

Registered number: 12187604

FREE FLOW INTERCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023



FREE FLOW INTERCO LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | S J Callaghan M J Corcoran (resigned 15 September 2023) G Hughes (resigned 11 October 2022) M Johnson (appointed 4 August 2023) |
| Registered number | 12187604 |
| Registered office | 12th Floor One America Square London United Kingdom EC3N 2LS |
| Independent auditors | Cooper Parry Group Limited Sky View Argosy Road East Midlands Airport Castle Donnington 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 |

FREE FLOW INTERCO LIMITED

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FREE FLOW INTERCO LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MAY 2023

Introduction

In preparing this Strategic Report the directors have complied with Section 414C of the Companies Act 2006.

Principal activity

The principal activity of Free Flow Interco Limited is to act as an intermediary holding company for the loan notes of the Group.

Business review

The loss for the year ending 31 May 23 was £39.1m (2022: £152.2m loss) which was mainly caused by an impairment of amounts owed by group undertakings of £31.8m (2022: £147.8m).

Principal risks and uncertainties

As with any business the Company is subject to risks. The directors are of the opinion that a thorough risk management process is adopted, which involves the formal review of all the risks identified. Processes are in place to monitor and mitigate such risks.

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

The Company uses financial instruments consisting of loan notes. The main purpose of these is to raise finance for the Group's operations.

The existence of these financial instruments exposes the group to financial risks, mainly liquidity risk.

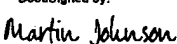
Liquidity risk

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

Financial key performance indicators

The Company has no key performance indicators given its non trading status.

This report was approved by the board on 12 February 2024 and signed on its behalf by:

DocuSigned by:

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M Johnson
Director

FREE FLOW INTERCO LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MAY 2023

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

Results and dividends

The loss for the period, after taxation, amounted to £39,072,000 (2022 - loss £152,172,000).

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

Directors

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

Stephen J Callaghan
Michael J Corcoran (resigned 15 September 2023)
Gareth Hughes (resigned 11 October 2022)
Martin Johnson (appointed 4 August 2023)

Future developments

There are no future developments to bring to attention.

Matters covered in the Strategic Report

The Company's principal activities, risks and uncertainties and business review are set out in the Strategic Report.

Disclosure of information to auditors

The directors confirm that:

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

Post balance sheet events

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

Going Concern

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

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

The base level forecast, reviewed and approved by the Board, was produced through to February 2025, and incorporates a range of assumptions applicable to the individual operating business units. The ability to accurately forecast future business performance varies across business units. Contractually based revenues,

FREE FLOW INTERCO LIMITED

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

which cover our largest business units, are only significantly impacted by contractual changes usually known at least up to 12 months in advance. Other business units, principally Enforcement, Commercial Debt and Traffic Technology, have more variability due to the impact of volumetric changes such as caseload volumes, and these were most impacted by Covid-19 restrictions. In previous periods, our forecasts had to make high level assumptions on the return to pre-pandemic levels of business, which had inherently higher levels of uncertainty. As we move further from the pandemic era and have more trading experience in the post-pandemic environment, we are able to forecast with increased confidence in our assumptions.

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

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

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

Auditors

The auditors, Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Directors' Responsibilities Statement

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

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

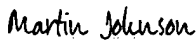
FREE FLOW INTERCO LIMITED

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

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

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

This report was approved by the board on 12 February 2024 and signed on its behalf by:

DocuSigned by:

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M Johnson
Director

FREE FLOW INTERCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREE FLOW INTERCO LIMITED

Opinion

We have audited the financial statements of Free Flow Interco Limited (the 'Company') for the year ended 31 May 2023, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 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.

FREE FLOW INTERCO LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREE FLOW INTERCO LIMITED
(CONTINUED)**

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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 for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities,

FREE FLOW INTERCO LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREE FLOW INTERCO LIMITED
(CONTINUED)**

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, recoverability of trade debtors and recognition of accruals for goods and services received not invoiced.

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.

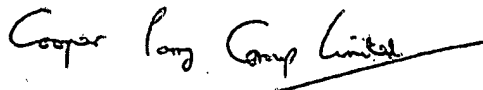
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

FREE FLOW INTERCO LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREE FLOW INTERCO LIMITED
(CONTINUED)**

Use of our report

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



Emre Saka (Senior Statutory Auditor)
Cooper Parry Group Limited
Sky View
Argosy Road
East Midlands Airport
Castle Donnington
Derby
DE74 2SA

12 February 2024

FREE FLOW INTERCO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MAY 2023**

| | Note | 2023 £000 | 2022 £000 |
|--|------|------------------------|-------------------------|
| Expenses | | (12) | (19) |
| Gross loss | | <u>(12)</u> | <u>(19)</u> |
| Interest receivable and similar income | 6 | 5,108 | 4,546 |
| Impairment of amounts owed by group undertakings | 10 | (31,845) | (147,806) |
| Interest payable and similar expenses | 7 | (12,323) | (8,893) |
| Loss before tax | | <u>(39,072)</u> | <u>(152,172)</u> |
| Tax on loss | 8 | - | - |
| Loss for the financial period | | <u><u>(39,072)</u></u> | <u><u>(152,172)</u></u> |

There was no other comprehensive income for 2023 (2022: £NIL)

The notes on pages 12 to 25 form part of these financial statements.

FREE FLOW INTERCO LIMITED
REGISTERED NUMBER: 12187604

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

| | Note | 2023 £000 | 2022 £000 |
|--|------|-------------------------|-------------------------|
| Current assets | | | |
| Debtors | 10 | 33,081 | 54,938 |
| | | <u>33,081</u> | <u>54,938</u> |
| Creditors: amounts falling due within one year* | 11 | (179,652) | (179,651) |
| Net current liabilities | | <u>(146,571)</u> | <u>(124,713)</u> |
| Total assets less current liabilities | | <u>(146,571)</u> | <u>(124,713)</u> |
| Creditors: amounts falling due after more than one year* | 12 | (48,468) | (31,254) |
| Net liabilities | | <u><u>(195,039)</u></u> | <u><u>(155,967)</u></u> |
| Capital and reserves | | | |
| Profit and loss account | 15 | (195,039) | (155,967) |
| | | <u><u>(195,039)</u></u> | <u><u>(155,967)</u></u> |

*Current and non-current liabilities were reclassified in FY22, refer to note 2.13 for further details.

The financial statements were approved and authorised for issue by the board on 12 February 2024 and were signed on its behalf by:

DocuSigned by:

 48AE33CD8B514D3...
M Johnson
 Director

The notes on pages 12 to 25 form part of these financial statements.

FREE FLOW INTERCO LIMITED

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

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|----------------------|
| At 1 June 2021 | - | (3,795) | (3,795) |
| Comprehensive income for the year | | | |
| Loss for the year | - | (152,172) | (152,172) |
| At 1 June 2022 | - | (155,967) | (155,967) |
| Comprehensive income for the period | | | |
| Loss for the year | - | (39,072) | (39,072) |
| At 31 May 2023 | - | (195,039) | (195,039) |

The notes on pages 12 to 25 form part of these financial statements.

FREE FLOW INTERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2023

1. General information

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

The address of its registered office is:

12th Floor One America Square
London
United Kingdom
EC3N 2LS

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

Reclassification of prior year balances

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Statement of Financial Position for fiscal year ended 31 May 2022, to reclassify the interest on the ICG and IFX loan notes from current to non-current liabilities. The amount of the reclassification was £7,952,000. This change in classification does not affect previously reported activities in the Statement of Comprehensive Income.

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

2. Accounting policies (continued)**2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

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

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

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

The following principal accounting policies have been applied:

2.3 Exemption from preparing consolidated financial statements

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by s401 of the Companies Act 2006 because it is a wholly owned subsidiary of Free Flow Topco Limited which prepares consolidated financial statements that are publicly available. These financial statements therefore present information about the Company as an individual undertaking and not about its group. Consolidated accounts are available from 12th Floor One America Square, London, United Kingdom, EC3N 2LS.

2.4 Going concern

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

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

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

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

2. Accounting policies (continued)**2.4 Going concern (continued)**

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

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

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

2.5 Interest income

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

2.6 Finance costs

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

2.7 Borrowing costs

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

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

2. Accounting policies (continued)

2.8 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

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

2.11 Creditors

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

2.12 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

2. Accounting policies (continued)

2.12 Financial instruments (continued)

out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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

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

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

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

2. Accounting policies (continued)

2.13 Prior year reclassified balances

During the year it was identified that the classification of the loans in the financial statements for FY22 required amending. In prior years, the accrued interest on the ICG and IFX loan notes had been classified as a current asset within accruals and deferred income. As these amounts are due after more than 12 months, they have been restated to non-current with no impact to net assets.

The impact on the notes of the above adjustments is as follows:

Note 11. Creditors: Amounts falling due within one year

| | Restated 2022 £000 | Original 2022 £000 | Variance £000 |
|------------------------------|--------------------------|--------------------------|------------------|
| Accruals and deferred income | <u>-</u> | <u>7,952</u> | <u>(7,952)</u> |

Note 12. Creditors: Amounts falling due after more than one year

| | Restated 2022 £000 | Original 2022 £000 | Variance £000 |
|-------------|--------------------------|--------------------------|------------------|
| Other loans | <u>31,254</u> | <u>23,302</u> | <u>7,952</u> |

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

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Impairment of amounts owed by group undertakings

Amounts owed by group undertakings at 31 May 2023 were £33,079,000 (2022: £54,937,000). In the year, we have assessed the recoverability of the amounts owed by group undertakings and identified indications of impairment. The impairment applied to amounts owed by group undertakings totals £179,651,000 (2022: £147,806,000).

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

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

4. Auditors' remuneration

| | 2023 | 2022 |
|---|-------------|-------------|
| | £000 | £000 |
| Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements | 7 | 6 |

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2022 - £NIL).

6. Interest receivable and similar income

| | 2023 | 2022 |
|---|--------------|--------------|
| | £000 | £000 |
| Interest receivable on loans from Group companies | 5,108 | 4,546 |
| | 5,108 | 4,546 |

7. Interest payable and similar expenses

| | 2023 | 2022 |
|--|---------------|--------------|
| | £000 | £000 |
| Other loan interest payable | 7,129 | 4,261 |
| Amortisation of loan arrangement fees | 86 | 86 |
| Interest payable on loans from Group companies | 5,108 | 4,546 |
| | 12,323 | 8,893 |

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

8. Taxation

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Total current tax | - | - |
| Total deferred tax | - | - |
| Taxation on profit on ordinary activities | - | - |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - *higher than*) the standard rate of corporation tax in the UK of 20% (2022 - 19%). The differences are explained below:

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Loss on ordinary activities before tax | (39,072) | (152,172) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2022 - 19%) | (7,814) | (28,913) |
| Effects of: | | |
| Non-tax deductible amortisation of goodwill and impairment | - | 28,083 |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 7,812 | 826 |
| Group relief | (311) | (93) |
| Transfer pricing adjustments | 313 | 97 |
| Total tax charge for the period/year | - | - |

9. Fixed asset investments

The company has an investment of £1, which relates to Free Flow Pikco Limited, the only direct undertaking of the company.

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

Subsidiary undertakings

Free Flow Pikco Limited is the only direct undertaking of the company. All other undertakings are indirect.

The following were subsidiary undertakings of the Company:

| Name of subsidiary | Principal activity | Place of incorporation or operation | Proportion of interest and voting power held by the Group (%) | |
|--|------------------------------|-------------------------------------|---|------|
| | | | 2023 | 2022 |
| 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 |
| Vortex IOT Limited | Sale of air quality sensors | United Kingdom (1) | 100 | 100 |
| Collectica Limited | Enforcement services | United Kingdom (1) | 100 | 100 |

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

| | | | | |
|---------------------------------------|---|--------------------|-----|-----|
| Swift Credit Services Limited | Enforcement services | United Kingdom (1) | 100 | 100 |
| Marston Group Limited | Enforcement services | United Kingdom (3) | 100 | 100 |
| AA Hutton LLP | Sheriff officers | United Kingdom (2) | 100 | 100 |
| Scott & Co (Scotland) LLP | Sheriff officers | United Kingdom (6) | 100 | 100 |
| Moreton Smith Receivables Limited | International debt collection | United Kingdom (3) | 100 | 100 |
| Rossendales Limited | Enforcement services | United Kingdom (3) | 100 | 100 |
| Grosvenor Services Group Limited | Field service delivery | United Kingdom (1) | 100 | 100 |
| Grosvenor Legal Services Limited | Dormant company | United Kingdom (1) | 100 | 100 |
| Marston Legal Services Limited | Enforcement services | United Kingdom (1) | 100 | 100 |
| Engage Services (ESL) Limited | Regulated services | United Kingdom (1) | 100 | 100 |
| Videalert Development Limited | Technology | United Kingdom (1) | 100 | 100 |
| Videalert Limited | Traffic management & enforcement solutions | United Kingdom (1) | 100 | 100 |
| Parktrade Europe AB | Payment management & debt recovery | Sweden (5) | 100 | 100 |
| Logic Valley Technologies Pvt Limited | Technology department, payment management & debt recovery | India (4) | 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 |

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

| | | | | |
|-----------------------------------|------------------------------------|--------------------|-----|-----|
| Field Services Investment Limited | Intercompany holding company | United Kingdom (1) | 100 | 100 |
| Smartworks Metering Limited | Smart meter & camera installations | United Kingdom (1) | 100 | 100 |
| Engage EV Limited | Smart meter & camera installations | United Kingdom (1) | 100 | 100 |
| Gasworks UK Limited | Smart meter & camera installations | United Kingdom (1) | 100 | 100 |
| Future Energy Metering Limited | Dormant company | United Kingdom (1) | 100 | 100 |

Registered addresses:

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

10. Debtors

| | 2023 | 2022 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts owed by group undertakings | 33,079 | 54,937 |
| Other debtors | 2 | 1 |
| | 33,081 | 54,938 |

Amounts owed by group undertakings are interest free, unsecured and repayable on demand. The impairment applied to amounts owed by group undertakings totals £179,651,000 (2022: £147,806,000).

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

11. Creditors: Amounts falling due within one year

| | 2023 | <i>As restated</i> |
|------------------------------------|-----------------------|--------------------|
| | £000 | 2022 |
| | | £000 |
| Amounts owed to group undertakings | 179,652 | 179,651 |
| | <u>179,652</u> | <u>179,651</u> |

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

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

| | 2023 | <i>As reclassified</i> |
|-------|----------------------|------------------------|
| | £000 | 2022 |
| | | £000 |
| Loans | 48,468 | 31,254 |
| | <u>48,468</u> | <u>31,254</u> |

The aggregate amount of liabilities repayable wholly or in part more than five years after the reporting date is:

| | 2023 | <i>As reclassified</i> |
|-------------------------------------|----------------------|------------------------|
| | £000 | 2022 |
| | | £000 |
| Repayable other than by instalments | 48,468 | 31,254 |
| | <u>48,468</u> | <u>31,254</u> |

See note 13 for description of loans.

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

13. Loans

Analysis of the maturity of loans is given below:

| | 2023 | <i>As reclassified</i> 2022 |
|--|---------------|---|
| | £000 | £000 |
| Amounts falling due after more than 5 years | | |
| Other loans | 48,468 | 31,254 |
| | 48,468 | 31,254 |
| | 48,468 | 31,254 |

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 2 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).

14. Share capital

| | 2023 | 2022 |
|---|-------------|-------------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 1 (2022 - 1) Ordinary Share of £1.00 | - | - |

15. Reserves

Profit and loss account

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

FREE FLOW INTERCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2023**

16. Post balance sheet events

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

17. Ultimate controlling party

Free Flow Topco Limited is the immediate parent undertaking of Free Flow Interco Limited.

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