
MSX INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

WEDNESDAY



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MSX INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	F Minturn S Del Mar
Registered number	01949542
Registered office	The Octagon Middleborough Colchester Essex CO1 1TG
Independent auditors	BDO LLP Mortlock House Station Road Histon Cambridge CB24 9NP
Bankers	NatWest Bank 25 High Street Colchester Essex CO1 1DG Royal Bank Of Canada P.O. Box 50 Royal Bank Plaza Toronto Ontario, Canada M5J 2W7

MSX INTERNATIONAL LIMITED

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MSX INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The company primarily provides training, business process outsourcing services ("BPO") and contract labour management solutions. The key activities of the company are Retail Network Solutions (Warranty, Technical and Dealer), and Human Capital Solutions (Managed Service Provider). The company continually develops new solutions to offer the market, and the increase in MSX International (MSXI) software sales throughout the MSXI group has helped in the drive to increase revenues.

Business review

The company's performance shows an increase in revenues from one year to the next. Although the company experiences continued pressure to provide price reductions within the industry, 2017 brought growth to the company, while retaining a strong gross profit margin. The company continues to provide services within the automotive industry at the level of the larger original equipment manufacturers, who in turn, for RNS, share benefits with their dealers. The company also increasingly provides MSP services outside the automotive industry.

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.

On January 6th 2017 the MSX International group was purchased by Bain Capital Private Equity. The ultimate parent company at the date of signing the balance sheet is Pacific (BC) TopCo S.à.r.l a company based in Luxembourg. As a consequence the group is now better resourced, but there have been no changes to the ongoing management of the company.

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 chose to outsource and take advantage of our solutions.

The company's main foreign currency risk exposure is in respect of the company's loans. In 2017 the company realised an operational foreign exchange loss of £3,068,000 (2016 - gain of £1,514,000). Unrealised exchange losses on group loans amounted to £582,000 (2016 - loss of £20,570,000).

MSX INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Financial instruments - financial risk management

The company does not actively use financial instruments as part of its financial risk management. Its policy is to finance working capital through retained earnings and bank borrowings and to finance subsidiary acquisitions through loans from group companies. The company's exposure to the price risk of financial instruments is therefore minimal.

Financial key performance indicators

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

	2017	2016
Gross Margin as percentage of Turnover	33%	35%
Support Cost Centres as percentage of Turnover	16%	16%
Turnover Growth, year on year (all divisions)	15%	20%
Day Sales Outstanding (UK branches excluding HCMS)	61 days	58 days
Sales Per employee (all divisions)	£70,000	£64,000

The company's performance shows an increase in revenues from one year to the next. Although the company experienced continued pressure to provide price reductions within the industry, 2017 brought growth to the company in some areas and new customers.

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.

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.

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.

MSX INTERNATIONAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

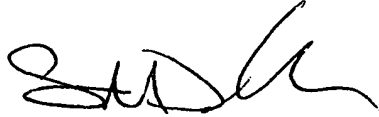
Liquidity risk

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.

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 29th October 2018 and signed on its behalf.



S Del Mar
Director

MSX INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

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 loss for the year, after taxation, amounted to £7,166 thousand (2016 - loss £7,409 thousand).

The directors do not recommend payment of a final dividend. (2016: £Nil)

Directors

The directors who served during the year were:

F Minturn
S Del Mar

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. The company has sufficient financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

MSX INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Employee involvement

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

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 2017 the branch activities contributed 30% (2016: 27%) 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.

MSX INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Post balance sheet events

The group's trading activity consists of 3 divisions, Retail Network Solutions (RNS), Geometric Results (GRI) which provides human capital solutions (HCS), and Technical Staffing (TS). At the end of 2017 the company owned subsidiaries carrying out all 3 activities, with other group companies also carrying out all 3 activities. The group has begun restructuring where all RNS activity is being brought under the indirect ownership of the company and (GRI) activity is being moved out under the control of another group company, Geometric Results International Inc. The restructuring transactions that have occurred in 2018 up to the date of signing the financial statements were;

On 30th April 2018 the company purchased another company within the MSXI group, MSX International RNS, LLC a company based in the US in exchange for issuing a loan note for \$82,790,000 to the previous owner MSX Americas Inc.

On June 4th 2018 the company purchased MSX International RNS Canada Limited in exchange for issuing a loan note for US\$3,400,000 to the previous owner MSX International Canada Limited.

On June 30th 2018 the company purchased 99.98% of MSX International Thailand Limited in exchange for issuing a loan note for \$5,879,000 to the previous owner MSX International International Holdings Inc.

On 1st July 2018 the company sold its HCS division to Geometric Results International Inc. in exchange for a promissory note of £47,765,000.

Outside of restructuring, on 4th October 2018, MSX International Ltd acquired 100% of the A ordinary shares of Impetus Automotive Limited ('Impetus') from its parent company, Volvere plc. Impetus is an international provider of business process outsourcing solutions for the automotive industry. This acquisition more than doubles the size of the company's operations in the U.K and complements its existing RNS business. The acquisition was funded through the Group's existing treasury facilities.

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 29th October 2018 and signed on its behalf.



S Del Mar
Director

MSX INTERNATIONAL LIMITED

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 2017 which comprise the income statement, statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements. 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 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

MSX INTERNATIONAL LIMITED

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, 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.

MSX INTERNATIONAL LIMITED

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 concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.



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

Date: 30 October 2018

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

MSX INTERNATIONAL LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	45,397	39,458
Cost of sales		(30,372)	(25,792)
Gross profit		15,025	13,666
Administrative expenses		(9,064)	(7,233)
Other operating charges	5	(3,068)	1,514
Operating profit	6	2,893	7,947
Income from other fixed asset investments		-	7,831
Interest receivable and similar income	10	3,435	2,896
Interest payable and similar expenses	11	(13,456)	(26,560)
Loss before tax		(7,128)	(7,886)
Tax on loss	12	(38)	477
Loss for the financial year		(7,166)	(7,409)

The notes on pages 15 to 42 form part of these financial statements.

MSX INTERNATIONAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £000	2016 £000
Loss for the financial year	(7,166)	(7,409)
Other comprehensive income		
Actuarial gain/(loss) on defined benefit schemes	57	(96)
Pension surplus not recognised	(57)	71
Currency translation difference	(4)	239
Other comprehensive income for the year	(4)	214
Total comprehensive income for the year	(7,170)	(7,195)

The notes on pages 15 to 42 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	13	1,338	951
Tangible assets	14	938	1,185
Investments	15	206,690	206,690
		<u>208,966</u>	<u>208,826</u>
Current assets			
Debtors: amounts falling due after more than one year	16	224	131
Debtors: amounts falling due within one year	16	124,752	103,813
Cash at bank and in hand	17	595	1,903
		<u>125,571</u>	<u>105,847</u>
Creditors: amounts falling due within one year	18	(85,107)	(67,267)
Net current assets		<u>40,464</u>	<u>38,580</u>
Total assets less current liabilities		<u>249,430</u>	<u>247,406</u>
Creditors: amounts falling due after more than one year	19	(207,079)	(197,885)
Net assets		<u><u>42,351</u></u>	<u><u>49,521</u></u>
Capital and reserves			
Called up share capital	22	14,182	14,182
Share premium account		517	517
Profit and loss account		27,652	34,822
		<u><u>42,351</u></u>	<u><u>49,521</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
29th October 2018



S Del Mar
Director

The notes on pages 15 to 42 form part of these financial statements.

MSX INTERNATIONAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	14,182	517	34,822	49,521
Comprehensive income for the year				
Loss for the year	-	-	(7,166)	(7,166)
Actuarial gains on pension scheme net of surplus not recognised	-	-	-	-
Foreign exchange differences	-	-	(4)	(4)
Other comprehensive income for the year	-	-	(4)	(4)
Total comprehensive income for the year	-	-	(7,170)	(7,170)
Total transactions with owners	-	-	-	-
At 31 December 2017	14,182	517	27,652	42,351

MSX INTERNATIONAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	14,182	517	33,128	47,827
Comprehensive income for the year				
Loss for the year	-	-	(7,409)	(7,409)
Actuarial losses on pension scheme net of surplus not recognised	-	-	(25)	(25)
Capital contribution	-	-	8,889	8,889
Currency translation difference	-	-	239	239
Other comprehensive income for the year	-	-	9,103	9,103
Total comprehensive income for the year	-	-	1,694	1,694
Total transactions with owners	-	-	-	-
At 31 December 2016	14,182	517	34,822	49,521

The notes on pages 15 to 42 form part of these financial statements.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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;
- The requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- The requirements of Section 33 Related Party Disclosures paragraph 33.7

This information is included in the consolidated financial statements of Pacific (BC) Topco Limited, as at 31 December 2017, 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

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.

2.3 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.

2.4 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 2.21 for further details of amortisation policy.

2.5 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Debtors

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

2.8 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.9 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 Interest income

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.18 Income from fixed asset investments

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

2.19 Borrowing costs

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

2.20 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.21 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.

2.22 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.

2.23 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.24 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:

- Tangible fixed assets (see note 14)

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
- 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.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. Judgments in applying accounting policies (continued)

- 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. The deemed market rates of interest for a similar debt instrument used at inception of these instruments was: For Euro denominated loans due for repayment in November 2019, 4.91%; For US\$ denominated loans due for repayment in November 2019, 4.91%.

- 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 £223,000 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.

4. Turnover

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

	2017 £000	2016 £000
General collaborative services	38,099	32,739
License fee revenue	1,142	829
Custom implementation revenue	706	497
Human capital solutions revenue	5,450	5,393
	45,397	39,458

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	31,705	28,658
Nordic countries	9,574	8,488
Dubai	4,118	2,312
	45,397	39,458

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Other operating charges

	2017	2016
	£000	£000
Other operating charges		
Exchange (gains)/losses on operating activity	3,068	(1,514)
	3,068	(1,514)

6. Operating profit

The operating profit is stated after charging:

	2017	2016
	£000	£000
Depreciation of tangible fixed assets	680	566
Amortisation of intangible assets, including goodwill	427	377
Exchange (gains)/losses on operating activity	3,068	(1,514)
Other operating lease rentals	1,319	1,367
Defined contribution pension cost	1,146	1,026

7. Auditor's remuneration

	2017	2016
	£000	£000
Fees payable to the Company's auditor and its associates in respect of:		
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	48	39
	48	39

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Employees

Staff costs were as follows:

	2017	2016
	£000	£000
Wages and salaries	23,373	21,399
Social security costs	3,067	2,718
Cost of defined contribution scheme	1,146	1,026
	<u>27,586</u>	<u>25,143</u>

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

	2017	2016
	No.	No.
Office and management	97	103
Consultants and engineers	537	494
Selling and recruitment	18	16
	<u>652</u>	<u>613</u>

During the year, no director received any emoluments (2016 - £NIL).

9. Income from investments

	2017	2016
	£000	£000
Dividends received from unlisted investments	-	(7,831)
	<u>-</u>	<u>(7,831)</u>

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	2,463	2,894
Foreign exchange gain on bank borrowing	966	-
Other interest receivable	6	2
	3,435	2,896

11. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	492	-
Other loan interest payable	-	7
Loans from group undertakings	11,416	5,983
Foreign exchange loss on group borrowings	1,548	20,570
	13,456	26,560

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	(15)	(282)
Adjustments in respect of previous periods	65	(254)
	<u>50</u>	<u>(536)</u>
Foreign tax		
Foreign tax on income for the year	81	104
	<u>81</u>	<u>104</u>
Total current tax	<u>131</u>	<u>(432)</u>
Deferred tax		
Origination and reversal of timing differences	(44)	(45)
Deferred tax arising on interest receivable	(49)	-
	<u>(93)</u>	<u>(45)</u>
Taxation on profit/(loss) on ordinary activities	<u>38</u>	<u>(477)</u>

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Taxation (continued)

Factors affecting tax charge for the year

The corporation tax rate in the UK was 19% for the tax year 2017-18 (2016-17: 20%). The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £000	2016 £000
Loss on ordinary activities before tax	(7,128)	(7,886)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	(1,372)	(1,577)
Effects of:		
Expenses not deductible for tax purposes	1,242	1
Depreciation for year in excess of capital allowances	42	14
Foreign taxes on overseas earnings	81	104
Adjustments to tax charge in respect of prior periods	65	(254)
Other timing differences leading to an increase (decrease) in taxation	242	(45)
Dividends received (deemed distribution)	-	(1,566)
Exempt foreign branch net profits	(262)	(122)
Unrelieved tax losses carried forward	-	2,916
Nominal interest and foreign exchange on intra-group loans below market interest rate	-	52
Total tax charge for the year	38	(477)

Factors that may affect future tax charges

At the year end the company had trading losses carried forward of £17,087,000 (2016: £14,599,000). No related deferred tax asset at a tax rate of 19.25%, of £3,289,000 has been recognised as it is not foreseeable that these losses will be utilised and the asset recovered.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Intangible assets

	Development software £000
Cost	
At 1 January 2017	3,131
Additions - internal	816
Reclassified from fixed assets	13
At 31 December 2017	3,960
Amortisation	
At 1 January 2017	2,180
Charge for the year	427
Reclassified from fixed assets	15
At 31 December 2017	2,622
Net book value	
At 31 December 2017	1,338
At 31 December 2016	951

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Tangible fixed assets

	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation			
At 1 January 2017	626	3,089	3,715
Additions	19	425	444
Reclassified to intangible assets	-	(13)	(13)
Disposals	(65)	(71)	(136)
Exchange adjustments	2	(9)	(7)
At 31 December 2017	<u>582</u>	<u>3,421</u>	<u>4,003</u>
Depreciation			
At 1 January 2017	618	1,912	2,530
Charge for the year on owned assets	8	672	680
Reclassified to intangible assets	-	(15)	(15)
Disposals	(68)	(59)	(127)
Exchange adjustments	2	(5)	(3)
At 31 December 2017	<u>560</u>	<u>2,505</u>	<u>3,065</u>
Net book value			
At 31 December 2017	<u>22</u>	<u>916</u>	<u>938</u>
At 31 December 2016	<u>8</u>	<u>1,177</u>	<u>1,185</u>

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2017	209,156
Disposals	(2,466)
At 31 December 2017	<u>206,690</u>
Impairment	
At 1 January 2017	2,466
Impairment on disposals	(2,466)
At 31 December 2017	<u>-</u>
Net book value	
At 31 December 2017	<u><u>206,690</u></u>
At 31 December 2016	<u><u>206,690</u></u>

The disposals above relate to the company's subsidiary MSX International CLM Limited which was dissolved on 6th June 2017. The investment in MSX International CLM Limited had already been written down to nil value in previous years.

During the year the company subscribed to a 99.97% share in a newly formed company MSX International S. de R.L. de C.V. registered in Mexico. The share capital subscribed was 2,999 Mexican pesos valued at £113.

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
MSX International TechServices S.L.	Ordinary	100 %	Management consultancy
MSX International GmbH	Ordinary	100 %	Management consultancy
MSXI Business Solutions (Pty) Ltd	Ordinary	100 %	Management consultancy
MSX International S. de R.L. de C.V.	Ordinary	99.97 %	Management consultancy

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Fixed asset investments (continued)**Indirect Subsidiary undertakings**

The following were indirect subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
MSX International Business Services France SAS	Ordinary	100 %	Management consultancy
MSX International Holdings Italia S.R.L.	Ordinary	100 %	Management consultancy
MSX Ricerca & Selezione S.R.L.	Ordinary	100 %	Management consultancy

Name	Registered office
MSX International Tech Services, S.L.	Calle de Albasanz, 15, 28037 Madrid, Spain
MSX International GmbH	Hugo-Eckener-Strasse 20, 50829 Cologne, Germany 4th Floor Aloe Grove, 2 Osborn Road, Houghton Estate OfficePark, 2196 South Africa
MSXI Business Solutions (Pty) Ltd	Amberes 45 Piso 3, Col. JuarezDelegacion, Cuauhtemoc, CP 06600, Ciudad de Mexico, Mexico
MSX International S. de R.L. de C.V.	
MSX International Business Services France SAS	4 Avenue Pablo Picasso, 92000 Nanterre, France
MSX International Holdings Italia S.R.L.	P.F. Calvi 3, 00071 Pomezia (RM), Italy
MSX Ricerca & Selezione S.R.L.	P.F. Calvi 3, 00071 Pomezia (RM), Italy

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. Debtors

	2017 £000	2016 £000
Due after more than one year		
Deferred tax asset	224	131
	<u>224</u>	<u>131</u>
	2017 £000	2016 £000
Due within one year		
Trade debtors	9,399	8,606
Amounts owed by group undertakings	105,522	84,028
Other debtors	927	1,323
Prepayments and accrued income	8,904	9,856
	<u>124,752</u>	<u>103,813</u>

17. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	595	1,903
	<u>595</u>	<u>1,903</u>

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Creditors: Amounts falling due within one year

	2017	2016
	£000	£000
Bank loans	6,660	-
Trade creditors	23,181	21,613
Amounts owed to group undertakings	49,233	40,559
Other taxation and social security	1,796	1,662
Other creditors	1,931	1,461
Accruals and deferred income	1,916	1,582
Share capital treated as debt	390	390
	<u>85,107</u>	<u>67,267</u>

Secured Loans

The bank loan facility which stood at US\$9,000,000 valued at £6,660,000 on 31st December 2017, is part of a senior facilities agreement held by the company's parent company Pacific (BC) Topco 5 Limited 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, Pacific Holdco Inc. US, MSX IHC LLC (US), MSX International Inc (US), MSX International (Holdings) Inc and MSX Americas Inc.

The company's US\$9,000,000 loan was fully repaid on 20th February 2018.

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

	2017	2016
	£000	£000
Amounts owed to group undertakings	206,819	197,625
Share capital treated as debt	260	260
	<u>207,079</u>	<u>197,885</u>

Amounts owed to group undertakings due greater than one year constitute financing transactions. The company initially measures these financial liabilities at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	124,116	104,496
	124,116	104,496
Financial liabilities		
Financial liabilities measured at present value of future payments discounted at a market rate of interest for similar debt instruments	(206,819)	(197,625)
Financial liabilities measured at amortised cost	(83,316)	(65,622)
	(290,135)	(263,247)

21. Deferred taxation

	2017 £000
At beginning of year	131
Charged to the profit or loss	93
At end of year	224

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	175	131
Deferred tax on interest receivable	49	-
	224	131

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Called up share capital

	2017 £000	2016 £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
	2017 £000	2016 £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. Cumulative unpaid preference dividends for 21 years amounted to £1,449,000 (2016: £1,380,000).

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

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. Pension commitments

The company operates a Defined benefit pension scheme.

The company operates a defined contribution scheme for its employees. The company made contributions to employees' personal pension plans of £1,146,000 (2016: £1,026,000).

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 2017 by a qualified actuary, independent of the scheme's sponsoring employer.

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	1,351	1,410
Interest cost	35	51
Actuarial losses	39	245
Benefits paid	(43)	(355)
At the end of the year	1,382	1,351

Reconciliation of fair value of plan assets:

	2017 £000	2016 £000
At the beginning of the year	1,513	1,634
Interest income	39	60
Actuarial gains	96	149
Contributions	-	25
Benefits paid	(43)	(355)
At the end of the year	1,605	1,513

MSX INTERNATIONAL LIMITED

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23. Pension commitments (continued)

Composition of plan assets:

	2017 £000	2016 £000
Equities	1,060	1,020
Bonds	254	251
Absolute return	166	172
Property	37	21
Cash	88	49
Total plan assets	1,605	1,513

	2017 £000	2016 £000
Fair value of scheme assets	1,605	1,513
Present value of scheme liabilities	(1,382)	(1,351)
Unrecognised surplus	(223)	(162)
Net pension scheme liability	-	-

No amounts have been recognised in the profit or loss.

The amounts recognised in other comprehensive income are as follows:

	2017 £000	2016 £000
Total actuarial gain/(loss)	57	(96)
Effect of limit on amount of surplus recognised	(57)	71
Total	-	(25)
Actual return on scheme assets	135	209
	135	209

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23. Pension commitments (continued)

The company expects to contribute £NIL to its Defined benefit pension scheme in 2018.

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

	2017	2016
	%	%
Discount rate	2.4	2.6
Inflation assumption (CPI)	2.7	2.7
Inflation assumption (RPI)	3.2	3.2
Life expectancies		
- for a male aged 65 now	88.0	87.9
- at 65 for a male member now aged 45	90.4	90.3
- for a female aged 65 now	89.9	89.8
- at 65 for a female member aged 45 now	92.2	92.1

24. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	2016
	£000	£000
Land and Buildings		
Not later than 1 year	404	381
Later than 1 year and not later than 5 years	628	451
Total	1,032	832
	2017	2016
	£000	£000
Not later than 1 year	337	337
Later than 1 year and not later than 5 years	195	195
	532	532

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. 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 a loan of Euro 327,936,000 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.

26. Post balance sheet events

The group's trading activity consists of 3 divisions, Retail Network Solutions (RNS), Geometric Results (GRI) which provides human capital solutions (HCS), and Technical Staffing (TS). At the end of 2017 the company owned subsidiaries carrying out all 3 activities, with other group companies also carrying out all 3 activities. The group has begun restructuring where all RNS activity is being brought under the indirect ownership of the company and (GRI) activity is being moved out under the control of another group company Geometric Results International Inc. The restructuring transactions that have occurred in 2018 up to the date of signing the financial statements were;

On 30th April 2018 the company purchased another company within the MSXI group, MSX International RNS, LLC a company based in the US in exchange for issuing a loan note for \$82,790,000 to the previous owner MSX Americas Inc.

On June 4th 2018 the company purchased MSX International RNS Canada Limited in exchange for issuing a loan note for US\$3,400,000 to the previous owner MSX International Canada Limited.

On June 30th 2018 the company purchased 99.98% of MSX International Thailand Limited in exchange for issuing a loan note for \$5,879,000 to the previous owner MSX International International Holdings Inc.

On 1st July 2018 the company sold its HCS division to Geometric Results International Inc. in exchange for a promissory note of £47,765,000.

Outside of restructuring, on 4th October 2018, MSX International Ltd acquired 100% of the A ordinary shares of Impetus Automotive Limited ('Impetus') from its parent company, Volvere plc. Impetus is an international provider of business process outsourcing solutions for the automotive industry. This acquisition more than doubles the size of the company's operations in the U.K and complements its existing RNS business. The acquisition was funded through the Group's existing treasury facilities

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**NOTES TO THE FINANCIAL STATEMENTS
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27. 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 2017 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 the accounts of MSXI UK Limited, 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.