

Registered number: 09840182

MAGENTA BIDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020



MAGENTA BIDCO LIMITED

COMPANY INFORMATION

Directors	R J Shearer (resigned 5 June 2020) G Hughes (resigned 23 March 2020) R J Anderson (appointed 23 March 2020) M S Watson (appointed 5 June 2020)
Company secretary	Squire Patton Boggs Secretarial Services Limited
Registered number	09840182
Registered office	Embassy House 60 Church Street Birmingham B3 2DJ
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	Lloyds Bank Plc 10 Gresham Street London EC2V 7AE
Solicitors	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP Travers Smith LLP 10 Snow Hill London EC1A 2AL

MAGENTA BIDCO LIMITED

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MAGENTA BIDCO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2020

Introduction

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

Principal activity

Magenta Bidco Limited holds external loan relationships and provides strategic management services to Marston (Holdings) Limited, in which it holds a significant investment (please refer to note 11).

Marston (Holdings) Limited provides an integrated range of transportation services, including:

- transportation consulting;
- transportation technology;
- transportation back office processing;
- DVLA services;
- civil parking services;
- road traffic debt recovery;
- airport transportation; and
- motor vehicle recoveries.

It also provides other debt recovery and enforcement services, including:

- criminal fine enforcement;
- council tax recovery;
- civil enforcement;
- field services; and
- other enforcement.

In the current year a loan reorganisation was undertaken in order to simplify the intercompany loan position within Marston Corporate Limited and its subsidiaries. As part of the loan reorganisation, the bank loan of £225,000,000 was repaid in the year, along with any interest due.

The loan rationalisation impacts were taken directly to Reserves.

Fair review of the company and its investment

The directors are satisfied with the performance of Magenta Bidco Limited for the period.

Company turnover for the year was £5m (year ended 31 May 2019: £18m). The reduction on the prior year is due to the reduction in the provision of strategic management services to Marston (Holdings) Limited.

The value of the investment in Marston (Holdings) Limited is supported by its trading performance.

Marston (Holdings Limited) had a strong performance in the year, and we note the following key performance indicators:

- Turnover decreased from £297m to £287m (a decrease of 3.3%);
- Operating profit decreased by 2.8% (from £21.1m to £20.5m);
- Operating profit margin remained stable at 7.1%;
- Profit for the year increased by 2.1% (from £19.4m to £19.8m);
- Cash and cash equivalents decreased by 3.7% (from £26.7m to £25.7m);
- Current assets increased by 153% (from £77.6m to £196.6m); and
- Net assets increased by 159% (from £104.7m to £271.6m).

MAGENTA BIDCO LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020**

Principal risks and uncertainties

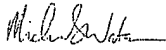
As Magenta Bidco Limited generates income through the charging of management personnel as a strategic services charge, it is not subject to significant operational and financial risks.

Future developments

There are no future developments to bring to attention

This report was approved by the board on 10/3/2021

and signed on its behalf.



.....
M S Watson
Director

MAGENTA BIDCO LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2020**

The directors present their report and the financial statements for the year ended 31 May 2020.

Results and dividends

The loss for the year, after taxation, amounted to £22,174,000 (2019 - loss £4,902,000).

The directors do not recommend a payment of a dividend (2019 - £NIL).

Directors

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

R J Shearer (resigned 5 June 2020)
G Hughes (resigned 23 March 2020)
R J Anderson (appointed 23 March 2020)
M S Watson (appointed 5 June 2020)

Engagement with employees

Platinum Investors in People accreditation

The Board recognises the importance of its employees, and this is reflected in the Group being awarded Platinum Investors in People accreditation in November 2020.

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

Employers' Initiative on Domestic Abuse

Marston became a founding member of the Employers' Initiative on Domestic Abuse in November 2020.

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

Inclusion Initiative

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

To further support this, we launched an Inclusion Initiative in December 2020. 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.

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's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

MAGENTA BIDCO LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020**

Post balance sheet events

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

Going Concern

The directors have considered forecast financial performance, recoverability of assets and financial viability for the period extending at least 12 months from the date of approval of these financial statements, including scenario analysis and stress testing in relation to Covid-19 (for example the impact of continued social distancing measures on the Group's forecast revenues, and the impact of the UK government's lockdown roadmap set out on 22 February) and continued covenant compliance.

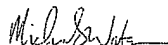
As a result, the directors have reasonable expectation that there are adequate resources for the company to continue in operational existence for the foreseeable future, and have therefore adopted the going concern basis in preparing these financial statements.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 10/3/2021

and signed on its behalf.



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M S Watson
Director

MAGENTA BIDCO LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2020**

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

MAGENTA BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAGENTA BIDCO LIMITED

Opinion

We have audited the financial statements of Magenta Bidco Limited (the 'company') for the year ended 31 May 2020, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid 19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid 19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with a course of action associated with these particular events.

MAGENTA BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAGENTA BIDCO LIMITED (CONTINUED)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditors' Report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MAGENTA BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAGENTA BIDCO LIMITED (CONTINUED)

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 5, 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 Auditors' 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.

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 Auditors' 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 Auditors' 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.

MAGENTA BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAGENTA BIDCO LIMITED (CONTINUED)

Grant Thornton UK LLP

Gary Jones
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date:
10/3/2021

MAGENTA BIDCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2020

	Note	2020 £000	2019 £000
Turnover	4	4,641	18,367
Administrative expenses		(1,562)	(1,466)
Staff costs	7	(3,008)	(3,287)
Operating profit		71	13,614
Interest payable and expenses	9	(23,113)	(17,648)
Loss before tax		(23,042)	(4,034)
Tax on loss	10	868	(868)
Loss for the financial year		(22,174)	(4,902)

There was no other comprehensive income for 2020 (2019: £nil).

The notes on pages 13 to 26 form part of these financial statements.

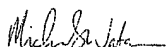
The above results were derived from continuing operations.

MAGENTA BIDCO LIMITED
REGISTERED NUMBER: 09840182

BALANCE SHEET
AS AT 31 MAY 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	11	671,320	521,201
		<u>671,320</u>	<u>521,201</u>
Current assets			
Debtors	12	51,985	161,782
		<u>51,985</u>	<u>161,782</u>
Creditors: amounts falling due within one year	13	(386,625)	(364,009)
Net current liabilities		<u>(334,640)</u>	<u>(202,227)</u>
Total assets less current liabilities		<u>336,680</u>	<u>318,974</u>
Creditors: amounts falling due after more than one year		-	(214,629)
Net assets		<u><u>336,680</u></u>	<u><u>104,345</u></u>
Capital and reserves			
Other reserves	17	217,091	-
Profit and loss account	17	119,589	104,345
		<u><u>336,680</u></u>	<u><u>104,345</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10/3/2021



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M S Watson
 Director

The notes on pages 13 to 26 form part of these financial statements.

MAGENTA BIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 June 2018	-	-	109,247	109,247
Comprehensive income for the year				
Loss for the year	-	-	(4,902)	(4,902)
At 1 June 2019	-	-	104,345	104,345
Comprehensive income for the year				
Loss for the year	-	-	(22,174)	(22,174)
Capital contribution (Note 17)	-	217,091	-	217,091
Loan reorganisation	-	-	37,418	37,418
At 31 May 2020	-	217,091	119,589	336,680

The notes on pages 13 to 26 form part of these financial statements.

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

1. General information

Magenta Bidco 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:
Embassy House,
60 Church Street,
Birmingham,
B3 2DJ

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 2.

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).

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 2020 and these financial statements may be obtained from Embassy House, 60 Church Street, Birmingham, B3 2DJ.

The following principal accounting policies have been applied:

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

2. Accounting policies (continued)

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.

2.4 Going concern

The directors have considered forecast financial performance, recoverability of assets and financial viability for the period extending at least 12 months from the date of approval of these financial statements, including scenario analysis and stress testing in relation to Covid-19 (for example the impact of continued social distancing measures on the Group's forecast revenues, and the impact of the UK government's lockdown roadmap set out on 22 February) and continued covenant compliance.

As a result, the directors have reasonable expectation that there are adequate resources for the company to continue in operational existence for the foreseeable future, and have therefore adopted the going concern basis in preparing these financial statements.

2.5 Turnover

The Company's turnover represents a management charge to other group companies for services provided, exclusive of value added tax.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company's turnover represents a management charge to other group companies for services provided, exclusive of value added tax.

Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

The Company's turnover represents a management charge to other group companies for services provided, exclusive of value added tax.

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

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

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

2. Accounting policies (continued)**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 year in which they are incurred.

2.8 Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

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

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

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

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

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

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

2. Accounting policies (continued)

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.11 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.

2.12 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.

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

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

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

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

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

2. Accounting policies (continued)**2.13 Financial instruments (continued)**

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

2.14 Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, 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 year, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

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

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

2. Accounting policies (continued)

2.15 Share capital

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

2.16 Capital Contribution

Capital contribution from the parent is recognised at fair value of the debt forgiven by the parent company. The debt due is forgiven by the parent and the amount is considered a capital contribution.

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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

4. Turnover

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

	2020 £000	2019 £000
Management charge for services provided	4,641	18,367
	<u>4,641</u>	<u>18,367</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Employee costs (Note 7)	3,008	3,287
	<u>3,008</u>	<u>3,287</u>

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

6. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>6</u>	<u>8</u>

Audit fees are borne by another group company. No other fees were paid to the auditor for non-audit services, which is the same as the prior year.

7. Employees

Staff costs were as follows:

	2020	2019
	£000	£000
Wages and salaries	2,543	2,748
Social security costs	314	359
Cost of defined contribution scheme (see note 18)	151	180
	<u>3,008</u>	<u>3,287</u>

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

	2020	2019
	No.	No.
Administrative	<u>22</u>	<u>20</u>

8. Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£000	£000
Emoluments	672	488
Pension contributions	19	8
	<u>691</u>	<u>496</u>

During the period, retirement benefits were accruing to one directors (2019: one) in respect of money purchase pension schemes. The highest paid director received remuneration of £302,000 (2019: £288,000) and pension contributions of £nil (2019: £nil).

MAGENTA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

9. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	12,741	15,158
Borrowing costs included in cost of qualifying asset	10,372	2,490
	<u>23,113</u>	<u>17,648</u>

The loss for the year is largely attributable to the write off of the capitalised loan arrangement fees.

10. Taxation

	2020 £000	2019 £000
Current tax on profits for the year	-	872
Adjustments in respect of previous periods	(872)	-
Total current tax	<u>(872)</u>	<u>872</u>
Deferred tax		
Origination and reversal of timing differences	-	(4)
Adjustment in respect of previous periods	4	-
Total deferred tax	<u>4</u>	<u>(4)</u>
Taxation on (loss)/profit on ordinary activities	<u>(868)</u>	<u>868</u>

MAGENTA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	(23,042)	(4,034)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(4,378)	(766)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	2,316
Adjustments to tax charge in respect of prior periods	(868)	-
Non-taxable income	216	-
Deferred tax not recognised	2,437	-
Group relief	1,738	(669)
Transfer pricing adjustments	(13)	(13)
Total tax charge for the year	(868)	868

Factors that may affect future tax charges

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax from 19% to 17%. From 1 April 2020, it was confirmed the corporation tax rate will remain at 19% and any deferred taxes at the balance sheet have been calculated based on this rate.

MAGENTA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

11. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 June 2019	521,201
Additions	150,119
At 31 May 2020	<u>671,320</u>

Additions in the year relate to an increase in the investment in Marston (Holdings) Limited. On 4 March 2020 Marston (Holdings) Limited issued 150,119,729 ordinary shares of £1 each at par to the company. The consideration was settled by the way of release and waiver of a loan of the same amount owed from Marston (Holdings) Limited to the company.

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

11. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding %
Direct undertakings				
Marston Resources Limited	United Kingdom	Holding company	Ordinary	100
Marston (Holdings) Limited	United Kingdom	Enforcement services	Ordinary	100
Indirect undertakings				
Swift Credit Services Limited	United Kingdom	Enforcement services	Ordinary	100
Collectica Limited	United Kingdom	Enforcement services	Ordinary	100
Moreton Smith Receivables Limited	United Kingdom	International debt collection	Ordinary	100
Marston Group Limited	United Kingdom	Enforcement services	Ordinary	100
Rossendales Limited	United Kingdom	Enforcement services	Ordinary	100
Marston Legal Services Limited	United Kingdom	Enforcement services	Ordinary	100
NSL Limited	United Kingdom	Upstream transportation services	Ordinary	100
Project Centre Limited	United Kingdom	Transportation consultancy	Ordinary	100
Task Enforcement Limited	United Kingdom	Enforcement services	Ordinary	100
A A Hutton LLP	United Kingdom	Sheriff officers	Ordinary	100
Scott & Co (Scotland) LLP	United Kingdom	Sheriff officers	Ordinary	100
Marston Regulated Services Limited	United Kingdom	Regulated services	Ordinary	92.5
Logic Valley Technologies Pvt Limited	India	Technology development	Ordinary	100
Parktrade Europe AB	Sweden	Payment management & debt recovery	Ordinary	100
Parktrade Europe Limited	United Kingdom	Payment management & debt recovery	Ordinary	100
Videalert Development Limited	United Kingdom	Traffic management and enforcement solutions	Ordinary	100
Videalert Limited	United Kingdom	Traffic management and enforcement solutions	Ordinary	100
Rossendales Collect Limited	United Kingdom	Dormant company	Ordinary	100
Field Services Investment Limited	United Kingdom	Holding company	Ordinary	100
Smartworks Metering Limited	United Kingdom	Smart meter installation	Ordinary	100
Gasworks UK Limited	United Kingdom	Smart meter installation	Ordinary	100
Engage EV Limited	United Kingdom	Debt collection	Ordinary	100
Future Energy Metering Limited	United Kingdom	Smart meter installation	Ordinary	100

Marston Legal Services Limited changed its name from Burlington Credit Limited on 5 February 2020.

MAGENTA BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

12. Debtors

	2020 £000	2019 £000
Due after more than one year		
Deferred tax asset	-	4
	<u>-</u>	<u>4</u>
Due within one year		
Amounts owed by group undertakings	51,556	161,778
Other debtors	429	-
	<u>51,985</u>	<u>161,782</u>

13. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to group undertakings	386,270	363,442
Corporation tax	-	444
Other taxation and social security	355	123
	<u>386,625</u>	<u>364,009</u>

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

14. Loans

Analysis of the maturity of loans is given below:

	2020 £000	2019 £000
Amounts falling due 2-5 years		
Bank loans	-	225,000
	<u>-</u>	<u>225,000</u>
Other loans	-	(10,371)
	<u>-</u>	<u>(10,371)</u>

The bank loan of £225,000,000 was repaid in the year, along with any interest due.

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

15. Deferred taxation

	2020 £000
At beginning of year	4
Credited to profit or loss	(4)
At end of year	£

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Non trading timing differences	-	4
	-	4

16. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
2 (2019 - 2) Ordinary shares of £1.00 each	-	-

17. Reserves

Other reserves

Other reserves represent capital contributions received. The company received a capital contribution of £217,091,000 from Magenta Interco Limited (immediate parent company) in the year.

Profit and loss account

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

18. Pension commitments

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 May 2020 was £151,000 (2019: £39,000). At the year-end, there were outstanding pension contributions of £nil (2019: £nil).

MAGENTA BIDCO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

19. Ultimate controlling party

Magenta Interco Limited is the immediate parent undertaking of Magenta Bidco 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 Embassy House, 60 Church St., Birmingham, B3 2DJ.