge for the period - owned	-	1,784	8,272	2,769	5,703	3,574	22,102
Disposals	-	-	-	-	-	(120)	(120)
Transfer between classes**	-	-	-	-	-	(14)	(14)
Impairment charge	4,153	-	-	-	-	-	4,153
Reversal of prior year impairment	-	-	-	(1,750)	-	-	(1,750)
At 31 May 2023	**169,555**	**8,066**	**26,914**	**8,768**	**19,095**	**10,208**	**242,606**
Net book value							
At 31 May 2021	455,218	10,363	76,350	54,520	21,861	4,704	623,016
At 31 May 2022	325,027	7,101	68,078	50,001	16,158	8,276	474,641
At 31 May 2023	320,874	5,319	59,806	48,982	10,455	10,285	455,721

12. Intangible assets (continued)

The impairment in the year of £4.2m relates to an impairment of goodwill. Further details on this can be found in note 13.

During the current year impairment testing it was identified that the recoverable amount of the Civil Parking Services CGU had increased since the previous impairment test and no indications of impairment were present. Given this, the prior year impairment of £1.8m was reversed in the current year.

The contract intangible of £49m represents contractual customer relationships across Civil Parking Services (CPS), Business Process Outsourcing (BPO) and DVLA Enforcement. Amongst CPS and BPO, this encompasses a number of contracts whereby we have a strong track record of renewal success. As such, we have attributed value to these ongoing contract relationships and have seen no deterioration to the number of contracts we are currently operating.

*In the prior year we transferred some accumulated amortisation relating to Columbus assets from Computer Software to Columbus due to a previous misallocation.

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

***The impairment charge to goodwill and contract intangibles has been restated for 31 May 2022 and 31 May 2021. Please refer to note 3.31 for further details of the restatement.

13. Goodwill

Group	2023 £000	Restated 2022 £000	Restated 2021 £000
Cost	**490,429**	490,429	478,824
Accumulated impairment	**(169,555)**	(165,402)	(23,606)
	320,874	325,027	455,218

	2023 £000	2022 £000	2021 £000
Cost			
At 1 June	**490,429**	478,824	478,824
On acquisition of subsidiaries	**-**	11,605	-
At 31 May	**490,429**	490,429	478,824
Accumulated impairment			
At 1 June	**165,402**	23,606	-
Impairment charge	**4,153**	141,796	23,606
At 31 May	**169,555**	165,402	23,606

Goodwill arose when Free Flow Bidco Limited acquired shares in Marston Corporate Limited on 23 March 2020. The addition in the prior year relates to the acquisition of Vortex IOT Limited.

The impairment in the year of £4.2m relates to an impairment of goodwill, further detail on this can be found in note 13.1.

Goodwill at 31 May 2022 and 31 May 2021 has been restated. Please refer to note 3.31 for further details of the restatements.

13. Goodwill (continued)

13.1 Allocation of goodwill to cash generating units

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

	2023 £000	As restated 2022 £000	As restated 2021 £000
Civil Parking Services	**-**	-	14,848
DVLA Services	**10,666**	10,666	10,666
Traffic Technology	**49,295**	50,619	39,014
Consulting	**5,534**	5,534	11,659
Enforcement	**216,984**	216,984	-
Commercial Debt	**23,757**	23,757	39,553
Business Process Outsourcing	**10,038**	12,867	22,398
Scotland	**4,600**	4,600	13,478
High court, Taxation and Criminal fines	**-**	-	153,027
Road traffic	**-**	-	150,575
	320,874	325,027	455,218

Consulting

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

Civil Parking Services

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

Business Process Outsourcing

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

Traffic Technology

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

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

13. Goodwill (continued)

13.1 Allocation of goodwill to cash generating units (continued)

Enforcement

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

DVLA Services

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

Commercial Debt

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

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

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

Scotland

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

Impairment consideration

The recoverable amounts of CGUs are determined from the value in use ("VIU") calculations. VIU is determined by discounting the future post-tax cashflows generated from continuing use of the CGU, using a post-tax discount rate. The post-tax discount rate used at 31 May 2023 for each division was as follows:

Line of Business	Discount Rate
Civil Parking Services	10.6%
Enforcement	10.6%
Traffic Technology	10.6%
Consulting	10.6%
DVLA Services	10.6%
Business Process Outsourcing	9.0%
Commercial Debt	9.0%
Scotland	9.0%

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

13. Goodwill (continued)

13.1 Allocation of goodwill to cash generating units (continued)

Impairment review results 2023

Following the review of the carrying value of goodwill as at 31 May 2023, which has been undertaken across the Group as required by IAS 36 – Impairment of Assets, to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount), the annual impairment review has resulted in a £4.2m impairment being recognised in respect of the following CGUs:

Technology - £1.3m

BPO - £2.9m

This reflects the slower growth trajectory than the original investments case.

Impact of key changes and assumptions

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

- Discount factors and

- Forecast performance assumptions.

Line of Business	Discount rate increase	£m
Enforcement	1.0%	29.8
Business Process Outsourcing	1.0%	3.0
Traffic Technology	1.0%	5.7
Total		**38.5**

Following the assessment of a potential increase in discount factors across all business streams, this would result in an increase of impairment of £38.5m.

Line of Business	£m
Enforcement	22.5
Business Process Outsourcing	3.3
Traffic Technology	6.3
Total	**32.1**

In line with the downside profit scenario adopted in our going concern assessment, this is a 5% profit reduction. Management have sensitised the goodwill impairment model on the same basis and this results in an increase in impairment of £32.1m.

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

14. Subsidiaries

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

Name of Subsidiary	Principal Activity	Place of incorporation or operation	Proportion of interest and voting power held by the Group (%) 2023	2022
Smartworks Metering Limited	Smart meter & camera installations	United Kingdom (1)	100	100
AA Hutton LLP	Sheriff officers	United Kingdom (6)	100	100
Collectica Limited	Enforcement services	United Kingdom (1)	100	100
Engage Services (ESL) Limited	Regulated services	United Kingdom (1)	100	100
Marston Group Limited	Enforcement services	United Kingdom (3)	100	100
Moreton Smith Receivables Limited	International debt collection	United Kingdom (3)	100	100
Rossendales Limited	Enforcement services	United Kingdom (3)	100	100
Scott & Co (Scotland) LLP	Sheriff officers	United Kingdom (2)	100	100
Swift Credit Services Limited	Enforcement services	United Kingdom (1)	100	100
NSL Limited	Upstream transportation services	United Kingdom (3)	100	100
Project Centre Limited	Transportation consultancy	United Kingdom (3)	100	100
Task Enforcement Limited	Enforcement services	United Kingdom (1)	100	100
Marston Legal Services Limited	Enforcement services	United Kingdom (1)	100	100
Logic Valley Technologies Pvt Limited	Technology department, payment management & debt recovery	India (4)	100	100
Parktrade Europe AB	Payment management & debt recovery	Sweden (5)	100	100
Videalert Limited	Traffic management & enforcement solutions	United Kingdom (1)	100	100
Field Services Investment Limited	Intercompany holding company	United Kingdom (1)	100	100
Grosvenor Services Group Limited	Field service delivery	United Kingdom (1)	100	100

14. Subsidiaries (continued)

Free Flow Interco Limited	Intercompany holding company	United Kingdom (1)	100	100
Free Flow Pikco Limited	Intercompany holding company	United Kingdom (1)	100	100
Free Flow Parentco Limited	Intercompany holding company	United Kingdom (1)	100	100
Free Flow Bidco Limited	Intercompany holding company	United Kingdom (1)	100	100
Marston Corporate Limited	Intercompany holding company	United Kingdom (1)	100	100
Magenta Pikco Limited	Intercompany holding company	United Kingdom (1)	100	100
Magenta Interco Limited	Intercompany holding company	United Kingdom (1)	100	100
Magenta Bidco Limited	Intercompany holding company	United Kingdom (1)	100	100
Marston Resources Limited	Enforcement services	United Kingdom (1)	100	100
Rossendales Collect Limited	Dormant company	United Kingdom (1)	100	100
Marston (Holdings) Limited	Enforcement services	United Kingdom (3)	100	100
Marston Technologies Limited	Intercompany holding company	United Kingdom (1)	100	100
Marston Technology Investments Limited	Intercompany holding company	United Kingdom (1)	100	100
Iotics Limited	Dormant company	United Kingdom (1)	100	100
Grosvenor Legal Services Limited	Dormant company	United Kingdom (1)	100	100
Videalert Development Limited	Technology	United Kingdom (1)	100	100
Engage EV Limited	Smart meter & camera installations	United Kingdom (1)	100	100
Gasworks UK Limited	Smart meter & camera installations	United Kingdom (1)	100	100
Future Energy Metering Limited	Dormant company	United Kingdom (1)	100	100
Vortex IOT Limited	Sale of air quality sensors	United Kingdom (1)	100	100

14. Subsidiaries (continued)

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

15. Other non current investments

Company
The Company has an investment of £1 in Free Flow Interco Limited. This is the only direct investment the Company has and is the value at the period end held in the Company's statement of financial position.

16. Inventories

Group	**2023**	2022
	£000	£000
Finished goods and goods for resale	**3,103**	1,845
	3,103	1,845

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

17. Trade and other receivables

Group

	2023 £000	2022 *£000*
Trade receivables	**26,590**	20,399
Prepayments and accrued income	**32,139**	30,955
Other receivables	**8,402**	3,670
	67,131	55,024

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

The group does not hold any collateral as security.

The Group's trade and other receivables are presented net of allowances for expected credit losses. Allowances for expected credit losses are recognised based on estimated irrecoverable amounts determined by reference to past default experience. At 31 May 2023, trade and other receivables of £0.2m (2022: £0.3m) were considered past due and impaired.

Included in prepayments and accrued income is prepayments of £6.6m (2022: £7.0m) and accrued income of £25.5m (2022: £23.9m).

Company

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

	2023 £000	2022 *£000*
Receivables from related parties	**601**	109,727
Other receivables	**792**	239
	1,393	109,966

The expected credit loss applied to the amount due from related parties' totals £179.7m (2022: £70.2m). The expected credit loss has been recorded as a result of the challenges faced in the year as described in the group intangibles note (note 12). The amounts due from related parties are repayable on demand and we have assessed it is not possible for the full amount to be repaid.

18. Derivative financial instruments

Group

	2023 £000	2022 £000
Derivative financial assets		
Derivatives not designated as hedging instruments		
Voluntary Prepayment Option*	-	40,978
Interest rate swap	**6,912**	8,673
Total derivative financial assets	**6,912**	49,651

	2023 £000	2022 £000
Current and non-current		
Current	**6,912**	8,673
Non-current	-	40,978
Total derivative financial assets	**6,912**	49,651

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position.

Assumptions in the calculation of the embedded derivative are as follows:

The facilities agreement has not been designated as a hybrid instrument i.e., a debt host contract including an embedded derivative at fair value through profit and loss ("FVTPL").

The drawdown date and commitment date are assumed to take place on the same date, i.e., 23rd March 2020.

Fair value measurement of derivatives

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3: unobservable inputs for the asset or liability. The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis,

18. Derivative financial instruments (continued)

The fair value measurement of the voluntary prepayment option and the interest rate swap are based on level 2 inputs (2022: level 2).

There were no transfers between Level 1 and Level 2 during the years ended 31 May 2023 or 2022.

The Group's finance team performs valuations of financial items for financial reporting purposes in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The following valuation techniques are used for the derivatives:

Interest Rate Swap

Interest rate swaps are valued using expected cash flows of fixed payments versus floating payments over the remaining term of the hedge using the appropriate forward looking curve to maturity. These are calculated and provided to the Group by the lenders in which we hold the instrument with.

The following provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

£315m of the Unitranche Loan of £420m is hedged from floating to fixed via an interest rate swap. This swap arrangement ended on 29 September 2023. Refer to note 28.2 for further information.

***Voluntary Prepayment Option**

Under the Group's facilities agreement there were clauses that allowed for both a voluntary and mandatory prepayment of debt.

The voluntary prepayment option was assessed at inception to give rise to the recognition of a financial asset which was measured at FVTPL and was valued at each balance sheet date as the difference between the notional value of the Term Facility B and its present value using the credit spread of the Group as the Borrower against an approximate credit index benchmark.

At the year-end management reviewed the assumptions supporting the recognition of asset. Given changes that had been seen in the wider credit market and the changes in the Group's comparable credit spread index it was assessed that there was no value attributable to the voluntary prepayment option within the Group's facilities agreement.

The prepayment option of £41.0m and the associated embedded derivative of £3.3m, included within loans and borrowings, were written down to £nil. The net impact to the consolidated statement of profit or loss was £37.7m.

19. Trade and other payables

Group

	2023 £000	As restated 2022 £000	As restated 2021 £000
Current			
Trade payables	**6,513**	4,235	2,772
Other payables*	**4,523**	2,209	1,724
Accruals	**22,257**	25,973	21,677
Other payables - tax and social security payments	**10,159**	9,767	23,947
Deferred income	**11,744**	4,926	8,428
Total current trade and other payables	**55,196**	47,110	58,548

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

*Other payables have been restated in FY22 and FY21. Please refer to note 3.31 for further details of the restatement.

Company

	2023 £000	As restated 2022 £000	As restated 2021 £000
Current			
Trade payables	**-**	-	18
Payables to related parties	**13,559**	9,752	6,872
Other payables*	**1,262**	910	490
Accruals	**901**	535	-
Total financial liabilities, excluding loans and borrowings classified as financial liabilities measured at amortised cost	**15,722**	11,197	7,380
Total current trade and other payables	**15,722**	11,197	7,380

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

*Other payables have been restated in FY22 and FY21. Please refer to note 3.31 for further details of the restatement.

20. Contract balances

Group

Contract assets relate to fulfilled obligations which are billed monthly in arrears. At the point where completed work is invoiced, the contract asset is derecognised, and a corresponding receivable recognised. The value of contract assets including accrued income at the period end is £25,527,000 (2022: £23,933,000)

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

The aggregate amount of revenue allocated to performance obligations that are unsatisfied or partly unsatisfied at the period end is £11,744,000 (2022: £4,926,000). This revenue is expected to be recognised within 12 months of the period end.

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

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

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

21. Loans and borrowings

Group

		As restated	As restated
	2023	2022	2021
	£000	£000	£000
Non-current			
Bank loans	**448,552**	442,645	439,000
Loan notes	**99,114**	76,849	52,378
Lease liabilities	**23,429**	17,812	15,478
	571,095	537,306	506,856
Current			
Bank loans	**8,134**	10,751	10,057
Loan notes	**-**	-	-
Lease liabilities	**7,481**	7,489	8,271
	15,615	18,240	18,328
Total loans and borrowings	**586,710**	555,546	525,184

Loans and borrowings have been restated in FY22 and FY21. Please refer to note 3.31 for further details of the restatement.

The Group has drawn committed borrowing facilities at 31 May, for which all conditions have been met, as follows:

2023	**Fixed rate £000**	**Total**
Expiry in 2-3 years	**23,054**	23,054
Expiry in 3-4 years	**425,498**	425,498
Expiry in over 4 years	**99,114**	99,114
	547,666	547,666

21. Loans and borrowings (continued)

2022	**Fixed rate £000**	**Total**
Expiry in 2-3 years	-	-
Expiry in 3-4 years	**19,000**	19,000
Expiry in over 4 years	**500,494**	500,494
	519,494	519,494

Unitranche loan
The loan of £420m is repayable on maturity, being 23rd March 2027. Accrued interest is payable semi-annually in March and September, calculated at a rate of SONIA +6% per annum. Accrued interest at 31 May 2023 was £7.8m (2022: £14.2m).

Revolving credit facility
The loan of £23m is repayable on maturity, being 23rd March 2026. A further £4m was issued on 29 September 2022. Accrued interest is payable semi-annually in March and September, calculated at a rate of SONIA +3% per annum. Accrued interest at 31 May 2023 was £0.3m (2022: £0.1m).

ICG loan notes
There are loan notes of £11.9m less arrangement fees of £0.3m with Magenta VI Investment S.a.r.l. and Magenta VI Financing S.a.r.l. which are repayable on maturity (being 22 March 2030) or on exit from the group. Accrued interest is repayable on the same date, calculated at a rate of 15% - 20% per annum. A further £5m loan notes were issued on 2 February 2023 with Magenta VI Investment S.a.r.l and Magenta VI Financing S.a.r.l repayable at the same date and accruing at the same interest rate as the above. Accrued interest at 31 May 2023 was £7.5m (2022: £4.0m).

IFX loan notes
There are loan notes of £11.9m less arrangement fees of £0.3m with Inflexion Partnership Capital II Investments LP and Inflexion Partnership Supplemental V Investments LP which are repayable on maturity (being 22 March 2030) or on exit from the group. Accrued interest is repayable on the same date, calculated at a rate of 15% - 20% per annum. A further £5m loan notes were issued on 1st February 2023 with Inflexion Partnership Capital II Investments LP and Inflexion Partnership Supplemental V Investments LP repayable at the same date and accruing at the same interest rate as the above. Accrued interest at 31 May 2023 was £7.5m (2022: £4.0m).

ICG PIK loan notes
The loan of £45m less arrangement fees of £1.3m with Magenta VI Financing S.a.r.l. is repayable on maturity (being 22 March 2030), or on exit from the group. Accrued interest is repayable on the same date, calculated at a rate of 10% per annum and compounded every 6 months. Accrued interest at 31 May 2023 was £16.3m (2022: £10.7m).

The loans have arrangement fees which are capitalised and amortised. At 31 May 2023 the loan arrangement fees which have been capitalised were £20.1m (2022: £20.1m) and the accumulated amortisation was £9.1m (2022: £6.2m). Refer to the Director's report for further information on the Group's capital management.

21. Loans and borrowings (continued)

Company

	2023 £000	2022 *£000*
Non-current assets		
A Rollover Loan Notes	46,437	41,329
Total loans and borrowings	46,437	41,329

A Rollover Loan Notes

The A rollover loan notes receivable of £32m with Free Flow Bidco Limited are repayable on maturity, being exit from the Group. Accrued interest is repayable on the same date, calculated at a rate of 12% per annum compounded 6 months until redemption. The interest accrued at 31 May 2023 was £14.4m (2022: £9.3m).

22. Provisions

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

22. Provisions (continued)

Dilapidations

The provision is in respect of reinstatement obligations relating to leasehold properties and are expected to arise at the end of the lease. The leases covered by the provision have a maximum remaining term of between 8 and 9 years.

Contract Provision

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

23. Contingent Consideration

	Contingent Consideration £000
At 1 June 2022	**9,887**
Utilised during the period	(2,887)
Released during the period	-
Unwind of discount	506
Fair value increase/(decrease)	(2,106)
At 31 May 2023	**5,400**

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

Contingent consideration is made up of £5.4m (2022: £5.6m) from the Parktrade acquisition. The Parktrade contingent consideration agreement is based on an annual performance measure of EBITDA and contains a cap on the maximum amount that can be paid. The Parktrade contingent consideration has reached its maximum cap in FY23 based on Parktrade's actual FY23 performance.

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

24. Share capital

Authorised

Shares treated as equity	**2023 Number**
Ordinary A shares of £0.000100 each	**4,714,088**
Ordinary B shares of £0.000100 each	**2,543,652**
Ordinary C shares of £0.000100 each	**1,252,260**
Ordinary D1 shares of £0.000100 each	**1,050,000**
Ordinary D2 shares of £0.000100 each	**450,000**
Preference A1 shares of £0.000001 each	**117,855,324**
Preference A2 shares of £0.000001 each	**63,727,174**
Preference A3 shares of £0.000001 each	**30,741,273**
Preferred Preference A1 shares of £0.000001 each	**100,000**
	222,433,771

Total authorised and issued share capital is £1,213. On issuance of shares on 23 March 2020 there was a share premium reserve created of £217,339,000 less share transaction costs of £5,557,000.

The Preferred Preference Shares are entitled to a Preferred Preference Dividend if the specified EBITDA target is met from 1 June 21. The A Preference Shares are equally eligible to a Preference Dividend from the date on which it is issued. The A Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D1 Ordinary Shares and D2 Ordinary Shares are all equally eligible to receive dividends as if one class. The Preferred Preference Dividend (if any) and PIK Note interest ranks ahead of the A Preference Dividend and any dividend or distribution on the Ordinary Shares. The A Preference Dividend ranks ahead of any dividend or other distribution declared or paid in respect of the Ordinary Shares.

All shares are eligible to the repayment of capital in line with the Articles of Association.

Each Ordinary Share shall entitle its holder to receive notice of, to attend and to vote at any general meeting and to receive, agree to and vote on any written resolution with one vote per Ordinary Share.

No Preference Share shall entitle its holder to receive notice of, to attend or to vote at any general meeting or to receive, to agree to or to vote on any written resolution.

24. Share capital (continued)

Issued and fully paid

	2023 Number
Ordinary A shares of £0.000100 each	
At 1 June and 31 May	**4,714,088**

The value of authorised and issued share capital is £471. Each Ordinary A Share shall be entitled to one vote. One A Ordinary share was issued at par on formation of the Company. On 23 March 2020 the remaining shares were issued at a premium.

	2023 Number
Ordinary B shares of £0.000100 each	
At 1 June and 31 May	**2,543,652**

The value of authorised and issued share capital is £254. Each Ordinary B Share shall be entitled to one vote. The shares were issued at a premium on 23 March 2020.

	2023 Number
Ordinary C shares of £0.000100 each	
At 1 June and 31 May	**1,252,260**

The value of authorised and issued share capital is £125. Each Ordinary C Share shall be entitled to one vote. The shares were issued at a premium on 23 March 2020.

	2023 Number
Ordinary D1 shares of £0.000100 each	
At 1 June and 31 May	**1,050,000**

The value of authorised and issued share capital is £105. Each Ordinary D1 Share shall be entitled to one vote. The shares were issued at a premium on 23 March 2020.

24. Share capital (continued)

	2023 Number
Ordinary D2 shares of £0.000100 each	
At 1 June and 31 May	**450,000**

The value of authorised and issued share capital is £45. Each Ordinary D2 Share shall be entitled to one vote. The shares were issued at a premium on 23 March 2020.

	2023 Number
Preference A1 shares of £0.000001 each	
At 1 June and 31 May	**117,855,324**

The value of authorised and issued share capital is £118. Holders of preference shares are not entitled to vote. The shares were issued at a premium on 23 March 2020.

	2023 Number
Preference A2 shares of £0.000001 each	
At 1 June and 31 May	**63,727,174**

The value of authorised and issued share capital is £64. Holders of preference shares are not entitled to vote. The shares were issued at a premium on 23 March 2020.

	2023 Number
Preference A3 shares of £0.000001 each	
At 1 June and 31 May	**30,741,273**

The value of authorised and issued share capital is £31. Holders of preference shares are not entitled to vote. The shares were issued at a premium on 23 March 2020.

24. Share capital (continued)

	2023 Number
Preferred Preference shares of £0.000001 each	
At 1 June and 31 May	**100,000**

The value of authorised and issued share capital is less than £1. Holders of preference shares are not entitled to vote. The shares were issued at a premium on 23 March 2020.

25. Reserves

The Company's reserves are as follows:

Share premium

The share premium reserve represents the premium paid on shares issued less any transaction costs.

Other reserves

The other reserve relates to an adjustment arising on business combination relating to the element of the preference shares held by management that are dependent on employment and accounted for in line with IAS 19.

Retained earnings

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

26. Analysis of amounts recognised in other comprehensive income

	Retained earnings £000
Period to 31 May 2023	
Actuarial gain on defined benefit pension schemes	1,267
Deferred taxation on defined pension gain	(370)
	897

	Retained earnings £000
Period to 31 May 2022	
Actuarial gain on defined benefit pension schemes	1,841
Deferred taxation on defined pension gain	(679)
	1,162

27. Leases

Group

(i) Leases as a lessee

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

Lease liabilities are due as follows:

	2023 £000	*2022 £000*
Contractual discounted cash flows due		
Not later than one year	**7,481**	7,489
Between one year and five years	**16,933**	13,964
Later than five years	**6,496**	3,848
	30,910	25,301

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

There were no leases with variable payments linked to indexation.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 May 2023 were as follows:

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

27. Leases (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 May 2022 were as follows:

	Within 1 year £000	2 – 5 years £000	After 5 years £000	Total £000
Lease payments	8,550	15,944	4,393	28,887
Finance charges	(1,061)	(1,980)	(545)	(3,586)
	7,489	13,964	3,848	25,301

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

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

	2023 £000	2022 £000
Short term leases	610	228
	610	228

28. Financial instruments – fair values and risk management

28.1 Financial risk management objectives

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

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

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

Volumes not guaranteed
Many of the group's contracts do not guarantee a set volume of work to be issued. The group manages this risk by maintaining a broad client base and a range of income streams. These income streams include civil parking services, DVLA services, consulting, traffic technology, business process outsourcing, enforcement and commercial debt.

28.2 Interest rate risk management

The Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. At the balance sheet date, an interest rate swap hedging arrangement was in place which hedged £315m of the £420m Unitranche loan from floating to fixed. This arrangement lapsed on 29 September 2023. A new hedging arrangement was entered into on 29 September 2023 which caps the SONIA rate to a maximum of 5.5% on £315m of the £420m Unitranche loan.

Interest rate sensitivity analysis

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-0.5%. These changes are considered to be reasonably possible based on observation of current market conditions.

Loans
A new hedging arrangement was entered into on 29 September 2023 which caps the SONIA rate to a maximum of 5.5% on £315m of the £420m Unitranche loan. The instrument protects the business from an increase in cash outflows on interest payments on £315m of our unitranche debt. At the signing date of the financial statements SONIA is approximately 5.2%. A +/-0.5% movement in the interest rate would impact the Unitranche and RCF loans which are subject to the SONIA rate and would result in a movement in loss before tax of (£1.6m)/£2.2m respectively.

28. Financial instruments – fair values and risk management (continued)

28.3 Capital market risk

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

The capital structure of the Group consists of intercompany debt, and equity, comprising issued capital and retained earnings.

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

28.4 Cashflow and credit risk management

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

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

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

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

	Current £000	Over 30 days £000	Over 60 days £000	Over 90 days £000	Total £000
31 May 2023					
Expected credit loss rate	**0%**	**0%**	**0%**	**32%**	
Gross carrying amount	**24,694**	**1,106**	**392**	**587**	**26,779**
Lifetime expected credit loss	**0**	**0**	**0**	**189**	**189**

28. Financial instruments – fair values and risk management (continued)

28.4 Cashflow and credit risk management (continued)

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

28.5 Liquidity risk management

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

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

28.6 Fair value measurements/Financial instruments

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

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

No related party transactions occurred in the period.

	2023 £000	2022 £000
Financial assets		
Trade receivables (note 17)	**26,590**	20,399
Other receivables (note 17)	**8,402**	3,670
Cash and cash equivalents	**15,522**	14,291
Derivatives (note 18)	**6,912**	49,651
	57,426	88,011

28. Financial instruments – fair values and risk management (continued)

28.6 Fair value measurements/Financial instruments (continued)

Financial Liabilities

As at 31 May 2023 the Group's liabilities have contractual maturities which are summarised below:

	Current Within 6 months £000	Current 6 to 12 months £000	Non-current 1 to 5 years £000	Non-current Over 5 years £000
Trade and other payables (note 19)	45,037	-	-	-
Bank loans and loan notes (note 21)	8,134	-	448,552	99,114
Contingent consideration (note 23)	5,400	-	-	-
	58,571	**-**	**448,552**	**99,114**

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

	Current Within 6 months £000	Current 6 to 12 months £000	Non-current 1 to 5 years £000	Non-current Over 5 years £000
Trade and other payables (note 19 as restated)	37,343	-	-	-
Bank loans and loan notes (note 21 as restated)	10,751	-	442,645	76,849
Contingent consideration (note 23)	-	-	9,887	-
	48,094	**-**	**452,532**	**76,849**

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 3.

29. Defined benefit schemes

Prudential Platinum - NSL Limited

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

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

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

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

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 31 December 2024. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 31 December 2021. The results of that valuation have been projected to 31 May 2023 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

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

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

29. Defined benefit schemes (continued)

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.

The amounts recognised in comprehensive income are:

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

The principal actuarial assumptions used were:

	31 May 2023	31 May 2022
Liability discount rate	5.40%	3.45%
Inflation assumption – RPI	3.10%	3.25%
Inflation assumption – CPI pre 2030	2.10%	2.25%
Inflation assumption – CPI post 2030	3.00%	3.05%
Rate of increase in salaries (average)	3.10%	2.00%
Revaluation of deferred pensions:		
In line with RPI	3.10%	3.25%
In line with CPI pre 2030	2.10%	2.25%
In line with CPI post 2030	3.00%	3.05%
Increases for pensions in payment:		
RPI max 6%	3.10%	3.25%

29. Defined benefit schemes (continued)

Mortality assumption – pre retirement	See below	See below
Mortality assumption – male post retirement	SAPS S3PMA CMI_2021_M 1.5% long term trend	SAPS S3PMA CMI_2018_M 1.5% long term trend
Mortality assumption – female post retirement	SAPS S3PFA CMI_2021_F 1.5% long term trend	SAPS S3PFA CMI_2018_F 1.5% long term trend
Expected age at death of current pensioner at age 65		
Male aged 65 at year end	85.9	87.1
Female aged 65 at year end	88.8	89.4
Expected age at death of future pensioner at age 65		
Male aged 45 at year end	87.2	88.9
Female aged 45 at year end	90.3	91.2

Changes in the present value of assets over the period

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

29. Defined benefit schemes (continued)

Changes in the present value of liabilities over the period

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

The major categories of scheme assets are as follows:

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

29. Defined benefit schemes (continued)

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

The Company expects to contribute £293,000 to the Scheme during year ending 31 May 2024.

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £87,000 (increase by £89,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £86,000 (decrease by £85,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

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

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

29. Defined benefit schemes (continued)

Local Government Pension Scheme - NSL Limited

NSL Limited (NSL) participated in 13 local Funds of the Local Government Pension Scheme ("the Scheme") over the financial year (excluding those where a pass through agreement is in place). The LGPS is a funded multi-employer defined benefit pension scheme in the UK. Each LGPS Fund is administered by the Local Authority named as the 'Administering Authority'. The Administering Authority act in the interest of the Scheme and all relevant stakeholders, including the members and all the participating employers. The Administering Authority is also responsible for the investment of the Fund's assets. At the year-end NSL participated in 12 local Funds. Over the year NSL ceased participation in the Northamptonshire Pension fund.

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

Active members of the Scheme pay contributions as set out in LGPS Regulations. NSL pay contributions to each Fund in which it participates at different rates, set at each triennial valuation by the Fund Actuary and documented in the Rates and Adjustments certificate. The previous actuarial valuation was carried out as at 31 March 2022 (31 March 2020 in Scotland), following which contribution rates for the period 2023 to 2026 were set (rates for the period 2021 to 2024 were set in Scotland at the 2020 valuation). The next actuarial valuation takes place as at 31 March 2025 (31 March 2023 in Scotland - which is currently not finalised), following which contribution rates from 1 April 2026 (1 April 2024 in Scotland) will be set. The Fund Actuaries are required to use prudent assumptions to value the liabilities and the costs of the Scheme whereas the approach to setting the accounting assumptions is prescribed in the accounting standards.

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

NSL participate 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 statement of financial position are as follows:

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

29. Defined benefit schemes (continued)

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

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

The principal actuarial assumptions used were:

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

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

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

29. Defined benefit schemes (continued)

Changes in the present value of assets over the period

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

Changes in the present value of liabilities over the period

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

29. Defined benefit schemes (continued)

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

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

The major categories of scheme assets are as follows:

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

29. Defined benefit schemes (continued)

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

The Scheme has no investments in NSL.

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

Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.5 percent lower, the scheme liabilities would increase by £1.5m if all the other assumptions remained unchanged.

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

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

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

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

30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were reportable related party transactions in the year of £180,000 with ICG (2022: £210,000) and £168,000 with Inflexion (2022: £140,000). At the balance sheet date, there was £111,000 (2022: £25,000) due to ICG and £390,000 (2022: £210,000) due to Inflexion included within creditors.

31. Reconciliation of liabilities arising from financing activities

	Long term bank loans and loan notes £000	Lease liabilities £000	Total £000
1 June 2022	**530,245**	**25,301**	**555,546**
Cashflows			
Repayment of interest and capital	(40,643)	(9,183)	(49,826)
Proceeds	14,054	-	14,054
Non Cash			
Interest accrued	49,270	1,974	51,244
Net additions/disposals	-	12,818	12,818
Interest expense on borrowings at amortised cost	2,874	-	2,874
31 May 2023	**555,800**	**30,910**	**586,710**

	Long term bank loans and loan notes £000	Lease liabilities £000	Total £000
1 June 2021	501,435	23,749	525,184
Cashflows			
Repayment of interest and capital	(23,724)	(9,916)	(33,640)
Proceeds	12,000	-	12,000
Non Cash			
Interest accrued	37,660	1,764	39,424
Net additions/disposals	-	9,704	9,704
Interest expense on borrowings at amortised cost	2,874	-	2,874
31 May 2022	**530,245**	**25,301**	**555,546**

32. Contingent liabilities

Contingent liabilities

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

Contingent assets

The Group administer a defined benefit pension scheme (see note 29). During the year, the Group ceased participation in the Northamptonshire local fund and following the cessation, it was identified that there was a funding surplus of £1,080k which is being assessed for the exit credit determination.

33. Events after the reporting date

Group

At the balance sheet date, an interest rate swap hedging arrangement was in place which hedged £315m of the £420m Unitranche loan from floating to fixed. This arrangement lapsed on 29 September 2023. A new hedging arrangement was entered into on 29 September 2023 which caps the SONIA rate to a maximum of 5.5% on £315m of the £420m Unitranche loan.