Registered number: 01949542

# MSX INTERNATIONAL LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | F Minturn<br>S Del Mar (resigned 17 December 2020)<br>N Andersson (appointed 17 December 2020)<br>P Katenkamp (appointed 17 December 2020) |
| **Registered number** | 01949542 |
| **Registered office** | The Octagon<br>Middleborough<br>Colchester<br>Essex<br>CO1 1TG |
| **Independent auditors** | BDO LLP<br>Newton House<br>Cambridge Business Park<br>Cambridge<br>CB4 0WZ |
| **Bankers** | NatWest Bank<br>25 High Street<br>Colchester<br>Essex<br>CO1 1DG |
| | Royal Bank Of Canada<br>P.O. Box 50<br>Royal Bank Plaza<br>Toronto<br>Ontario, Canada<br>M5J 2W7 |

## CONTENTS

## STRATEGIC REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2019

### Introduction

The company primarily provides training, business process outsourcing services ("BPO") and contract labour management solutions. The key activities of the company at the beginning of the year were Retail Network Solutions (Warranty, Technical and Dealer), and Human Capital Solutions (Managed Service Provider).

### Business review

Turnover on continuing operations fell by £2,945,000, mostly as a result of the the impact of Brexit on the UK automotive industry. MSX International Limited is a supplier to the global car brands and their networks so the long term impact will be limited. The company continues to provide services within the automotive industry at the level of the larger original equipment manufacturers, who in turn, for Retail Network Solutions ("RNS"), share benefits with their dealers.

On 4 March 2019 the company amended its deed providing a charge over the assets of its Spanish subsidiary MSX International TechServices S.L. following changes the groups senior facilities agreement in January 2019.

On 23 April 2019 the company purchased 49% of the share capital of M:Con Group AG. The investment helps to expand both our capabilities in digital technologies and our footprint in the Chinese market. The company has a 7 year call option to buy the remaining shares in the M:Con Group.

On 17 June 2019 the company entered into a factoring agreement with Credit Agricole Leasing and Factoring, with Credit Agricole advancing funds secured on the company's trade debtors.

On 5 September 2019 the management of MSX International Limited agreed to waive £15,598,000 of its loan receivable from Geometric Results International Limited and accrued interest of £1,120,000 with effect from 31 December 2018. This reduced the loan owed to MSX International Limited from £47,765,000 to £32,167,000 and the accrued interest from £3,130,000 to £2,010,000 as at 31 December 2018. The waiver was issued in the light of results of the HCS division falling short of those projected in its valuation at the time of its sale, though there was no obligation under the sale agreement for MSX International Limited to make the waiver. The amount waived has been included in the prior year financial statements as at 31 December 2018 as an impairment loss on intercompany debt owed to MSX International Limited (see note 11).

The company has strong procedures in place to review monthly forecast sales and margin reports, and compares and investigates results to forecasts. The company proactively manages recruitment, staff retention and turnover figures. Across the MSXI group there is much communication between sister companies in different markets, and this continues to provide benefits. Over the past year the company has continued to expand, to build on relationships with existing customers and to acquire new customers and contracts.

The directors' financial risk management objective is to maximise financial assets and minimise financial liabilities whilst not engaging in speculation. The company's policy is for work contracts to have in place 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.

The company also generates revenues from licence fees which are charged to fellow subsidiaries in the MSXI Group. This licence fee revenue is charged for the use of the Software Solutions that the company holds, and it is anticipated that such revenue will grow as fellow subsidiaries increase such services to their customers around the world.

**Principal risks and uncertainties**

Over the past few years, as the automotive industry looks to reduce its cost, MSXI has continued to supply old and new customers with valuable services as they choose to outsource and take advantage of our solutions.

MSXI is mainly a supplier of services to the dealership, warranty and training sectors of the automotive industry. As such, the company is largely shielded from short-term changes in activity relating to the new car sales market. MSXI continues to monitor its employee profile against the demands of the industry and tailors its workforce to meet that demand. Brexit is a key factor for the UK car industry, but MSXI is a supplier to the global car brands and therefore the impact of Brexit is largely mitigated. The final terms of the exit agreement were such the impact on the car industry was minimal and this is not expected to impact the activities of MSXI. MSXI does not make any exports of good from the UK, not does it supply cross border service.

The company's main foreign currency risk exposure is in respect of the company's loans. In 2019 the company made an operational foreign exchange gain of £1,899,000 *(2018 - loss of £1,733,000)*. Exchange gains on group loans amounted to £11,837,000 *(2018 - loss of £4,529,000)*.

**COVID 19**

On 30 January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce.

The COVID-19 outbreak has affected the Company and wider MSX International group headed up by Pacific (BC) Topco Limited, an intermediate parent company (together the "Group") as follows:

- While expected to be temporary, workforce disruptions are negatively impacting the Group's customers which has negatively impacted the Group's revenues.

- The Group is dependent upon its workforce to deliver its services. Developments such as social distancing has impacted the Group's ability to deploy its workforce effectively at customer locations, however, in many circumstances the Group's workforce is able to deliver services remotely.

- Due to the variability of the Group's cost base, the Group has been able to react to the financial implications of COVID-19 by taking advantage of furlough programs and reducing headcount where required. The Group has also renegotiated payment arrangements with certain suppliers to modify the timing and amounts of cash outflows.

- In the first half of 2020 the intermediate parent group, headed by Pacific (BC) Topco Limited, further drew down the maximum available borrowings under its Credit facilities of $75m to provide adequate cash resources during the pandemic. Subsequent to this, and as a result ofimproved trading, the additional borrowing has been reduced to $51.5m at 31 December 2020, although the full $75m facility remains available.

**COVID 19 continued**

- The outbreak is having a material adverse impact on economic and market conditions and may trigger a period of global economic slowdown, which may depress the Group's asset values, including its investments in and loans to its subsidiaries and its tangible and intangible fixed assets.

- While the Group has significant financial resources, these are finite and the Group is subject to lending covenants related to minimum levels of profitability across the worldwide group. If the impacts and duration of COVID-19 are significantly greater than currently anticipated, then the Group could find itself in breach of its lending covenants within the next 12 months, which could result in the withdrawal of the Group's current borrowing facilities. This could in turn impact the Company's ability to continue trading. At the date of signing, the Directors do not believe there are any indications that the impact is to be on such a scale to cause a problem in this regard.

Various economic relief schemes to minimize the impact of COVID-19 have been announced around the globe, including, but not limited to the Coronavirus Job Retention Scheme in the United Kingdom, and other similar schemes in locations where the Group operates, which are helping the group to mitigate some of the impacts of the pandemic. Examples of such economic relief schemes taken on by the Group include deferring payroll tax and VAT payments where possible, among others.

The directors believe that the above measures taken by the Group should enable the business to manage its way through the crisis.

**Financial instruments - financial risk management**

The company's policy is to finance working capital through retained earnings and bank borrowings and to finance subsidiary acquisitions through loans from group companies and bank loans.

**Financial key performance indicators**

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

| | 2019 | 2018 |
|---|---|---|
| Gross Margin as percentage of Turnover (continuing operations) | 31% | 31% |
| Support Cost Centres as percentage of Turnover (continuing operations) | 11% | 12% |
| Turnover Growth/(Decline), year on year (continuing operations) | (8)% | (4)% |
| Day Sales Outstanding (UK continuing operations) | 61 days | 60 days |
| Sales Per employee (continuing operations) | £63,000 | £66,000 |

The company's performance reflects a strong position within the market, given the challenges faced by the automotive sector in 2019.

**Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through internal credit control procedures. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The company has amounts owed to it by group companies. The company is exposed to the usual credit risk and cash flow risk associated with having inter-company debts. The company manages this through monitoring and assessing the results and forecasts of the group entities from which the company is owed money.

**Market (price) risk and interest rate risk**

The company, alongside its competitors, is exposed to fluctuation in certain purchased services and manages this risk, so far as is possible, by having long term relationships with key suppliers that aim to bring a high degree of stability and certainty to service costs.

Market risk arises from the company's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), or other market factors (other price risk).

The company is exposed to cash flow interest rate risk from short and long-term bank and group borrowings as some of these instruments incorporate a fixed and variable rate. For those instruments not at a fixed rate of interest, the rate of interest is a fixed percentage plus a variable element, usually based on Libor or Euribor.

**Liquidity risk**

Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. The Board reviews cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) in some cases on a portion of its short and long-term borrowings, this is further discussed in the 'interest rate risk' section above.

**Investment risk**

The company holds investments in subsidiaries. It is exposed to risk of the changes in the value of the investment it holds. It manages the value of its investments through monitoring and assessing the impact of any changes in the business model.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

**Section 172 Statement**

The Directors acknowledge their responsibility to promote the success of the company for the benefit of its members as a whole in accordance with section 172 of the Companies Act 2006.

The Board of Directors, its key members of management and its advisors ensure that all decisions are taken for the long term. Collectively and individually they aim always to uphold the highest standards of business conduct. The Directors acknowledge that the business will only grow and prosper over the long term if it understands and respects the views of the company's investors, customers, employees, suppliers and other stakeholders to whom the Directors are accountable.

The Directors fulfil these duties partly through a strong system of governance that delegates day to day decision making to key employees of the company.

Additionally, the further requirements of Section 172 are met though a combination of the following:

- The likely consequences of any decision in the long term

The Directors understand the nature of the business through extensive expertise in the evolving environment in which the Company operates, including the development of alternative fuel technologies and Motability development. Key decisions are taken with future developments and the long-term success of the company at the forefront of the decision-making process.

- Interests of Employees

The company recognises that its employees are fundamental to the success of the business. The success of the organisation depends on attracting, retaining, and motivating employees. We remain a responsible employer and maintain a fair system of pay and benefits and a safe working environment for our employees.

- Business relationships with suppliers, customers, and others

We work in close partnership with our customers and suppliers to develop and promote the relationships necessary for the growth of the business. Our systems ensure fair and timely payment to suppliers. Customer relationship management is achieved though a dedicated of system of customer account managers.

- Impact of operations on the community and environment

The company engages with the local community wherever this is appropriate and is committed to reducing its environmental impact through working closely with its suppliers and customers.

- Maintain a reputation of high standards of business conduct

The company maintains focus on compliance with all corporate governance and tax environments around the globe. The organisation maintains a collaborative and low risk approach in dealing with external regulations.

- Act fairly between members of the company

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our corporate strategy taking into account short-and long-term needs and the impact on stakeholders.

Key decisions made during the year were the acquisition of a 49% interest in MCon, a company based in Germany, the continuing process of merging the acquired business of Impetus with the existing MSXI business in the UK, the repayment of the £30.5m revolving credit facility in January 2019, entering into a debt factoring arrangement with Credit Agricole. The Group entered into this debt factoring arrangement in February 2019, and MSX International Ltd was one of the parties to that agreement. The total facility under this agreement was Euro 45m. This repayment was made as part of the reorganization of the overall financing activities of the group.

## STRATEGIC REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 DECEMBER 2019

These decisions were made to strengthen the operation of the company and to diversify its portfolio of products. The decisions taken are in accrodance with the principles set out above and have a beneficial impact on key stakeholders.

**Future developments**

The company continues to build relationships with new and current customers looking to acquire new contracts in both existing and new markets.

This report was approved by the board on 22 January 2021 and signed on its behalf.

**N Andersson**
Director

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

**Directors' responsibilities statement**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgments 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; and
- 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.

**Results and dividends**

The profit for the year, after taxation, amounted to £9,229 thousand *(2018 - £7,819 thousand).*

The directors do not recommend payment of a final dividend (2018: £Nil).

### Directors

The directors of the company throughout the year and to the date of this report were:

F Minturn
S Del Mar ( resigned 17 December 2020)
N Andersson (appointed 17 December 2020)
P Katenkamp (appointed 17 December 2020)

### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of the directors which remain in force at the date of this report.

### Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, details of its financial instruments and its exposures to price, credit, liquidity and foreign exchange risk, where material to an assessment of the financial position of profit, are described in the strategic or directors' report. At 31 December 2019 the company had: net current liabilities of £355,363,000 (2018 net current liabilities of £273,804,000); and net assets of £59,497,000 (2018: £50,285,000). Included within creditors amounts owed to group undertakings due within one year are amounts totalling £355,767,000 (2018: £332,859,000). The intermediate parent company Pacific (BC) Topco Ltd has confirmed their intention to provide ongoing financial support to the company. The directors believe that the company is well placed to manage its business risks successfully.

The directors have prepared detailed trading and cash flow forecasts for the Company and intermediate parent Group covering a period of at least 12 months from the date of approval of these financial statements, and have reviewed the company's working capital requirements, compared to the funding resources available. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The impact of Covid -19 on businesses across the globe and in all industries has been enormous. In response to the pandemic, as noted in the Strategic Report, the Company has strengthened its liquid resources, worked with its suppliers, and received government support in minimising the impact on its business and employees. These steps have ensured the company has remained strong and in a position to grow rapidly once the risks of the pandemic recede. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Matters covered in the strategic report

The directors have included a business review within the strategic report. Also included in the strategic report are details of the future developments and the principal risks and uncertainties and a review of the key performance indicators as assessed by the directors, and details of financial risk management objectives and policies and details of any material exposures to price credit and liquidity cash flow risks.

### Research and development activities

The company is actively engaged in product research and development in order to maintain its competitiveness.

**Engagement with employees**

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.

**Disabled employees**

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.

**Branches**

The company operates branches in Norway, Sweden, Denmark, Finland and Dubai. In 2019 the branch activities contributed 41% (*2018: 35%*) of the total turnover for the year.

**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 auditor 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 auditor are aware of that information.

**Post balance sheet events**

COVID-19

The company's response to the global pandemic is described in the Strategic Report.

At the time that these financial statements are authorised there is currently a worldwide pandemic due to the COVID-19 outbreak. This was not a known disease at the year end and therefore this represents a non-adjusting post balance sheet event. This is a rapidly changing situation whose eventual impact on the local and worldwide economy cannot be accurately predicted at this time. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the company's financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce. The impact of the COVID-19 outbreak on the company is detailed further in the strategic report. The directors believe that the above measures taken by the company should enable the business to manage itsway through the crisis.

Group loan streamlining

On 30 November 2020 the group owned by Pacific (BC) Topco limited, of which MSXI is an indirect subsidiary, under took an exercise to segregate intragroup loans between its two divisions, the RNS division in which the company sits and the Geometric Results, Inc. ("GRI") division. Two of the company's loans were reassigned. The company assigned an existing £9,312,122 loan to a fellow subsidiary Geometric Results Limited and accrued interest of £1,593,527 over to one of the company's parent companies Pacific (BC) Topco 5 Limited. In return for this the company received a new note for £10,905,639 from another parent company Pacific (BC) Bidco Limited. Also a note that was payable to a fellow subsidiary, MSX International Canada Limited of USD3,400,000 and accrued interest of USD230,429 up to 30 November 2020 was reassigned payable to Pacific (BC) Bidco Limited.

On 31 December 2020 the group took further steps to rationalise its loans. Notes payable to a fellow subsidiary company MSX International Holdings Inc. totalling USD39,531,746 and accrued interest of USD2,504,352 were assigned to Pacific (BC) Bidco Limited.

Later on 31 December 2020 the company agreed with Pacific (BC) Bidco Limited to set off its trade, loan and accrued loan interest balances owed to Pacific (BC) Bidco Limited totalling USD233,625,210 and its loan and accrued loan interest balances receivable from Pacific (BC) Bidco Limited totalling USD14,885,168 in return for one new note of $218,740,042 payable by the company to Pacific (BC) Bidco Limited.

Loan Financing

MSXI drew down £11m on its facility with Royal Bank of Canada in March 2020. This amount was repaid in June 2020. The withdrawal was made to provide liquidity during the early stages of the pandemic. The borrowing was subsequently incorporated within the overall borrowing of the wider Pacific (BC) Topco Ltd group.

On 16 June 2020, the company's intermediate parent company, Pacific (BC) Bidco Limited, entered into a $25m revolving facility agreement. This is an ancillary agreement to the senior facilities arrangement debt noted in note 26 and MSX International Limited is a guarantor to the additional facility agreement.

**Auditors**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 January 2021 and signed on its behalf.

**N Andersson**
**Director**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSX INTERNATIONAL LIMITED

**Opinion**

We have audited the financial statements of MSX International Limited ("the Company") for the year ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the statement of financial position, 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 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSX INTERNATIONAL LIMITED

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. 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.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 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 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSX INTERNATIONAL LIMITED

**Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, 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 concem 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.

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

**Use of our report**

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

BDO LLP

**Piers Harrison** (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Cambridge
United Kingdom

Date: 22 January 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | Continuing operations 2019 £000 | Discontinued operations 2019 £000 | Total 2019 £000 | *Continuing operations 2018 £000* | *Discontinued operations 2018 £000* | *Total 2018 £000* |
|---|---|---|---|---|---|---|---|
| Turnover | 4 | **35,333** | - | **35,333** | *38,278* | *2,643* | *40,921* |
| Cost of sales | | **(24,219)** | - | **(24,219)** | *(26,587)* | *(895)* | *(27,482)* |
| **Gross profit** | | **11,114** | - | **11,114** | *11,691* | *1,748* | *13,439* |
| Administrative expenses | | **(11,168)** | - | **(11,168)** | *(8,269)* | - | *(8,269)* |
| Other operating charges | 5 | **1,899** | - | **1,899** | *(1,688)* | *(45)* | *(1,733)* |
| **Operating profit** | 6 | **1,845** | - | **1,845** | *1,734* | *1,703* | *3,437* |
| Income from shares in group undertakings | 9 | **1,786** | - | **1,786** | *353* | - | *353* |
| Profit on disposal of discontinued operations | | - | - | - | - | *32,344* | *32,344* |
| Interest receivable and similar income | 10 | **18,527** | - | **18,527** | *5,866* | - | *5,866* |
| Impairment loss on intercompany debt | 11 | - | - | - | *(16,718)* | - | *(16,718)* |
| Interest payable and similar expenses | 12 | **(12,431)** | - | **(12,431)** | *(17,156)* | - | *(17,156)* |
| **Profit before tax** | | **9,727** | - | **9,727** | *(25,921)* | *34,047* | *8,126* |
| Tax on profit | 13 | **(498)** | - | **(498)** | *(307)* | - | *(307)* |
| **Profit for the financial year** | | **9,229** | - | **9,229** | *(26,228)* | *34,047* | *7,819* |

The notes on pages 20 to 50 form part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Profit for the financial year | **9,229** | *7,819* |
| **Other comprehensive income** | | |
| Actuarial gain on defined benefit schemes | **98** | *60* |
| Pension (surplus) not recognised | **(98)** | *(60)* |
| Currency translation difference | **(17)** | *115* |
| **Other comprehensive (loss)/income for the year** | **(17)** | *115* |
| **Total comprehensive income for the year** | **9,212** | *7,934* |

The notes on pages 20 to 50 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2019

| | Note | | 2019 £000 | | 2018 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 14 | | **4,699** | | *3,148* |
| Tangible assets | 15 | | **803** | | *778* |
| Investments | 16 | | **409,722** | | *320,423* |
| | | | **415,224** | | *324,349* |
| **Current assets** | | | | | |
| *Debtors: amounts falling due within one year* | 17 | **16,354** | | *115,090* | |
| Cash at bank and in hand | 18 | **2,218** | | *1,228* | |
| | | **18,572** | | *116,318* | |
| Creditors: amounts falling due within one year | 19 | **(374,039)** | | *(390,122)* | |
| **Net current liabilities** | | | **(355,467)** | | *(273,804)* |
| **Total assets less current liabilities** | | | **59,757** | | *50,545* |
| Creditors: amounts falling due after more than one year | 20 | | **(260)** | | *(260)* |
| **Net assets** | | | **59,497** | | *50,285* |
| **Capital and reserves** | | | | | |
| Called up share capital | | | **14,182** | | *14,182* |
| Share premium account | | | **517** | | *517* |
| Profit and loss account | | | **44,798** | | *35,586* |
| | | | **59,497** | | *50,285* |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 January 2021

**N Andersson**
Director

The notes on pages 20 to 50 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 January 2019 | 14,182 | 517 | 35,586 | 50,285 |
| **Comprehensive income for the year** | | | | |
| Profit for the year | - | - | 9,229 | 9,229 |
| Actuarial gains on pension scheme net of surplus not recognised | - | - | - | - |
| Foreign exchange differences | - | - | (17) | (17) |
| **Other comprehensive loss for the year** | - | - | (17) | (17) |
| **Total comprehensive income for the year** | - | - | 9,212 | 9,212 |
| **At 31 December 2019** | 14,182 | 517 | 44,798 | 59,497 |

The notes on pages 20 to 50 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 January 2018 | **14,182** | **517** | **27,652** | **42,351** |
| **Comprehensive income for the year** | | | | |
| Profit for the year | - | - | **7,819** | **7,819** |
| Actuarial losses on pension scheme net of surplus not recognised | - | - | - | - |
| Currency translation difference | - | - | **115** | **115** |
| **Other comprehensive income for the year** | - | - | **115** | **115** |
| **Total comprehensive income for the year** | - | - | **7,934** | **7,934** |
| **At 31 December 2018** | **14,182** | **517** | **35,586** | **50,285** |

The notes on pages 20 to 50 form part of these financial statements.

## 1. General information

The company is a private company limited by shares incorporated in England and Wales. The company's registered office and principal place of business is located at The Octagon, Middleborough, Colchester CO1 1TG.

## 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 financial statements have also adopted the following disclosure exemptions:

- The requirements of Section 7 Statement of Cash Flows; and
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29.

This information is included in the consolidated financial statements of Pacific (BC) Topco Limited, as at 31 December 2019, a company registered in Jersey.

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

The following principal accounting policies have been applied:

### 2.2 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

### 2.3 Going concern

The financial statements have been prepared on a going concern basis. The company is reliant on its parent group, MSX International group, which is headed up by Pacific (BC) Topco Limited, an intermediate parent company, for financial support. The parent group has provided a support letter indicating its intent and ability to financially support through a year and a day from the date the financial statements were available to be issued.

The impact of Covid -19 on businesses across the globe and in all industries has been enormous. In response to the pandemic, as noted in the Strategic Report, the Company has strengthened its liquid resources, worked with its suppliers, and received government support in minimising the impact on its business and employees. These steps have ensured the company has remained strong and in a position to grow rapidly once the risks of the pandemic recede.

The directors have prepared detailed trading and cash flow forecasts for the Company and intermediate parent Group covering a period of at least 12 months from the date of approval of these financial statements, and have reviewed the company's working capital requirements, compared to the funding resources available. Accordingly, the Directors continue continue to adopt the going concern basis in preparing the annual report and accounts.

## 2. Accounting policies (continued)

### 2.4 Revenue

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

**Rendering of services**

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

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

**Human Capital Management Services**

Revenue is recognised net where the company acts as an agent for the delivery of agency staff, as is the case for all Human Capital Management Services activities, as the company does not have the significant risks and rewards of the transaction.

**Sale of Software Licences**

Revenue is recognised as services are delivered. Invoices are raised on a monthly basis at the end of the month to which they relate. Revenue is recognised in accordance with the period for which services are provided.

### 2.5 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

### 2.6 Intangible assets

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

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

*See note 2.23 for further details of amortisation policy.*

## 2. Accounting policies (continued)

### 2.7 Tangible fixed assets

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

| | |
|---|---|
| Fixtures and fittings | - 20% straight line |
| Other fixed assets | - 20-33% straight line |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

### 2.8 Valuation of investments

Investments in subsidiaries and associates are measured at cost less accumulated impairment. Loans to group companies included within Fixed asset investments are accounted for in accordance with the financial instrument accounting policy (note 2.11).

### 2.9 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.

Where the company has entered into a debt factoring arrangement and has transferred to the debt factor substantially all of the risks and rewards of ownership of the receivables, the receivable is removed from its statement of financial position and no liability in respect of the proceeds received from the debt factor.

### 2.10 Cash and cash equivalents

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

## 2. Accounting policies (continued)

### 2.11 Financial instruments

The company enters into basic financial instruments 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 non-puttable 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For loans from group undertakings payable after one year, where these arrangements constitutes a financing transaction, the company initially measures the financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. For loans from parent entities or fellow subsidiaries, as the actual rate of interest is lower than the deemed market rate, the deemed capital contribution is recognised as a capital contribution in the statement of changes in equity. For loans from subsidiaries, as the actual rate of interest is lower than the deemed market rate, the company recognises a distribution made to it by the subsidiary, being the difference between the present value as explained above, and the sum advanced. This is included within income from fixed asset investments. Subsequently, at the end of each reporting period, the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Over the term of the loan, the company recognises an interest expense in the income statement equal to the amount of the capital contribution or the deemed distribution, in addition to the actual interest expense arising on the related inter company loans.

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 Income statement.

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.

## 2. Accounting policies (continued)

### 2.11 Financial instruments (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

### 2.12 Foreign Currencies

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs or interest payable or receivable'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income or charges'.

Assets and liabilities of branches in foreign currencies are translated into Sterling at the exchange rate 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 other comprehensive income.

**Functional and presentational currency**

The company has multiple functional currencies: GBP, SEK, EUR, NOK, DKK, AED as a result of the international branches. The company's presentational currency is GBP. The financial statements are rounded to the nearest £1,000.

### 2.13 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 payments obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

## 2. Accounting policies (continued)

### 2.14 Defined benefit pension scheme

In the past, employees could join a defined benefit scheme, for which the company still has obligations. Pension commitments arising in respect of the defined contribution scheme are charged to the income statement on the basis of contributions payable for the period. FRS 102 section 28 deals with the treatment of the company's defined benefits pension scheme in the accounts which is set out in note 23.

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's statement of financial position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus through reduced contributions in the future or through refunds from the scheme.

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 comprehensive income.

### 2.15 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.

### 2.16 Finance costs

Finance costs are charged to the income statement 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.

### 2.17 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

### 2.18 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

### 2.19 Interest income

Interest income is recognised in the Income statement using the effective interest method.

## 2. Accounting policies (continued)

### 2.20 Income from fixed asset investments

Income from fixed assets investments is recognised when the company's right to receive payment is established.

### 2.21 Borrowing costs

All borrowing costs are recognised in the Income statement in the year in which they are incurred.

### 2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, 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 statement of financial position 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. Accounting policies (continued)

### 2.23 Capitalisation of Software Costs

Costs directly attributable to the development of computer software are capitalised as intangible assets where technical feasibility of the project is demonstrated, the company has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Amortisation is charged to administration expenses in the income statement.

Amortisation is provided on the following basis:

Development software - 20% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

### 2.24 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

## 2. Accounting policies (continued)

### 2.25 Share capital and reserves

The company's reserves are as follows:

• Called up share capital reserve represents the nominal value of the shares issued.

• The share premium account includes the premium on issue of equity shares, net of any issue costs.

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

### 2.26 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 has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in non-EEA group accounts of a larger group headed by Pacific (BC) Topco Limited incorporated in Jersey. The registered office of Pacific (BC) Topco Limited is 22 Grenville Street, St Helier, Jersey JE4 IPX, Channel Islands.

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

In preparing these financial statements, the directors have made the following judgements:

- Intangible and tangible fixed assets (see notes 14 and 15)

Intangible and tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Agency vs principal

Determine whether contracts entered into by the company is to provide the service itself (i.e., the entity is a principal) or to arrange for another party to provide the service (i.e., the entity is an agent). MSX International Limited makes this determination by evaluating the nature of its promise to the customer. An entity is a principal (and, therefore, records revenue on a gross basis) if it controls the promised service before transferring it to the customer. An entity is an agent (and records as revenue the net amount it retains as a commission) if its only role is to arrange for another entity to provide the services.
Because the identification of the principal in a contract is not always clear, the Board uses the following non-exhaustive list of indicators that a performance obligation involves an agency relationship:

- Another party has primary responsibility for fulfilling the contract;
- The entity does not have discretion to establish pricing for the other party's services (i.e., the benefit the entity can receive from those services is limited);
- The entity's consideration is in the form of a commission; and
- The entity is not exposed to credit risk for the amount receivable in exchange for the services.

- Impairment of fixed asset investments

Determine whether there are indicators of impairment of the company's fixed asset investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

- Financial Instruments

For financial liabilities which are measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument, judgements are made in relation to the determination of market rate of interest for a similar debt instruments.

## 3. Judgments in applying accounting policies (continued)

- Pension benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details of the estimates applied are given in note 23.

The carrying value of any pension scheme asset is restricted to the extent that the company is able to recover the surplus through reduced contributions in the future or through refunds from the scheme. The directors have determined that pension scheme surplus of £386,000 was not recognised as an asset because they consider that the company does not have an unconditional right to a refund or reduced contributions. The company does not have an unconditional right to a refund because of the ability of the Trustees to influence and decide on the most appropriate use of any surplus, and the company is not able to recover the surplus through reduced contributions for the same reason.

- Impairment of intangible assets

Determine whether there are indicators of impairment of the company's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- Recoverability of debtors

Determine whether debtors are recoverable, including determining whether trade debtors and intercompany debtor balances are recoverable. Consideration is made of any objective evidence of impairment of any financial assets that are measured at cost or amortised cost, including observable data that come to the attention of the Company or other factors which may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in respect of that financial asset. Consideration is also made taking account of factors such as payment history, and managements knowledge of their customer base and their financial position. In relation to intercompany debtors due from entities within the same group as a company, the directors have received a letter from the parent company, Pacific (BC) Topco Ltd in which Pacific (BC) Topco Ltd confirm they will guarantee the amounts owed by all group entities to the company.

## 3. Judgments in applying accounting policies (continued)

- Capitalisation of intangible assets (software costs)

Management make judgements in relation to determining whether software costs should be expensed or capitalised as intangible assets, as explained below.
Management recognise an intangible asset as an asset if, and only if:
(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
(b) the cost or value of the asset can be measured reliably.

Management assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the economic conditions that will exist over the useful life of the asset.

In relation to internally generated intangible assets, management recognise an intangible asset arising from development (or from the development phase of an internal project) if, and only if, management can demonstrate all of the following:
(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) Its intention to complete the intangible asset and use or sell it.
(c) Its ability to use or sell the intangible asset.
(d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

## 4. Turnover

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

| | 2019 £000 | *2018 £000* |
|---|---|---|
| General collaborative services | 33,869 | *37,059* |
| License fee revenue | 1,190 | *1,133* |
| Custom implementation revenue | 274 | *85* |
| Human capital solutions revenue | - | *2,644* |
| | 35,333 | *40,921* |

Analysis of turnover by country of destination:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| United Kingdom | 20,841 | *26,572* |
| Nordic countries | 10,718 | *10,434* |
| Dubai | 3,774 | *3,915* |
| | 35,333 | *40,921* |

## 5. Other operating charges

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Other operating charges** | | |
| Exchange (gains)/losses on operating activity | (1,899) | *1,733* |
| | (1,899) | *1,733* |

## 6. Operating profit

The operating profit is stated after charging:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Depreciation of tangible fixed assets | 455 | *588* |
| Amortisation of intangible assets | 569 | *486* |
| Exchange (gains)/losses on operating activity | (1,899) | *1,732* |
| Other operating lease rentals | 1,412 | *1,265* |
| Defined contribution pension cost | 1,260 | *1,150* |

## 7. Auditor's remuneration

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Fees payable to the Company's auditor and its associates in respect of:** | | |
| The audit of the Company's financial statements | 68 | *67* |
| Audit related services | 31 | *59* |
| | 99 | *126* |

In respect of non-audit services provided to the company, during the year the fees payable to the auditors were £nil (2018: £20,000) for taxation advisory services. Fees payable to the auditors for the audit of fellow group companies, which were borne by the company, were £40,000 (2018: £48,000).

## 8. Employees

Staff costs were as follows:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Wages and salaries | 22,552 | *23,677* |
| Social security costs | 3,025 | *3,157* |
| Cost of defined contribution scheme | 1,260 | *1,150* |
| | 26,837 | *27,984* |

The figures above do not include amounts paid through the MSX International Limited payroll that are recharged to other group companies. In 2019 staff costs paid by the company that were recharged amounted to salaries of £323,000 (*2018: £352,000*), social security costs of £38,000 (*2018: £37,000*) and defined contribution pension costs of £12,000 (*2018: £13,000*).

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

| | 2019 No. | *2018 No.* |
|---|---|---|
| Office and management | 79 | *88* |
| Consultants and engineers | 479 | *500* |
| Selling and recruitment | 1 | *7* |
| | 559 | *595* |

During the year, no director received any emoluments from the Company. Director costs for those who served during the year were bourne by other group companies. (2018 - £NIL).

## 9. Income from investments

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Dividends received from shares in group undertakings | (1,786) | *(353)* |
| | (1,786) | *(353)* |

## 10. Interest receivable

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Interest receivable from group companies | 6,690 | *5,545* |
| Foreign exchange gain on group borrowings | 11,837 | *-* |
| Foreign exchange gain on bank borrowing | - | *318* |
| Other interest receivable | - | *3* |
| | 18,527 | *5,866* |

## 11. Impairment loss on intercompany debt

In 2018 an impairment loss of £16,718,000 was recognised on the company's loan and related accrued interest receivable from Geometric Results International Limited.

## 12. Interest payable and similar expenses

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Bank interest payable | 139 | *442* |
| Other loan interest payable | 2 | *1* |
| Loans from group undertakings | 12,284 | *12,184* |
| Foreign exchange loss on group borrowings | - | *4,529* |
| Share of associates | 6 | *-* |
| | 12,431 | *17,156* |

## 13. Taxation

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Foreign tax** | | |
| Foreign tax on income for the year | 498 | *83* |
| | 498 | *83* |
| **Total current tax** | 498 | *83* |
| **Deferred tax** | | |
| Origination and reversal of timing differences | - | *224* |
| **Total deferred tax** | - | *224* |
| **Taxation on profit on ordinary activities** | 498 | *307* |

**Factors affecting tax charge for the year**

The corporation tax rate in the UK was 19% for the tax year 2019-20 *(2018-19: 19%)*.The tax assessed for the year is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%*. The differences are explained below:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Profit on ordinary activities before tax | 9,727 | *8,126* |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19%) | 1,848 | *1,544* |
| **Effects of:** | | |
| Non-tax deductible impairment of intercompany debt | - | *3,176* |
| Expenses not deductible for tax purposes | - | *623* |
| Capital allowances for year in excess of depreciation | - | *(36)* |
| Foreign taxes on overseas earnings | 498 | *82* |
| Adjustments to tax charge in respect of prior periods | 87 | *-* |
| Other timing differences leading to an increase in taxation | - | *224* |
| Profit/(loss) on disposal of business (not taxable) | - | *(6,145)* |
| Dividends from EU companies | (340) | *(67)* |
| Exempt foreign branch net (profits) | (388) | *(319)* |
| (Utilisation of b/fwd tax losses)/unrelieved tax losses carried forward | (1,207) | *778* |
| Group relief | - | *447* |
| **Total tax charge for the year** | 498 | *307* |

## 13. Taxation (continued)

### Factors that may affect future tax charges

At the year end the company had trading losses carried forward of £15,570,000 *(2018: £21,919,000)*. No related deferred tax asset at a tax rate of 17%, of £2,647,000 (2018: £3,726,230) has been recognised as it is not foreseeable that these losses will be utilised and the asset recovered.

## 14. Intangible assets

| | **Development software £000** |
|---|---|
| **Cost** | |
| At 1 January 2019 | **6,256** |
| Additions | **2,120** |
| At 31 December 2019 | **8,376** |
| **Amortisation** | |
| At 1 January 2019 | **3,108** |
| Charge for the year on owned assets | **569** |
| At 31 December 2019 | **3,677** |
| **Net book value** | |
| At 31 December 2019 | **4,699** |
| *At 31 December 2018* | *3,148* |

## 15. Tangible fixed assets

| | Fixtures and fittings £000 | Other fixed assets £000 | Total £000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2019 | 617 | 3,709 | 4,326 |
| Additions | 5 | 513 | 518 |
| Disposals | (1) | (31) | (32) |
| Exchange adjustments | (6) | (16) | (22) |
| At 31 December 2019 | 615 | 4,175 | 4,790 |
| **Depreciation** | | | |
| At 1 January 2019 | 565 | 2,983 | 3,548 |
| Charge for the year on owned assets | 12 | 442 | 454 |
| Disposals | - | (4) | (4) |
| Exchange adjustments | (4) | (7) | (11) |
| At 31 December 2019 | 573 | 3,414 | 3,987 |
| **Net book value** | | | |
| At 31 December 2019 | 42 | 761 | 803 |
| *At 31 December 2018* | *52* | *726* | *778* |

## 16. *Fixed asset investments*

| | Investments in subsidiary companies £000 | Investments in associates £000 | Loans to group companies £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2019 | 320,423 | - | - | 320,423 |
| Additions | - | 3,477 | - | 3,477 |
| Transfer from current assets | - | - | 85,822 | 85,822 |
| At 31 December 2019 | 320,423 | 3,477 | 85,822 | 409,722 |

Investment additions were for purchase of 49% of the share capital of M:Con Group AG. The investment helps to expand both our capabilities in digital technologies and our footprint in the Chinese market. The company has a 7 year call option to buy the remaining shares in the M:Con Group.

The transfer from current assets relates to the reclassification of certain amounts owed by group undertakings to reflect the nature and time of expected settlement based on managements expectations at the year end.

**16. Fixed asset investments (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| **Name** | **Registered office** | **Class of shares** | **Holding** |
|---|---|---|---|
| Go-on Kfz Service GmbH | Hugo-Eckener-Str. 2050829 Köln Germany | Ordinary | 100% |
| Impetus Automotive Consulting (Beijing) Co Ltd | Office No 1562 NCI Tower, 12a Jianguomenwai Avenue, 100022 Beijing, China | Ordinary | 100% |
| Impetus Automotive GmbH | Bismarckstraße 30, 64668 Rimbach, Germany | Ordinary | 100% |
| Impetus Automotive Limited** | Impetus Automotive Tournament Court, Edgehill Drive, Warwick, CV34 6LG, UK | Ordinary | 100% |
| Impetus Automotive Pty Ltd | 75 Wensleydale Drive, Mornington, Victoria 3931, Australia | Ordinary | 100% |
| MSX International Business Services France SAS (France) | 4 avenue Pablo Picasso, 92000 Nanterre, France | Ordinary | 100% |
| MSX International Business Solutions Pty Ltd. (South Africa)** | 4th Floor Aloe Grove, 2 Osborn Road, Houghton Estate, OfficePark, 2196 South Africa | Ordinary | 100% |
| MSX International do Brasil Ltda | Rua Amazonas, 439 9 Floor Room 160Sao Caetano do Sul-SPCEP 09.520-070 Brasil | Ordinary | 100% |
| MSX International GmbH (Germany)** | Ossendorf -Technology CentreHugo-Eckener-Str. 2050829 Köln Germany | Ordinary | 100% |
| MSX International Holdings Italia S.r.l. (Italy) | Viale Alexandre Gustave Eiffel 13/15 Roma Italy | Ordinary | 100% |
| MSX International K.K. (Japan) | Level 2 Sengakuji Success Building2-20-29 TakanawaMinato-Ku Tokyo 108-0074 Japan | Ordinary | 100% |

**16. Fixed asset investments (continued)**

**Subsidiary undertakings (continued)**

| Name | Registered office | Class of shares | Holding |
|---|---|---|---|
| MSX International Limited (Thailand)** | 10/168 Trendy Building, 20th FloorUnit 20 -nua Sukhumvit 13, sukhumvit RdKlongton. Wattana Bankok 10110 Thailand | Ordinary | 99.97% |
| MSX International LLC (Russian Federation) | Leningradskiy Prospect37 bldg. 9 Office 709 10, Block C125993 Moscow Russia | Ordinary | 100% |
| MSX International RNS Canada Limited** | 100 King Street WestSuite 1600 – 1 First Canadian PlaceToronto, OntarioM5X 1G5, Canada | Ordinary | 100% |
| MSX International RNS, LLC** | Corporation Trust Center1209 Orange StreetWilmington, DE 19801, USA | Ordinary | 100% |
| MSX International S. de R.L. de C.V.** | Amberes 45 Piso 3 Col. Juarez Delegacion Cuauhtemoc, CP 06600 Ciudad de Mexico, Mexico | Ordinary | 100% |
| MSX International S.R.O.(Czech Republic) | Stock ExchangeBurzovni Palac Rybna 682/1411005 Praha 1, Czech Republic | Ordinary | 100% |
| MSX International Sweden AB | Drakegatan 7Göteborg, Sweden 412 50 | Ordinary | 100% |
| MSX International TechServices, S.L. (Spain)** | Madrid, La Resina No. 29-C, Nave 3, Spain | Ordinary | 100% |
| MSX Ricerca & Selezione S.r.l. (Italy) | Via Calvi, 300071 Pomezia Roma Italy | Ordinary | 100% |
| MSXI Netherlands BV** | Van't Hoffstraat 263863 AX Nijkerk The Netherlands | Ordinary | 100% |
| MSXI RNS Brasil Training and Process Outsourcing Ltda | Rua Amazonas, 439 9 Floor Room 91Sao Caetano do Sul-SPCEP 09.520-070 Brasil | Ordinary | 100% |

## 16. Fixed asset investments (continued)

**Subsidiary undertakings (continued)**

| Name | Registered office | Class of shares | Holding |
|---|---|---|---|
| MSXI TRABALHO TEMPORÁRIO LTDA. (Brazil) | Rua Amazonas, 439 16 Floor Room 160Sao Caetano do Sul-SPCEP 09.520-070 Brazil | Ordinary | 100% |
| Pacific Technology Solutions, LLC | 15530 Rockfield Boulevard Suite B4 Irvine, CA 92618 | Ordinary | 100% |
| Roland Sewells and Associates South Africa Proprietary Unlimited (South Africa) | 1st Floor, Block A, La Rocca Office Park, 321 Main Road, Bryanston, Johannesburg, South Africa 2021 | Ordinary | 100% |
| Sewells (Thailand) Ltd | 571 RSU Tower10th floor Unit 4-5Office Number 1001 Sukhumvit 31Sukhumvit RoadWattana, Long ton-nue Bangkok 10110 Thailand | Ordinary | 99.8% |
| Sewells Asia Holdings Pte Ltd (Singapore) | 30 Raffles Place #19-04 Chevron House Singapore 048622 | Ordinary | 100% |
| Sewells Group India Private Limited | 101, Building 6, Sector 3, Millenium Business Park, MIDC, Mahape, Navi Mumbai, India 400701 | Ordinary | 68.45% |
| Sewells Group Limited Hong Kong | Rooms 1001 - 1003, 10/F., Manulife Provident Funds Place, 345 Nathan Road, Kowloon, Hong Kong | Ordinary | 100% |
| Sewells Training Consulting Shanghai Limited (China) | West Zone, Block 14, City of Elite, No.1000 Jinhai Road, Pudong, Shanghai 201206 China | Ordinary | 100% |
| Shanghai MSX International (China) | Room 1C28, No.14 Block, No.528, North Yanggao RoadPudong New AreaShanghai, China | Ordinary | 100% |

## 16. Fixed asset investments (continued)

### Subsidiary undertakings (continued)

| Name | Registered office | Class of shares | Holding |
|---|---|---|---|
| SkillSource Learning and Technologies Private Limited (India) | 123, Building No.2(A-3), Sector 1, Millennium Business Park, MIDc, Mahape, Navi Mumbai 400701 India | Ordinary | 37% |

** Denotes the subsidiary listed above is a direct subsidiary of the company.

### Associate

The following was an associate of the Company:

| Name | Registered office | Class of shares | Holding |
|---|---|---|---|
| MCon Group AG | Splugenstrasse 9, 9008 St. Gallen, Switzerland | Ordinary | 49% |

At the end of 2019 MCon Group AG had capital and reserves of £5,096,000 having made a loss of £1,700,000 in the year.

## 17. Debtors

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Due within one year** | | |
| Trade debtors | 3,857 | *7,298* |
| Amounts owed by group undertakings | 5,055 | *99,593* |
| Other debtors | 236 | *383* |
| Prepayments and accrued income | 7,206 | *7,816* |
| | 16,354 | *115,090* |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

## 18. Cash and cash equivalents

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Cash at bank and in hand | 2,218 | *1,228* |
| | 2,218 | *1,228* |

## 19. Creditors: Amounts falling due within one year

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Bank loans | - | *30,876* |
| Trade creditors | 14,011 | *17,355* |
| Amounts owed to group undertakings | 355,767 | *332,859* |
| Corporation tax | 104 | - |
| Other taxation and social security | 732 | *1,259* |
| Other creditors | 1,499 | *2,290* |
| Accruals and deferred income | 1,536 | *5,093* |
| Share capital treated as debt | 390 | *390* |
| | 374,039 | *390,122* |

Secured Loans

The company's parent company Pacific (BC) Topco 5 Limited has a senior facilities agreement underwritten by Nomura Bank International plc, Nomura International plc, HSBC Bank plc and Royal Bank of Canada. The agreement is secured on the assets of several group companies; the company itself, Pacific (BC) Bidco Limited, MSXI UK Limited, MSX International GmbH (Germany), MSX International Techservices S.L. (Spain), MSX International Business Services France SA, MSX International Holdings Italia S.R.L., Pacific (BC) Hedgeco Limited, Patron (BC) Bidco Limited, Pacific Holdco Inc. US, MSX IHC LLC (US), MSX International Inc (US), MSX International (Holdings) Inc and MSX Americas Inc. The security provided includes: A share pledge agreement entered into between company and its lenders in relation to shares in the 100% subsidiary MSX International GmbH (Germany); A charge over the shares in the 100% subsidiary MSX International Techservices SL; Fixed charges over the assets of the company.

## 20. Creditors: Amounts falling due after more than one year

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Share capital treated as debt | 260 | *260* |
| | 260 | *260* |

## 21. Financial instruments

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Financial assets** | | |
| Financial assets that are debt instruments measured at amortised cost | **102,705** | *114,689* |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | **373,134** | *(388,783)* |

## 22. Called up share capital

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Alloted, called up and fully paid** | | |
| 14,180,000 ordinary shares of £1 each | **14,180** | *14,180* |
| 17,500 9% cumulative convertible redeemable preference shares of £1 each | **18** | *18* |
| | **14,198** | *14,198* |

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Preference shares classified as** | | |
| Equity | **2** | *2* |
| Debt | **16** | *16* |
| | **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. The preference share holder MSXI UK Limited has waived its right to receive any preference dividends before such a time, as determined by the directors of MSX International Limited, that dividends are declared and then due for payment.

The company's preference shares carry no voting rights, but preference shareholders have the right, unless waived, to first to receive dividends and repayments of capital ahead of the ordinary shareholders.

## 23. Pension commitments

The company operates a defined contribution scheme for its employees. The company made contributions to employees' personal pension plans of £1,259,939 (2018: £1,150,418).

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 2014 and updated to 31 December 2019 by a qualified actuary, independent of the scheme's sponsoring employer.

Reconciliation of present value of plan liabilities:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Reconciliation of present value of plan liabilities** | | |
| At the beginning of the year | 1,232 | *1,382* |
| Interest cost | 34 | *33* |
| Actuarial losses/(gains) | 108 | *(139)* |
| Benefits paid | (44) | *(44)* |
| **At the end of the year** | 1,330 | *1,232* |

Reconciliation of fair value of plan assets:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| At the beginning of the year | 1,515 | *1,605* |
| Interest income | 34 | *33* |
| Actuarial gains/(losses) | 211 | *(79)* |
| Benefits paid | (44) | *(44)* |
| **At the end of the year** | 1,716 | *1,515* |

## 23. Pension commitments (continued)

Composition of plan assets:

| | 2019<br>£000 | *2018*<br>*£000* |
|---|---|---|
| Equities | 1,152 | *963* |
| Bonds | 270 | *261* |
| Absolute return | 158 | *159* |
| Property | 59 | *51* |
| Cash | 77 | *81* |
| **Total plan assets** | 1,716 | *1,515* |

| | 2019<br>£000 | *2018*<br>*£000* |
|---|---|---|
| Fair value of scheme assets | 1,716 | *1,515* |
| Present value of scheme liabilities | (1,330) | *(1,232)* |
| Unrecognised (surplus) | (386) | *(283)* |
| **Net pension scheme liability** | - | *-* |

No amounts have been recognised in the profit or loss.

The amounts recognised in other comprehensive income are as follows:

| | 2019<br>£000 | *2018*<br>*£000* |
|---|---|---|
| Total actuarial gain | 103 | *60* |
| Effect of limit on amount of surplus recognised | (103) | *(60)* |
| **Total** | - | *-* |
| Actual return on scheme assets gain/(loss) | 245 | *(46)* |
| | 245 | *(46)* |

## 23. Pension commitments (continued)

The company expects to contribute £NIL to its Defined benefit pension scheme in 2020.

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

| | 2019<br>% | *2018*<br>*%* |
|---|---|---|
| Discount rate | **2.0** | *2.8* |
| Inflation assumption (CPI) | **2.4** | *2.7* |
| Inflation assumption (RPI) | **2.9** | *3.2* |
| Life expectancies | | |
| - for a male aged 65 now | **87.5** | *87.5* |
| - at 65 for a male member now aged 45 | **89.7** | *89.7* |
| - for a female aged 65 now | **88.6** | *88.5* |
| - at 65 for a female member aged 45 now | **90.9** | *90.9* |

## 24. Contingent Liabilities

The company has been responding to questions from HM Revenue & Customs (HMRC) in a check of the company's 2015 and 2016 corporation tax returns. The enquiry has focussed on the deductibility of interest charges arising from the restructuring exercise that took place in this period. The position had not been agreed at the time of preparing these accounts. The company's view is that any amendments arising from the enquiry would only reduce the availability of tax losses carried forward with no effect on tax paid or payable. Additionally, no recognition of these losses had been made through deferred tax so there would be no change in the deferred tax balances or charges. The company has co-operated fully with HMRC in their enquiry and whilst penalties potentially ranging from £nil to approx. £709k could be levied, management believes that the likelihood of such penalties being charged by HMRC and becoming payable on any misstatement is low. Management assess that the most probable outcome is that no penalties will become payable.

## 25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Land and Buildings** | | |
| Not later than 1 year | **506** | *602* |
| Later than 1 year and not later than 5 years | **1,350** | *452* |
| | **1,856** | *1,054* |

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Motor Vehicles** | | |
| Not later than 1 year | **285** | *323* |
| Later than 1 year and not later than 5 years | **81** | *176* |
| | **366** | *499* |

## 26. Other Financial Commitments

The MSX International Group - specifically the company's indirect parent company Pacific (BC) Topco 5 Limited - has a senior facilities agreement underwritten by Nomura Bank International plc, Nomura International plc, HSBC Bank plc and Royal Bank of Canada. The facility includes loans of Euro 498,000,000 and US$50,000,000 and access to a revolving facility of US$ 75,000,000. The agreement is secured on the assets of several group companies; Pacific (BC) Bidco Limited, MSXI UK Limited, MSX International Limited (the company), MSX International GmbH (Germany), MSX International Techservices S.L. (Spain), MSX International Business Services France SA, MSX International Holdings Italia S.R.L., Pacific (BC) Hedgeco Limited, Patron (BC) Bidco, Pacific Holdco Inc. US, MSX IHC LLC (US), MSX International Inc (US), MSX International (Holdings) Inc, MSX Americas Inc. The termination date for the loan is 6th January 2024. The security provided includes: A share pledge agreement entered into between company and its lenders in relation to shares in the 100% subsidiary MSX International GmbH; A charge over the shares in the 100% subsidiary MSX International Techservices SL; Fixed charges over the assets of the company.

On 17 June 2019 the company entered into a factoring agreement with Credit Agricole, with Credit Agricole advancing funds secured on the company's trade debtors.

## 27. Related party transactions

Key management personnel includes both the directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The costs for key management compensation are allocated to and bourne by other group undertakings. As such, the total compensation paid to key management personnel for services provided to the company was £nil (2018 - £nil).

## 28. Post balance sheet events

COVID-19

At the time that these financial statements are authorised there is currently a worldwide pandemic due to the COVID-19 outbreak. This was not a known disease at the year end and therefore this represents a non-adjusting post balance sheet event. This is a rapidly changing situation whose eventual impact on the local and worldwide economy cannot be accurately predicted at this time. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the company's financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce. The impact of the COVID-19 outbreak on the company is detailed further in the strategic report. The directors believe that the above measures taken by the company should enable the business to manage itsway through the crisis.

Group loan streamlining

On 30 November 2020 the group owned by Pacific (BC) Topco limited, of which MSXI is an indirect subsidiary, under took an exercise to segregate intragroup loans between its two divisions, the RNS division in which the company sits and the Geometric Results, Inc. ("GRI") division. Two of the company's loans were reassigned. The company assigned an existing £9,312,122 loan to a fellow subsidiary fellow Geometric Results Limited and accrued interest of £1,593,527 over to one of the company's parent companies Pacific (BC) Topco 5 Limited. In return for this the company received a new note for £10,905,639 from another parent company Pacific (BC) Bidco Limited. Also a note payable to MSX International Canada Limited of USD3,400,000 and accrued interest USD230,429 was reassigned payable to Pacific (BC) Bidco Limited.

On 31 December 2020 the group took further steps to rationalise its loans. Notes payable to a fellow subsidiary company MSX International Holdings Inc. totalling USD39,531,746 and accrued interest of USD2,504,352 were assigned to Pacific (BC) Bidco Limited.

Later on 31 December 2020 the company agreed with Pacific (BC) Bidco Limited to set off its trade, loan and accrued loan interest balances owed to Pacific (BC) Bidco Limited totalling USD233,625,210 and its loan and accrued loan interest balances receivable from Pacific (BC) Bidco Limited totalling USD14,885,168 in return for one new note of $218,740,042 payable by the company to Pacific (BC) Bidco Limited.

Loan Financing

MSXI drew down £11m on it facility with Royal Bank of Canada in March 2020. This amount was repaid in June 2020. The withdrawal was made to provide liquidity during the early stages of the pandemic. The borrowing was subsequently incorporated within the overall borrowing of the wider Pacific (BC) Topco Ltd group.

On 16 June 2020, the company's intermediate parent company, Pacific (BC) Bidco Limited, entered into a $25m revolving facility agreement. This is an ancillary agreement to the senior facilities arrangement debt noted in note 26 and MSX International Limited is a guarantor to the additional facility agreement.

## 29. Parent company and ultimate parent company

MSXI UK Limited is the immediate parent company as at the balance sheet date.

The smallest and largest group of undertakings for which group accounts have been drawn up as at 31 December 2019 is that headed by Pacific (BC) TopCo Limited a company registered in Jersey. The consolidated financial statements of Pacific (BC) TopCo Limited have been filed with the Registrar of Companies (England and Wales) with these accounts and are available from Registrar of Companies (England and Wales), Companies House, Crown Way, Cardiff, CF14 3UZ.
The directors consider Pacific (BC) TopCo S.à.r.l a company registered in Luxembourg, to be the ultimate parent company of the group.
Bain Capital Europe Fund IV LP is the ultimate controlling party.