MSX International Limited

Annual report for the year ended 31 December 2006

Registered No 1949542

MSX International Limited

Annual report
for the year ended 31 December 2006

Company information

Directors at 31 December 2006

F Minturn
W Kurth

Secretary

J Bignall
Fifth Floor
9 - 10 Market Place
London
W1W 8AQ

Registered office

The Octagon
Middleborough
Colchester
Essex
CO1 1TG

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

Bankers

JPMorgan Chase Bank, N A
125 London Wall
London
EC2Y 5AJ

Directors' Report

For the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activities

The company is a supplier of business services, principally to the automotive industry

Results and Dividends

The company's profit after tax is £1,669,000 (2005 £2,162,000) The directors are unable to recommend payment of a final dividend (2005 £Nil)

Changes in fixed assets

Details of movements on fixed assets during the year are set out in note 8 to the financial statements

Branches

The company operates branches in Norway, Sweden, Denmark, Eire and Finland In 2006 the branch activities contributed 20 38% (2005 8 94%) of the total turnover for the year

Directors

The directors of the company are

F Minturn
W Kurth

Both F Minturn & W Kurth held office throughout the entire year

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment within the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Directors' Report (continued)

For the year ended 31 December 2006

Employee Involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole

Supplier Payment Policy

The Company seeks to maintain good relations with its suppliers It is the company policy to comply with the terms of trade agreed with each supplier As at 31 December 2006, the Company's outstanding trade creditors represents 18 days (2005 12 days)

Business Review & Financial Risk Management

The level of business was lower than in 2005 due to the prior year sale of the Engineering and Staffing divisions, which were sold on 30 June 2005 The company now primarily provides Consultancy services, and concentrates on its three core activities of Integrated Warranty Solutions, Growth Solutions and Technical Solutions

The company reviews monthly forecast sales and margin reports, and compares and investigates results to forecasts The company monitors monthly staff retention and turnover figures

The Company uses the following Key Performance Indicators to monitor the performance of the business

	2006	2005
Gross margin as percentage of turnover	**27 %**	35 %
Support cost centres as percentage of turnover	**13 %**	17 %
Growth, year on year (continuing operations)	**4 %**	12 %
Day sales outstanding (continuing operations)	**53**	83
Sales per employee (all divisions)	**69,000**	100,000

The Directors' financial risk management objective is to maximise financial assets and minimise financial liabilities whilst not engaging in speculation

It is the Company's policy for all work contracts to be supported by a customer Purchase Order and for payment terms to agree with our debtor collection targets Credit checks are instigated for any new business customer Day Sales Outstanding is monitored monthly and receives close scrutiny when showing a variance from target

Directors' Report (continued)

For the year ended 31 December 2006

In March 2007 the company refinanced its bonds (see note 23), and it is considered that this will provide the financial stability in which the company can build upon its current strengths

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (UK GAAP) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable 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 proper accounting records that 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 1985 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

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditors are unaware,
- and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors to the company will be proposed at the annual general meeting

By order of the board

J Bignall
Secretary Date 11/1/2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MSX INTERNATIONAL LIMITED

We have audited the financial statements of MSX International Limited for the year ended 31 December 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MSX INTERNATIONAL LIMITED (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements for the year ended 31 December 2006

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON

11 January 2008

MSX International Limited

Profit and loss account for the year ended 31 December 2006

	Notes	Total 2006 £'000	Continuing Operations 2005 £'000	Discontinued Operations 2005 £'000	Total 2005 £'000
Turnover	2	**14,493**	13,030	14,501	27,531
Cost of sales		**(10,590)**	(8,385)	(13,838)	(22,223)
Gross profit		**3,903**	4,645	663	5,308
Administrative expenses		**(1,817)**	(2,185)	-	(2,185)
Other operating Income/(charges)		**161**	(330)	-	(330)
Loss on disposal of fixed assets		**(2)**	-	-	-
Operating profit	3	**2,245**	2,130	663	2,793
Gain/(loss) on disposal of investments		**(106)**	-	307	307
Net interest receivable/(payable) and similar charges	4	**750**	(1,698)	-	(1,698)
Profit on ordinary activities before taxation		**2,889**	432	970	1,402
Tax (charge)/credit on profit on ordinary activities	7	**(1,220)**	925	(165)	760
Retained profit for the financial year	16,17	**1,669**	1,357	805	2,162

All operating transactions arose from continuing activities in the current year

The movement in reserves is shown in note 16

Statement of Recognised Gains and Losses for the year ended 31 December 2006

	2006	2005
	£'000	£'000
Profit for the financial year	1,669	2,162
Currency translation differences on branch foreign currency net investments	(39)	(112)
Actuarial loss arising on pension scheme liabilities	-	(90)
Deferred tax arising on pension scheme liabilities	-	27
Total gains and losses recognised in the year	1,630	1,987

Balance sheet
as at 31 December 2006

	Notes	**2006**	2005
		£'000	£'000
Fixed assets			
Tangible assets	8	**130**	174
Current assets			
Debtors amounts falling due within one year	9	**16,810**	13,631
Debtors amounts falling due after more than one year	9	**7,775**	10,847
Cash at bank and in hand		**1,425**	4,044
		26,010	28,522
Creditors: amounts falling due within one year	10	**(16,278)**	(10,732)
Net current assets		**9,732**	17,790
Total assets less current liabilities		**9,862**	17,964
Creditors: amounts falling due after more than one year	11	**-**	(9,711)
Net assets excluding pension liability		**9,862**	8,253
Pension liability	14	**(41)**	(62)
Net assets		**9,821**	8,191
Capital and reserves			
Called up share capital	15	**14,183**	14,183
Share premium	16	**517**	517
Profit and loss account	16	**(4,879)**	(6,509)
Shareholders' funds	17	**9,821**	8,191

The financial statements on pages 7 to 25 were approved by the board of directors on 11/11/2008 and were signed on its behalf by

F Minturn
Director

Notes to the financial statements for the year ended 31 December 2006

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention The accounting policies are set out below and remain unchanged from the prior year

Basis of preparation of financial statements and going concern

The financial statements have been prepared on a going concern basis in spite of the fact that the majority of the net asset value is represented by amounts owing by other group companies The going concern basis has been applied with the assurance of the ultimate parent company, MSX International, Inc , that it will indemnify MSX International Limited against any defaults on payment of these balances In addition, results and forecasts following the balance sheet date show evidence of future profits for the company

Consolidated financial statements

The financial statements contain information about MSX International Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of the company's ultimate parent, MSX International Inc, a company registered in the United States of America

Tangible fixed assets

Fixed assets are stated at original cost less accumulated depreciation Depreciation has been provided so as to allocate the cost of tangible fixed assets systematically over their remaining expected useful economic lives The following rates per annum are used

	%
Plant and Machinery	33 straight line
Fixtures and fittings	20 straight line
Motor vehicles	25 straight line
Computer equipment general and specialised computers	20 – 50 straight line
Office equipment	20 straight line

Leasehold premium and improvements are amortised evenly over the remaining term of the lease

Notes to the financial statements for the year ended 31 December 2006 (continued)

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment in the value of investments

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account

Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies including long term assets and liabilities are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account This treatment is required by Statement of Standard Accounting Practice ("SSAP") No 20 and provides a true and fair view of the company's results by recognising exchange movements whether positive or negative In the case of recognising unrealised gains, this treatment is chosen in favour to the application of the general rule Schedule 4 Paragraph 12 of the Companies Act 1985 which states that only profits realised at the balance sheet date should be included in the profit and loss account The unrealised exchange gain (if any) relating to long term foreign currency items is disclosed in note 3

Assets and liabilities of branches in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date and the results of foreign branches are translated at the average rate of exchange for the year Differences on exchange arising from the re-translation of the opening net investment in the branches, and from the re-translation of the results of those branches at the average rate, are taken to reserves

Turnover

Revenues are recognised when supported by a purchase order from the customer and after the service has delivered Turnover is stated net of VAT and trade discounts

Deferred taxation

Deferred taxation is provided on all timing differences that have not reversed before the balance sheet date at the rate of tax expected to apply when those timing differences reverse Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered

Notes to the financial statements for the year ended 31 December 2006 (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pension costs

Pension commitments arising in respect of the defined contribution scheme are charged to the profit and loss account on the basis of contributions payable for the period

FRS 17, Retirement Benefits, deals with the treatment of the Company's defined benefits pension scheme in the accounts and is set out in note 14

Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs Actuarial gains and losses are recognised in the statement of total recognised gains and losses

Leased assets

Expenditure on operating leases is charged to the profit and loss account on a straight line basis over the lease term

Assets acquired under finance leases are capitalised as tangible fixed assets The corresponding leasing commitments are shown as obligations to the lessor Interest on such lease obligations is charged to the profit and loss account on an actuarial basis over the term of the lease

Cash flow statement and related party disclosures

The Company's ultimate parent company, MSX International Inc , produces consolidated statements which are publicly available The company is therefore exempt under the terms of FRS 1 (revised), from publishing a cash flow statement, and under FRS 8, from disclosing related party transactions with entities that are part of the MSX International Inc group

Notes to the financial statements for the year ended 31 December 2006 (continued)

2 Analysis by class of business and geographical area

A segmental analysis of turnover is set out below The main operations are in the UK and Europe

	2006	2005
	£'000	£'000
Class of business		
Collaborative engineering management	-	5,347
Human capital management services	1,356	9,154
Business and technical services	13,137	13,030
	14,493	27,531
Geographical segment (destination)		
United Kingdom	11,467	25,103
Scandinavia	2,954	2,317
Rest of Europe (Ireland)	72	111
	14,493	27,531

3 Operating profit and loss on disposal of investment

Operating profit is stated after charging/(crediting)

	2006	2005
	£'000	£'000
Depreciation charge for the period		
Tangible owned fixed assets	113	253
Auditors' remuneration for audit related services	62	68
Hire of plant and machinery – operating leases	-	551
Hire of other assets – operating leases	850	956
Other operating income – rental income	(587)	(362)
Loss on disposal of fixed assets	2	-
Foreign exchange Items		
Loss on exchange arising on debtors due in more than one year	165	51
Loss on exchange on other inter company balances	265	215

The £106,000 loss (2005 £307,000 profit) on disposal of investments relates to the engineering business which was sold on 30 June 2005

Notes to the financial statements for the year ended 31 December 2006 (continued)

4 Interest

	2006	2005
	£'000	£'000
Interest receivable		
Interest receivable on loans to fellow subsidiary undertakings	527	401
Bank interest received	56	68
Other interest received	22	-
Foreign exchange gain on borrowings	1,194	-
	1,799	469
Interest payable		
On bank loans and overdrafts		
- repayable within 5 years, not by instalments	(31)	(52)
Interest payable on secured notes	(1,021)	(1,020)
Foreign exchange loss on borrowings	-	(1,026)
Preference share dividends	-	(69)
	(1,052)	(2,167)
Other finance income		
Expected return on pension scheme assets	53	47
Interest on pension scheme liabilities	(50)	(47)
	3	-
Net interest receivable/(payable) and similar charges	750	(1,698)

Notes to the financial statements for the year ended 31 December 2006 (continued)

5 Directors' emoluments

No directors (2005 none) received emoluments for services to this company during the year The emoluments are shown below

	2006	2005
	£'000	£'000
Aggregate emoluments	-	-
Company pension contributions	-	-
	-	-

6 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was

	2006	2005
By activity		
Office and management	38	34
Consultants and engineers	152	224
Selling and recruitment	21	17
	211	275

Staff costs		
	£'000	£'000
Wages and salaries (including directors)	6,728	12,424
Social security costs	962	1,094
Other pension costs	101	118
	7,791	13,636

Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Tax on profit on ordinary activities

(a) Analysis of charge/ (credit) in the year

	2006	2005
	£'000	£'000
Current tax		
UK corporation tax on profit	739	11
Overseas tax charge	92	100
Withholding tax not recoverable	-	136
Adjustments to tax in respect of prior periods	106	-
Total Current Tax charge	937	247
Deferred tax charge/(credit) (note 13)	283	(1,007)
Total tax charge/ (credit)	1,220	(760)

(b) Factors affecting tax charge for the year

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	2,889	1,402
Profit on ordinary activities multiplied by standard rate of tax in the UK at 30% (2005 30%)	867	421
Effects of		
Expenses not deductible for tax purposes	7	48
Income not taxable	-	(96)
Excess of capital allowances over depreciation	(221)	(243)
Non-recoverable withholding tax on interest payments	-	136
Short term timing differences	-	(113)
Adjustments in respect of loan relationships	178	-
Chargeable gain	-	165
Adjustments to tax charge in respect of previous period	106	-
Utilisation of brought forward tax losses	-	(71)
Current tax charge for year (note 7 (a))	937	247

(c) Factors that may affect future tax charges

There are no other significant factors known at 31 December 2006, which may affect future tax charges

Notes to the financial statements for the year ended 31 December 2006 (continued)

8 Tangible fixed assets

	Land and Buildings Short Leasehold £'000	Plant and Machinery £'000	Motor Vehicles, Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000
At 1 January 2006	296	18	768	4,527	5,609
Additions	-	-	6	69	75
Disposals	-	-	-	(11)	(11)
At 31 December 2006	**296**	**18**	**774**	**4,585**	**5,673**
Depreciation					
At 1 January 2006	296	18	693	4,428	5,435
Charge for the year	-	-	39	74	113
Disposals	-	-	-	(5)	(5)
At 31 December 2006	**296**	**18**	**732**	**4,497**	**5,543**
Net book value					
At 31 December 2006	**-**	**-**	**42**	**88**	**130**
At 31 December 2005	-	-	75	99	174

The tangible assets have been charged as security for the bank loan of the company (refer to note 12)

Notes to the financial statements for the year ended 31 December 2006 (continued)

9 Debtors

	2006	2005
	£'000	£'000
Amounts falling due within one year		
Trade debtors	3,940	5,241
Amounts recoverable on contracts	39	154
Amounts owed by fellow subsidiary undertakings	11,755	7,026
Amounts owed by ultimate parent undertaking	312	-
Other debtors	515	745
Corporation tax recoverable	-	130
Prepayments and accrued income	249	335
	16,810	13,631
Amounts falling due after more than one year		
Amounts owed by fellow subsidiary undertaking	7,051	9,840
Deferred tax assets (see note 13)	724	1,007
	7,775	10,847

The amount due after more than one year from a fellow subsidiary undertaking represents two separate loans of the following amounts

- EURO 9,433,000 repayable on 28 February 2008
- EURO 1,061,000 which is not expected to be repaid within the foreseeable future
- The company's ultimate parent company has given assurance that it will provide full compensation for any of these amounts which are not ultimately recovered, though the exchange rate risk will continue to be borne by the company

10 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Bank loans and overdrafts (note 12)	8,792	-
Debt element of preference shares	650	650
Contract payments on account	358	540
Trade creditors	3,633	4,293
Amounts owed to fellow subsidiary undertakings	1,227	913
Amounts owed to ultimate parent undertaking	-	2,382
Other taxation and social security	350	281
Corporation tax	744	-
Other creditors	368	654
Accruals and deferred income	156	1,019
	16,278	10,732

Notes to the financial statements for the year ended 31 December 2006 (continued)

11 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Secured Notes (note 12)	-	9,711

Note: Summary of borrowings

	Bank loans & overdrafts and secured notes (note 12)	
	2006	2005
	£'000	£'000
Within one year or on demand	9,538	650
Between two and five years	-	9,895
Finance costs	(96)	(184)
	9,442	10,361

12 Bank loans, overdrafts and secured notes

Bank overdrafts are secured by a guarantee by the ultimate parent company and a fixed and a floating charge over certain assets of the company and of certain subsidiaries of the ultimate parent company

The Secured Notes issued by MSX International Limited and in place during 2006, but redeemed in March 2007 (see note 23) are as follows

1 Senior Secured Note Principal Value USD 10,570,000
Interest is accrued at 11% per annum, payable semi annually The note is split into units, with similar notes issued by MSXI Inc Units are registered and publicly traded in the U S pursuant to an effective S-4 Registration Statement filed with the U S S E C on November 19, 2004

2 Secured Term Loan Principal Value USD 3,500,000
Interest is accrued at 11 50% per annum, payable semi annually The lender is Citicorp Mezzanine III, L P

3 Secured Term Loan Principal Value USD 2,391,783
Interest is accrued at 10% per annum The lender is Court Square Capital Limited

In addition to the borrowings mentioned above the company has a line of credit available to it of $10 million

Notes to the financial statements for the year ended 31 December 2006 (continued)

13 Deferred taxation

	Provided 2006 £'000	2005 £'000
Excess of capital allowances over depreciation	**724**	951
Other timing differences including trading losses	**-**	56
	724	1,007

	£'000	£'000
Opening balance	**1,007**	-
(Debit)/credit to profit and loss account	**(283)**	1,007
Closing balance	**724**	1,007

As a result of a sustained period of profitability taken together with forecast profits it is more likely than not that deferred tax assets will be recovered

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Pension obligations

The Company operates and contributes to pension schemes for certain employees

The company operates a defined contribution scheme for the employees of the Executive Operating Committee This scheme is now closed to new members The company contributes 13% of pensionable pay to the scheme Pension commitments charge to the profit and loss account in respect of the company's defined contribution scheme amount to £1,000 (2005 charge £2,000) Accrued contributions at the balance sheet date were £Nil (2005 £Nil)

In addition the company made contributions to employees' personal pension plans of £101,529 (2005 £118,087)

The company operates a defined benefit scheme in the UK Benefits ceased to accrue with effect from 31 January 2004 A full actuarial valuation was carried out at 1 October 2005 and updated to 31 December 2006 by a qualified actuary, independent of the scheme's sponsoring employer The major assumptions used by the actuary were

	2006	2005	2004
	%	%	%
Rate of increase in salaries	**N/A**	N/A	4 5
Rate of increase in pensions in payment where LPI applies	**3.2**	3 0	3 0
Discount rate	**5.1**	4 8	5 8
Inflation assumption	**3.3**	3 0	3 0
Loading for mortality improvements	**0.0**	5 0	5 0
Mortality table	**PA92 medium cohort**	PA92 c2020	PA92 c2015

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Pension obligations (continued)

The assets in the scheme and the expected return were

	Long term rate of return expected at 31 December 2006	Value at 31 December 2006	Long term rate of return expected at 31 December 2005	Value at 31 December 2005
	%	£'000	%	£'000
Equities	6.2	877	5 7	809
Bonds	4.2	120	3 7	96
Other (Property, Cash, etc)	4.2	91	3 7	58
Total market value of assets		1088		963
Present value of scheme liabilities		(1,146)		(1,052)
Deficit in the scheme		(58)		(89)
Related deferred tax asset		17		27
Net pension liability		(41)		(62)

Analysis of amount charged to operating profit

	2006	2005
	£'000	£'000
Current service charge	1	2
Curtailments and settlements	-	-
Total operating charge/(credit)	1	2

Analysis of the movement in scheme deficit during the year

	2006	2005
	£'000	£'000
Deficit in the scheme at beginning of the year	(89)	(28)
Movement in year		
Current service cost	(1)	(2)
Contributions	29	31
Other income	3	-
Actuarial losses		
Actual return less expected return on pension scheme assets	44	108
Experience gains and losses arising on the scheme liabilities	(57)	(3)
Changes in assumptions underlying the present value of the scheme liabilities	13	(195)
Actuarial loss recognised in the statement of total recognised gains and losses	-	(90)
Deficit in the scheme at the end of the year	(58)	(89)

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Pension obligations (continued)

History of experience gains and losses

	2006	2005	2004
Difference between the expected and actual return on scheme assets.			
Amount (£ thousand)	**44**	108	29
Percentage of scheme assets	**4%**	11%	4%
Experience gains and losses on scheme liabilities			
Amount (£ thousand)	**(57)**	(3)	(126)
Percentage of the present value of the scheme liabilities	**(5%)**	(-%)	(16%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£ thousand)	**-**	(90)	93
Percentage of the present value of the scheme liabilities	**0%**	(9%)	12%

15 Called-up share capital

	2006	2005
	£'000	£'000
Authorised		
14,180,000 (2004 14,180,000) ordinary shares of £1 each	**14,180**	14,180
17,500 9% convertible cumulative redeemable preference shares of £1 each	**18**	18
	14,198	14,198
Allotted, called up and fully paid		
14,180,000 (2004 14,180,000) ordinary shares of £1 each	**14,180**	14,180
17,500 9% convertible cumulative redeemable preference shares of £1 each	**18**	18
	14,198	14,198
Preference Shares classified as·		
Equity	**3**	3
Debt	**15**	15
	18	18

The holders of the preference shares can convert their holdings into ordinary shares on a one for one basis The conversion must take place within 28 days of notice being given The preference shares can be redeemed for the value that they were originally acquired, at the option of the preference shareholder with six months notice Only 5,250 shares can be redeemed in any six month period Cumulative unpaid preference dividends amounted to £690,000 (2005 £621,000)

Notes to the financial statements for the year ended 31 December 2006 (continued)

16 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2006	517	(6,509)
Profit for the year	-	1,669
Exchange movement in relation to foreign branches	-	(39)
At 31 December 2006	**517**	**(4,879)**

17 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the year	**1,669**	2,162
Other recognised gains and losses	**(39)**	(175)
Cumulative dividend not declared	-	68
Net increase in shareholders' funds	**1,630**	2,055
Opening shareholders' funds	**8,191**	6,136
Net increase in shareholders' funds	**1,630**	2,055
Closing shareholders' funds	**9,821**	8,191

18 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	2006		2005	
	Other	**Land and Buildings**	Other £'000	Land and Buildings £'000
Expiring within one year	**36**	**200**	-	-
Expiring between two and five years inclusive	**30**	**132**	3	307
Expiring in over five years	-	-	-	502
	66	**332**	3	809

Notes to the financial statements for the year ended 31 December 2006 (continued)

19 Capital Commitments

The Company had no capital commitments at 31 December 2006 (2005 £nil)

20 Parent company

The group considers MSX International Holdings Limited, a company registered in the UK, to be the parent company The smallest group of undertakings for which publicly available group accounts have been drawn up is that headed by MSX International Inc , a company incorporated in the United States of America

21 Ultimate parent company

The directors consider MSX International Inc , a company registered in the United States of America, to be the ultimate parent company and the largest group of undertakings for which publicly available group accounts have been drawn up Copies of the ultimate parent's consolidated financial statements may be obtained from 1950 Concept Drive, Warren, Michigan, 48091, USA The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose transactions in the same group on the grounds that it is a wholly owned subsidiary undertaking of MSX International Inc

22 Related party transactions

Citigroup Inc has an interest in the share capital of MSX International Inc At 31 December 2006 the Company had loans owed to an affiliate of Citigroup Inc amounting to £1,786,000 (2005 £2,028,000) Interest paid during the year amounted to £218,000 (2005 £222,000)

23 Post Balance Sheet Events

In March 2007, the MSX International Group was refinanced For this purpose, MSX International UK Plc was incorporated as a subsidiary of MSX International Netherlands BV As part of the refinancing, MSX International UK Plc issued $71,750,000 of 12 5% Senior Secured Notes Due 2012, which are guaranteed by the Company and by MSX International Holdings Ltd on a senior secured basis This liability is secured by a debenture comprising a fixed and floating charge over all the Company's assets

On 16 October, MSX International Ltd acquired Actuate Business Solutions Ltd for $4 million