
MSX INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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MSX INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	J Rothwell A Sorrenti
Registered number	01949542
Registered office	The Octagon Middleborough Colchester Essex CO1 1TG
Independent auditors	BDO LLP Newton House Cambridge Business Park Cambridge CB4 0WZ

MSX INTERNATIONAL LIMITED

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MSX INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

MSX International Limited ("the Company") operates in the United Kingdom and via branches in Sweden, Denmark, Norway, Finland and United Arab Emirates. The Company provides training and business process outsourcing services ("BPO") to customers in the automotive sector.

Business review

Turnover decreased to £44,137,000 (2021: £46,362,000) predominantly due to timing of the commencement of customer projects. Despite the reduction in Turnover, the Company's adjusted EBITDA has remained broadly consistent with the previous year at £4,087,000 (2021: £3,900,000). Adjusted EBITDA is defined as Earnings before Interest, Tax, Depreciation, Amortisation, Impairments and Foreign Exchange differences.

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 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 MSX International 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, the Company has continued to supply old and new customers with valuable services as they choose to outsource and take advantage of our solutions.

The Company 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. The Company continues to monitor its employee profile against the demands of the industry and tailors its workforce to meet that demand. The final terms of the Brexit agreement were such that the impact on the UK car industry was minimal and did not significantly impact the activities of the Company.

The Company's main foreign currency risk exposure is in respect of the Company's loans. In 2022 the Company made an operational foreign exchange loss of £2,672,000 (2021 - gain of £1,571,000). Exchange losses on group loans amounted to £19,774,000 (2021 - gains of £8,116,000).

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.

MSX INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Financial key performance indicators

	2022	2021
	£000	£000
Turnover (Decline)/Growth, year on year	(5%)	66%
Gross Margin as percentage of Turnover	29.7%	29.6%
Earnings before Interest, Tax, Depreciation, Amortisation, Impairments and Foreign Exchange (Adjusted EBITDA)	£4,087,000	£3,900,000
Day Sales Outstanding	51 days	53 days

The 5% decline in Turnover is predominantly due to timing of the commencement of customer projects.

The small increase in Gross Margin is due to a minor change in the mix of different margin generating projects during 2022.

The growth in Adjusted EBITDA in 2022 is due to successful cost control measures to offset the reduction in Turnover.

The average DSO in 2022 has remained broadly the same as 2021 due to the Company's continuing focus on cashflow management and accelerated collections from the Company's 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.

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 Bank of England base rate, Euribor or SOFR.

MSX INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 through 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.

To keep colleagues in touch within the wider business we publish a monthly newsletter. This is valuable as a medium to help keep colleagues who are field based or working from home apprised of company news.

MSX INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 Statement (continued)

We take a continuous listening approach to Employee Engagement powered by Peakon. This continuous cycle of gathering feedback, analysis, and action empowers senior management as well as individual team leaders to understand the specific issues in their teams and take actions to address these. This is supported by contextual training and learning content.

We offer a balanced working policy which, where feasible, formally enables colleagues to benefit from a mix of home working and office working.

Our Global Town Halls are open to all employees and are held quarterly. They consist of presentations by the senior leadership team on our performance, goals and strategic direction. They are also an open forum for employees to ask questions directly to our leadership team during the Q&A section of the event. The Global Townhalls are complemented by Regional and Country level meetings to update employees on more detailed and relevant information pertaining to their domain.

- 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 through a dedicated system of customer account managers.

We have continued to work closely with our client base to agree a balanced approach to on-site and remote working following changes to working practices post the COVID 19 pandemic.

- 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.

We have increased the number of battery electric and hybrid vehicles within the Company fleet and expect full adoption by mid-decade as existing leases renew.

We encourage employees to volunteer for charities and local community support groups and reported back via our newsletter

- 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.

Future developments

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

MSX INTERNATIONAL LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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



J Rothwell
Director

Date: 24 January 2024

MSX INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 £45,215,000 (2021 - profit £5,614,000).

The Directors do not recommend payment of a final dividend (2021: £Nil).

Directors

The Directors who served during the year and to the date of this report were:

N Andersson (resigned 30 September 2022)
A Beck (appointed 30 September 2022, resigned 31 March 2023)
A Sorrenti (appointed 25 January 2023)
J Rothwell (appointed 3 April 2023)

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.

MSX INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 the Company had: net current liabilities of £371,146,000 (2021: £334,192,000); and net assets of £97,000 (2021: £44,973,000). Included within creditors amounts owed to group undertakings due within one year are amounts totalling £411,344,000 (2021: £369,058,000). 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. 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 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.

MSX INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and emissions report

During 2022, the Company continued to take a number of energy efficiency actions including increasing the use of hybrid electric and fully electric vehicles within the Company fleet and only undertaking internal and customer related travel where remote working and video-conferencing is not appropriate.

The energy and carbon footprint cover Scope 1, 2 and selected Scope 3 emissions for the year ended 31 December 2022 in respect of the Company. The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol. Outputs are in Kwh & CO₂e using the 2022 conversion factors issued by the Department for Business, Energy and Industry Strategy (BEIS).

Greenhouse gas emissions and energy use data

	2022	2021
Energy consumption used to calculate emissions (kWh)	2,371,993	1,815,255
Scope 1 - Fuel for transport purposes (Tonnes CO ₂ e)	430.33	299.83
Scope 2 – Purchased electricity (Tonnes CO ₂ e)	47.07	72.33
Scope 3 – Business travel in rental cars or employee owned vehicles (Tonnes CO ₂ e)	73.84	46.60
Total gross emissions (Tonnes CO ₂ e)	551.24	418.76
Intensity Ratio - Emissions per employee	0.91	0.59

Branches outside the United Kingdom

The Company operates branches in Norway, Sweden, Denmark, Finland and United Arab Emirates. In 2022 the branch activities contributed 36% (2021: 31%) 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
- 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

There have been significant events affecting the Company since the year end which are detailed in note 30.

Auditors

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

MSX INTERNATIONAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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



J Rothwell
Director

Date: 24 January 2024

MSX INTERNATIONAL LIMITED

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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.

We have audited the financial statements of MSX International Limited ("the Company") for the year ended 31 December 2022 which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic 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.

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

We have nothing to report in this regard.

MSX INTERNATIONAL LIMITED

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

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' report, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

MSX INTERNATIONAL LIMITED

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

We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice, Companies Act and UK tax and employment legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and data protection laws.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Enquiry with management and those charged with governance regarding any instance of non-compliance with laws and regulations that may have a material effect on the financial statements.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be areas involving accounting estimates and judgments, significant journal entries, revenue recognition in the year and revenue recognised around the year-end.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation and evaluating the business' rationale of posting such journals;
- Assessing significant estimates made by management for bias; and
- We reviewed the revenue recognition policy for consistency with prior year and ensured adopted policy was in line with the financial reporting requirements, we tested the application of this policy throughout our substantive audit procedures over revenue. We also performed revenue cut off testing to ensure that revenue was recorded in the correct period.

MSX INTERNATIONAL LIMITED

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


We also communicated relevant laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. 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.

DocuSigned by:

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

24 January 2024

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 2022**

	Note	2022 £000	2021 £000
Turnover	4	44,137	46,362
Cost of sales		(31,034)	(32,643)
Gross profit		13,103	13,719
Administrative expenses		(14,512)	(16,354)
Other operating income	6	-	152
Other operating (charges)/income	5	(2,672)	1,571
Operating loss	7	(4,081)	(912)
Income from other fixed asset investments	11	514	5,489
Impairment of investments	17	(14,000)	-
Interest receivable and similar income	12	2,607	10,451
Interest payable and similar expenses	13	(30,012)	(8,927)
(Loss)/profit before tax		(44,972)	6,101
Tax on (loss)/profit	14	(243)	(487)
(Loss)/profit for the financial year		(45,215)	5,614

The notes on pages 19 to 51 form part of these financial statements.

MSX INTERNATIONAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £000	2021 £000
(Loss)/profit for the financial year	(45,215)	5,614
Other comprehensive income		
Actuarial gain on defined benefit schemes	142	181
Pension surplus not recognised	(142)	(181)
Currency translation difference	339	(174)
Other comprehensive income/(loss) for the year	339	(174)
Total comprehensive (loss)/income for the year	(44,876)	5,440

The notes on pages 19 to 51 form part of these financial statements.

MSX INTERNATIONAL LIMITED
REGISTERED NUMBER: 01949542

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	15	13,709	17,478
Tangible assets	16	795	972
Investments	17	356,999	360,975
		<u>371,503</u>	<u>379,425</u>
Current assets			
Debtors: amounts falling due within one year	18	45,685	38,609
Cash at bank and in hand	19	4,070	6,521
		<u>49,755</u>	<u>45,130</u>
Creditors: amounts falling due within one year	20	(420,901)	(379,322)
Net current liabilities		<u>(371,146)</u>	<u>(334,192)</u>
Total assets less current liabilities		<u>357</u>	<u>45,233</u>
Creditors: amounts falling due after more than one year	21	(260)	(260)
Net assets		<u><u>97</u></u>	<u><u>44,973</u></u>
Capital and reserves			
Called up share capital		14,182	14,182
Share premium account		517	517
Profit and loss account		(14,602)	30,274
		<u><u>97</u></u>	<u><u>44,973</u></u>

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



J Rothwell
Director

Date: 24 January 2024

The notes on pages 19 to 51 form part of these financial statements.

MSX INTERNATIONAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2022	14,182	517	30,274	44,973
Comprehensive loss for the year				
Loss for the year	-	-	(45,215)	(45,215)
Currency translation difference	-	-	339	339
Other comprehensive income for the year	-	-	339	339
Total comprehensive loss for the year	-	-	(44,876)	(44,876)
At 31 December 2022	14,182	517	(14,602)	97

The notes on pages 19 to 51 form part of these financial statements.

MSX INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	14,182	517	24,834	39,533
Comprehensive income for the year				
Income for the year	-	-	5,614	5,614
Currency translation difference	-	-	(174)	(174)
Other comprehensive loss for the year	-	-	(174)	(174)
Total comprehensive income for the year	-	-	5,440	5,440
At 31 December 2021	14,182	517	30,274	44,973

The notes on pages 19 to 51 form part of these financial statements.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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, Essex, 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; and
- 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 2022, 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 judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemption from preparing 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 8PX, Channel Islands.

The consolidated financial statements of Pacific (BC) Topco Limited, have been filed with the Registrar of Companies (England and Wales) with the accounts of MSX International Limited, and are available from Registrar of Companies (England and Wales), Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 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 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 to adopt the going concern basis in preparing the annual report and accounts.

2.5 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.6 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.

2.7 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Income statement over its useful economic life.

Goodwill also arises on the application of merger accounting following the hive up of trade and assets as a result of the difference between the value of the assets at acquisition and at the date of hive up. Further details are included in note 15.

Goodwill is amortised over a maximum life of 10 years. See note 2.25 for further details of amortisation policy.

Other 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.

2.8 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 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 profit or loss.

2.9 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.10 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 2.13).

2.11 Debtors

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

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.

2.12 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.13 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 intercompany 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 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 GBP 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.

2.15 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.16 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 25.

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 movements in the present value of the liabilities of the Company's defined benefit pension scheme are charged to operating profit. The expected return on the scheme's assets and the movement 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.

2.17 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.

2.18 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit and loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The Group has not directly benefited from any other forms of government assistance.

2.19 Finance costs

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

2.20 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.21 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 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.

2.22 Interest income

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

2.23 Income from fixed asset investments

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

2.24 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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, 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 2022

2. Accounting policies (continued)

2.25 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.

2.26 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 of 5 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.

2.27 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgements 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 15 and 16)

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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgements 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 25.

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 £741,000 (2021: £599,000) 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. Judgement is also applied in assessing if the loan receivable is fixed asset investment or current asset based upon the nature of the balance and the timing and nature of expected settlement. In relation to intercompany debtors due from entities within the same group as a company, the Directors have received a letter from the intermediate 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.

- 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.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies (continued)

- Capitalisation of intangible assets (software costs) continued

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:

	2022	2021
	£000	£000
Training and business process outsourcing services	43,600	45,742
License fee revenue	537	620
	44,137	46,362

Analysis of turnover by country of destination:

	2022	2021
	£000	£000
United Kingdom	28,461	32,166
Nordic countries	12,676	11,926
United Arab Emirates	3,000	2,270
	44,137	46,362

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Other operating charges/(income)

	2022	2021
	£000	£000
Other operating charges/(income)		
Exchange losses/(gains) on operating activities	2,672	(1,571)
	2,672	(1,571)

6. Other operating income

	2022	2021
	£000	£000
Government grants receivable	-	152
	-	152

The Government Grant is the amount received relating to the Government Coronavirus Job Retention Scheme ('Furlough'). In determining the recognition of the grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started.

7. Operating loss

The operating loss is stated after charging/(crediting):

	2022	2021
	£000	£000
Depreciation of tangible fixed assets	257	389
Amortisation of intangible fixed assets	3,096	3,125
Impairment of intangible fixed assets	2,143	2,869
Exchange losses/(gains) on operating activity	2,672	(1,571)
Other operating lease rentals	1,443	1,756
Defined contribution pension cost	1,355	1,570

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	299	97
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	-	35
Taxation compliance services	-	1
Other services	-	5

Fees payable to the auditors for the audit of fellow group companies, which were borne by the Company, were £262,000 (2021: £71,500). Fees payable to the auditors for audit related assurance services of fellow group companies, which were borne by the Company, were £nil (2021: £nil).

9. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	25,156	28,482
Social security costs	3,662	4,075
Cost of defined contribution scheme	1,355	1,570
	30,173	34,127

The figures above do not include amounts paid through the MSX International Limited payroll that are recharged to other group companies. In 2022 staff costs paid by the Company that were recharged amounted to salaries (less government COVID-19 contributions) of £103,000 (2021: £185,000), social security costs of £9,000 (2021: £23,000) and defined contribution pension costs of £2,000 (2021: £2,000).

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Employees (continued)

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

	2022	2021
	No.	No.
Office and management	64	70
Consultants and engineers	543	642
	607	712

The reduction in consultants and engineers was predominantly due to the TUPE transfer of employees to another service provider at the end of March 2022.

10. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	27	-
Company contributions to defined contribution pension schemes	4	-
	31	-

During the year retirement benefits were accruing to 1 Director (2021 - NIL) in respect of defined contribution pension schemes.

11. Income from investments

	2022	2021
	£000	£000
Dividends received from shares in group undertakings	514	5,489
	514	5,489

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Interest receivable

	2022	2021
	£000	£000
Interest receivable from group companies	2,607	2,335
Foreign exchange gain on group borrowings	-	8,116
	<u>2,607</u>	<u>10,451</u>

13. Interest payable and similar expenses

	2022	2021
	£000	£000
Bank interest payable	228	212
Other loan interest payable	(1)	2
Interest payable to group companies	10,011	8,713
Foreign exchange loss on group borrowings	19,774	-
	<u>30,012</u>	<u>8,927</u>

14. Taxation

	2022	2021
	£000	£000
Foreign tax		
Foreign tax on income for the year	524	487
Foreign tax in respect of prior periods	(5)	-
	<u>519</u>	<u>487</u>
Total current tax	<u>519</u>	<u>487</u>
Deferred tax		
Origination and reversal of timing differences	(276)	-
Total deferred tax	<u>(276)</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>243</u>	<u>487</u>

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Taxation (continued)

Factors affecting tax charge for the year

The corporation tax rate in the UK was 19% for the tax year 2022-23 (2021-22 - 19%). The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
(Loss)/profit on ordinary activities before tax	(44,972)	6,101
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(8,545)	1,159
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	3,080	420
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6	16
Fixed asset timing differences	1	625
Foreign taxes on overseas earnings	519	487
Dividends from EU companies	(98)	(1,043)
Exempt foreign branch net (profits)	(413)	(435)
Unrelieved tax losses carried forward	1,845	-
Group relief surrendered/(utilised)	2,398	(742)
Corporate interest restriction	1,450	-
Total tax charge for the year	243	487

Factors that may affect future tax charges

At the year end the Company had trading losses carried forward of £45,877,000 (2021: £25,630,000). A partial deferred tax asset has been recognised as disclosed in note 24. No related deferred tax asset at a rate of 25%, of £11,469,000 (2021: £6,407,000) has been recognised on the remaining amount as it is not foreseeable that these losses will be utilised and the asset recovered.

The March 2021 Budget announced a further increase to the main UK rate of corporation tax to 25% from April 2023. This rate has been substantially enacted at the balance sheet date. As a result any deferred tax asset balances recognised at 31 December 2022 are measured at 25%.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Intangible assets

	Software £000	Development software £000	Goodwill £000	Total £000
Cost				
At 1 January 2022	776	10,096	21,060	31,932
Additions	-	1,253	-	1,253
Transfer from tangible assets	-	226	-	226
Foreign exchange movement	-	(9)	-	(9)
At 31 December 2022	<u>776</u>	<u>11,566</u>	<u>21,060</u>	<u>33,402</u>
Amortisation				
At 1 January 2022	389	7,912	6,153	14,454
Charge for the year on owned assets	259	629	2,208	3,096
Impairment charge	-	2,143	-	2,143
At 31 December 2022	<u>648</u>	<u>10,684</u>	<u>8,361</u>	<u>19,693</u>
Net book value				
At 31 December 2022	<u>128</u>	<u>882</u>	<u>12,699</u>	<u>13,709</u>
At 31 December 2021	<u>387</u>	<u>2,184</u>	<u>14,907</u>	<u>17,478</u>

The goodwill arose on the application of merger accounting following the hive up of trade and assets from Impetus Automotive Limited on 1 January 2021. As the hive up was performed several years after acquisition, the original goodwill of £27.2 million arising on the fair values of the net assets acquired at the date of acquisition was adjusted to reflect the amortisation arising from the date of acquisition to date of hive up of £6.1 million resulting in goodwill of £21.1 million arising at the date of hive up.

During the year ended 31 December 2022, an impairment of £2.1 million (2021: £2.9 million) has been charged against the M:WISE software development as a result of the loss of a customer contract.

During the year ended 31 December 2022, there has been no impairment of the goodwill (2021: £3.9 million).

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Tangible fixed assets

	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation			
At 1 January 2022	120	3,527	3,647
Additions	3	305	308
Transfer to intangible assets	-	(226)	(226)
Disposals	(31)	(1,133)	(1,164)
Exchange adjustments	(2)	13	11
At 31 December 2022	<u>90</u>	<u>2,486</u>	<u>2,576</u>
Depreciation			
At 1 January 2022	94	2,581	2,675
Charge for the year on owned assets	15	242	257
Disposals	(31)	(1,132)	(1,163)
Exchange adjustments	(1)	13	12
At 31 December 2022	<u>77</u>	<u>1,704</u>	<u>1,781</u>
Net book value			
At 31 December 2022	<u>13</u>	<u>782</u>	<u>795</u>
At 31 December 2021	<u>26</u>	<u>946</u>	<u>972</u>

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Fixed asset investments

	Investments in subsidiary companies £000	Investments in associates £000	Loans to subsidiaries £000	Total £000
Cost or valuation				
At 1 January 2022	293,249	3,477	64,249	360,975
Interest	-	-	2,607	2,607
Repayment	-	-	(7)	(7)
Foreign Exchange movement	-	-	7,424	7,424
Impairment	(14,000)	-	-	(14,000)
At 31 December 2022	<u>279,249</u>	<u>3,477</u>	<u>74,273</u>	<u>356,999</u>

During the year ended 31 December 2022, an impairment of £14.0 million was booked against the investment held in MSX International GmbH reducing the investment from £28.1 million to £14.1 million. The trigger for the impairment review was a result of a review of the future performance of the company. The impairment was calculated based upon a discounted cash flow using a discount rate of 11%.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
MSX International GmbH (Germany)*	Ossendorf -Technology CentreHugo-Eckener- Str. 2050829 Köln Germany	Ordinary	100%
MSX International TechServices, S.L. (Spain)*	Calle Albasanz, Num.15 Planta 1 28037 Madrid, Spain	Ordinary	100%
MSX International Business Services France SAS (France)	4 avenue Pablo Picasso, 92000 Nanterre, France	Ordinary	100%
MSX International Holdings Italia S.r.l. (Italy)	Viale Alexander Gustave Eiffel 13-15, 00148 Roma, Italy	Ordinary	100%
MSX Ricerca & Selezione S.r.l. (Italy)	Viale Alexander Gustave Eiffel 13-15, 00148 Roma, Italy	Ordinary	100%
The Academy S.r.l. (Italy)	Via Vittor Pisani 20, 20124 Milano, Italy	Ordinary	100%
Impetus Automotive Limited*	Impetus Automotive Tournament Court, Edgehill Drive, Warwick, CV34 6LG, UK	Ordinary	100%
Impetus Automotive GmbH	Bismarckstraße 30, 64668 Rimbach, Germany	Ordinary	100%
Impetus Automotive Pty Ltd	75 Wensleydale Drive, Mornington, Victoria 3931, Australia	Ordinary	100%
Impetus Automotive Consulting (Beijing) Co Ltd	Office No 1562 NCI Tower, 12a Jianguomenwai Avenue, 100022 Beijing, China	Ordinary	100%
MSX International Netherlands BV*	Van't Hoffstraat 263863 AX Nijkerk The Netherlands	Ordinary	100%
Sewells Asia Holdings Pte Ltd (Singapore)	30 Ceecil Street, #10-01 Prudential Tower, Singapore 049712	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%

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Sewells Group India Private Limited	101, Building 6, Sector 3, Millennium Business Park, MIDC, Mahape, Navi Mumbai, India 400701	Ordinary	100%
SkillSource Learning and Technologies Private Limited (India)	123, Building No.2(A-3), Sector 1, Millennium Business Park, MIDC, Mahape, Navi Mumbai 400701	Ordinary	100%
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 Company Limited (China)	Room 411, No.567 Tianyaoqiao Road Xuhui District, Shanghai, China, 200030	Ordinary	100%
MSX International S.R.O.(Czech Republic)	Stock Exchange, Burzovni Palac Rybna 682/14, 11005 Praha 1, Czech Republic	Ordinary	100%
MSX International Sweden AB	Rullagergatan 9, 6th Floor, 415 05 Göteborg, Sweden	Ordinary	100%
MSX International RNS Brasil Training and Process Outsourcing Ltda (Brazil)	Rua Amazonas, 439 13 Floor Room 132 Sao Caetano do Sul-SP CEP 09.520-070 BR Brazil	Ordinary	100%
MSX International K.K. (Japan)	7F AUSPICE Akasaka, 5-5-18 Akasaka, Minato-ku, Tokyo 107-0052, Japan	Ordinary	100%
MSX International RNS, LLC (US)	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA	Ordinary	100%
MSX International RNS Canada Limited	100 King Street West Suite 1600 Toronto, Ontario M5X 1G5	Ordinary	100%

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Name	Registered office	Class of shares	Holding
MSX International S. de R.L. de C.V. (Mexico)	Insurgentes Sur 1787, Piso 4, Guadalupe Inn, CP 01020, Del. Alvaro Obregon, Mexico, Ciudad de Mexico	Ordinary	100%
MSX International Limited (Thailand)*	No. 300/99 Moo 1, Tambol Tasit, Amphur Pluak Daeng, Rayong Province, Bangkok, Thailand	Ordinary	99.97%
MSX International Business Solutions Pty Ltd. (South Africa)*	4th Floor Aloe Grove, 2 Osborn Road, Houghton Estate, OfficePark, 2196 South Africa	Ordinary	100%

* 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 2022, MCon Group AG had capital and reserves of £6,687,000 (2021: £5,946,000) having made a profit of £70,000 (2021: £124,000) in the year.

Subsequent to the end of year the Company disposed of its investment in MCon Group AG as set out in note 30.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

18. Debtors

	2022 £000	2021 £000
Due within one year		
Trade debtors	2,773	3,755
Amounts owed by group undertakings	40,409	31,760
Other debtors	115	138
Prepayments and accrued income	2,112	2,956
Deferred taxation	276	-
	<u>45,685</u>	<u>38,609</u>

19. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	4,070	6,521
	<u>4,070</u>	<u>6,521</u>

Cash at bank includes £516,833 restricted cash (2021: £815,620), pledged to Credit Agricole under the existing factoring agreement.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	2,654	2,204
Amounts owed to group undertakings	411,344	369,058
Amounts owed to joint ventures	329	305
Corporation tax	139	210
Other taxation and social security	1,595	2,001
Proceeds of factored debts	-	816
Other creditors	1,740	2,089
Accruals and deferred income	2,710	2,249
Share capital treated as debt	390	390
	420,901	379,322

Disclosure of the terms and conditions attached to the non-equity shares is made in note 23.

Amounts owed to group undertakings less than one year are trading balances and loan notes which are repayable on demand. Interest accrues at a fixed rate of 3% on £0.4m, 3.3% on £172.7m, variable rate of 1 month Euribor + 3.24% on £124.7m, and no interest accrues on the remaining £61.6m.

Secured Loans

At the start of the financial year, the MSX International Group, of which the Company is a member, had a senior facilities agreement made up of a loan available to certain entities in the Group of €498,000,000 and \$50,000,000 and access to a revolving facility of \$75,000,000, which could be utilised by certain subsidiaries within the Group. The agreement was secured on the assets of several group companies, including the assets of the Company. In June 2022 these loans were fully repaid and subsequently the charges have been satisfied.

In June 2022 the MSX International Group entered into a new Senior Facility Agreement. The Agreement is for loans of €156,300,000 and \$150,000,000 and access to a revolving facility ("RCF") of \$40,000,000. The maturity profile is 4 years for the RCF and 7 years for the loans which reduced to 5 years if the RCF is not extended. The Agreement is secured on the assets of several group companies including the assets of the Company.

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

	2022	2021
	£000	£000
Share capital treated as debt	260	260
	260	260

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. Financial instruments

	2022	2021
	£000	£000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	121,209	107,039
	<u>121,209</u>	<u>107,039</u>
Financial liabilities		
Financial liabilities measured at amortised cost	418,720	376,830
	<u>418,720</u>	<u>376,830</u>

23. Called up share capital

	2022	2021
	£000	£000
Allotted, 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
	<u>14,198</u>	<u>14,198</u>
	<u>14,198</u>	<u>14,198</u>
	2022	2021
	£000	£000
Preference shares classified as		
Equity	2	2
Debt	16	16
	<u>18</u>	<u>18</u>
	<u>18</u>	<u>18</u>

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.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. Deferred taxation

	2022 £000
Charged to the profit or loss	276
At end of year	276

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Tax losses carried forward	276	-
	276	-

The deferred tax asset is expected to be reversed in its entirety in the year following the reporting period due to anticipated profits of the Company.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

25. Pension commitments

The Company operates a defined contribution scheme for its employees. The Company made contributions to employees' personal pension plans of £1,354,625 (2021: £1,569,683).

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 2020 and updated to 31 December 2022 by a qualified actuary, independent of the scheme's sponsoring employer.

Reconciliation of present value of plan liabilities:

	2022 £000	2021 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	1,319	1,425
Interest expense	24	18
Actuarial gains	(333)	(79)
Benefits paid	(132)	(45)
At the end of the year	878	1,319

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	1,918	1,843
Interest income	24	18
Actuarial (losses)/gains	(191)	102
Benefits paid	(132)	(45)
At the end of the year	1,619	1,918

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

25. Pension commitments (continued)

Composition of plan assets:

	2022	2021
	£000	£000
Equities	1,020	1,409
Bonds	378	234
Absolute return	117	139
Property	33	46
Commodities	42	43
Cash	29	47
Total plan assets	1,619	1,918

	2022	2021
	£000	£000
Fair value of plan assets	1,619	1,918
Present value of plan liabilities	(878)	(1,319)
Unrecognised surplus	(741)	(599)
Net pension scheme liability	-	-

No amounts have been recognised in the profit or loss.

The amounts recognised in other comprehensive income are as follows:

	2022	2021
	£000	£000
Actuarial gain on defined benefit schemes	142	181
Pension surplus not recognised	(142)	(181)
Total	-	-

The actual return on scheme assets in the year was a loss of £167,000 (2021: gain of £120,000)

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

25. Pension commitments (continued)

The Company expects to contribute £NIL to its defined benefit scheme in 2023.

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

	2022	2021
	%	%
Discount rate	4.8	1.9
Future salary increases	2.8	2.7
Inflation assumption	3.3	3.2
Mortality rates		
- for a male aged 65 now	87.2	87.2
- at 65 for a male aged 45 now	89.5	88.2
- for a female aged 65 now	88.2	89.5
- at 65 for a female member aged 45 now	90.7	90.6

26. Contingent Liabilities

The Company has been responding to questions from HM Revenue & Customs (HMRC) in a check of the Company's 2015 to 2019 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. £932k 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.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

27. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Land and Buildings		
Not later than 1 year	367	422
Later than 1 year and not later than 5 years	363	463
	<u>730</u>	<u>885</u>
	2022 £000	2021 £000
Other operating leases		
Not later than 1 year	315	378
Later than 1 year and not later than 5 years	143	373
	<u>458</u>	<u>751</u>

28. Other Financial Commitments

At the start of the financial year, the MSX International Group, of which the Company is a member, had a senior facilities agreement made up of a loan available to certain entities in the Group of €498,000,000 and \$50,000,000 and access to a revolving facility of US\$ 75,000,000, which could be utilised by certain subsidiaries within the Group. The agreement was secured on the assets of several group companies, including the assets of the Company. In June 2022 these loans were fully repaid and subsequently the charges have been satisfied.

In June 2022 the MSX International Group entered into a new Senior Facility Agreement. The Agreement is for loans of €156,300,000 and \$150,000,000 and access to a revolving facility ("RCF") of \$40,000,000. The maturity profile is 4 years for the RCF and 7 years for the loans which reduced to 5 years if the RCF is not extended. The Agreement is secured on the assets of several group companies including 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.

MSX INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company of any wholly owned subsidiary undertaking of the group.

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 borne by other group undertakings. As such, the total compensation paid to key management personnel for services provided to the Company was £nil (2021 - £nil).

30. Post balance sheet events

On 6 February 2023, the Group was subject to a cyber attack which effected a minor part of the Group's IT infrastructure. The attack was identified immediately and the Group were able to quickly isolate the effected systems meaning the amount of data at risk was minimised. There was minimal disruption to the Group's operations and there was no impact on the Group's financial systems. At the date of signing, management are still in the process of assessing the financial impact of the attack but have concluded that the Group's financial position at 31 December 2022 is not affected and do not expect the attack to have a material impact on the financial performance and position in the year ended 31 December 2023.

On 11 October 2023, the Company disposed of its associate investment in MCON Group AG for proceeds of £4,226,000 (€4,876,000). On the same day, the Company entered into a loan with MCON Group AG for £477,000 (€550,000). The loan has a fixed term of 2 years with an option to extend by 1 year on agreement by the Company. The loan attracts interest of 3 month Euribor + 2.5%. The investment was held at a value of £3,477,000 in Fixed Asset Investments in the Balance sheets at 31 December 2022.

On 15 November 2023, the Company made a capital contribution of £10,523,000 (€12,000,000) to its subsidiary company MSX International GmbH to support the future financial position of the subsidiary company. The consideration for the contribution was in the form of a loan on which interest of EURIBOR + 7% is applied. The loan has a maturity date of 9 June 2029 but is repayable on demand by either party prior to this date.

On 7 December 2023, the Company received a cash distribution from its subsidiary company MSX International TechServices, S.L. totalling £160,341,000 (€182,850,000). The cash obligation arising from the distribution was settled by the offsetting of the Company's intercompany loans and accrued interest with its indirect subsidiaries MSX International Business Services France SAS and MSX International Holdings Italia S.r.l.

MSX INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

31. 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 2022 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.

To be filed with MSX International Limited
Co 01949542

2022 Annual Report

Pacific (BC) TopCo Limited

The Octagon, Middleborough
Colchester Essex CO1 1TG

Year Ended December 31, 2022

**PACIFIC (BC) TOPCO LIMITED
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PACIFIC (BC) TOPCO

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with US GAAP; and
- have been prepared in accordance with the requirements of Companies (Jersey) Law 1991.

We have audited the financial statements of Pacific (BC) Topco ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated balance sheets, the Consolidated statement of operations and comprehensive loss, the Consolidated statement of cash flows, the Consolidated statement of shareholders 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 in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis for qualified opinion

During the year, the Group disposed of two segments of the business known as GRI and Brazil Staffing. Following disposal of these entities, the Group did not retain the accounting books and records for activity in the year to the date of disposal. As such, the Directors were not able to provide us with supporting evidence for the pre-disposal activity of the discontinued operations for the period between the start of the year and date of disposals. The Group realised the profit on the disposal of the GRI segment and a loss on the disposal of the Brazil Staffing segment in the discontinued operations as disclosed in the consolidated statement of operations and comprehensive loss with supplementary information in note 3 to these statements.

Consequently, we are unable to conclude upon the completeness and accuracy of disclosures in note 3 to these financial statements relating to the analysis of the reported net profit from discontinued operations in the year, between the results of trading activity up to the date of disposal, and the profit or loss arising on the disposal of the segments. In addition, we are unable to conclude upon the accuracy of the elements of the consolidated statement of cash flows as they relate to the net cash (used)/provided by discontinued operations.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on

the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in 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.

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

As described in the basis for qualified opinion section of our report, to conclude upon the completeness and accuracy of disclosures relating to the analysis of the reported net profit from discontinued operations in the year, between the results of trading activity up to the date of disposal, and the profit or loss arising on the disposal of the entities, as disclosed in the consolidated statement of operations and comprehensive loss, consolidated statement of cash flows and note 3 to the financial statements. We have concluded that where the other information refers to analysis of the composition of profit from discontinued operations, or to discontinued cash flows it may be materially misstated for the same reason.

Other Companies (Jersey) Law 1991 reporting

Arising solely from the limitation on the scope of our work relating to non-retention of books and records for activity in the year to the date of disposal of the two segments, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper 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.

Responsibilities of Directors

The Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the financial statements, 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 Group'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 Group 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:


- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - The nature of the industry;
 - Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
 - Obtaining an understanding of the legal and regulatory framework in which the Group operates.
- We have responded to risks identified by performing procedures including the following:
 - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
 - Reading the minutes of meetings of those charged with governance.
- We have considered the risk of fraud over revenue by:
 - Reviewing revenue contracts; and
 - Assessing whether the Group had appropriately recognised revenue.
- We have also considered the risk of fraud through management override of controls by:
 - Using analytical tools to identify a population of journal entries with unusual or higher risk characteristics, and testing the validity of these entries; and
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Designed by:

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02 February 2024

For and on behalf of BDO LLP Chartered Accountants
Cambridge

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

PACIFIC (BC) TOPCO LIMITED
CONSOLIDATED BALANCE SHEETS

	December 31, 2022	December 31, 2021 As Restated
	\$000	\$000
ASSETS		
Current assets:		
Assets of the disposal group held for sale	-	1,129,822
Cash and cash equivalents	51,094	48,184
Amounts owed by related parties	3,225	188,729
Accounts receivable, net (Note 5)	44,133	45,613
Prepaid expenses and other assets	10,702	10,131
Total current assets	109,154	1,422,479
Property and equipment, net (Note 6)	13,204	29,814
Goodwill (Note 7)	225,740	224,791
Other intangibles, net (Note 7)	107,985	126,492
Right of use assets	19,218	-
Other assets	6,997	5,701
Deferred income taxes (Note 15)	881	4,916
Total assets	483,179	1,814,193
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Liabilities of the disposal group held for sale	-	1,152,764
Current portion of long-term debt (Note 10)	40,209	2,931
Current portion of lease liabilities	6,098	-
Accounts payable and drafts	13,937	13,661
Accrued payroll and benefits	23,846	28,500
Other accrued liabilities (Note 9)	33,504	37,181
Total current liabilities	117,594	1,235,037
Long-term debt (Note 10)	321,135	503,150
Non-current portion of lease liabilities	13,120	-
Other long-term liabilities	1,568	16,263
Deferred income taxes (Note 15)	13,048	15,969
Total liabilities	466,465	1,770,419
Shareholders' equity		
Pacific (BC) Topco Limited shareholders' equity		
Common Stock, € 0.01 par value (Note 16)	199	200
Preferred Stock, €0.01 par value (Note 16)	312	1,666
Additional paid-in capital	87,643	339,823
Accumulated other comprehensive loss	40,486	(9,805)
Accumulated loss	(111,964)	(288,148)
Total Pacific (BC) Topco Limited shareholders' equity	16,676	43,736
Noncontrolling interest	38	38
Total shareholders' equity	16,714	43,774
Total liabilities and shareholders' equity	483,179	1,814,193

The accompanying notes are an integral part of the consolidated financial statements.

PACIFIC (BC) TOPCO LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	December 31, 2022	December 31, 2021 As Restated
	\$000	\$000
Net sales	405,149	405,526
Cost of sales	<u>309,468</u>	<u>301,025</u>
Gross profit from continuing operations	95,681	104,501
Selling, general and administrative expenses	59,553	58,536
Amortization of intangibles (Note 7)	20,270	22,246
Impairment of intangibles	16,208	-
Dividend income	-	(1,363)
Loss on sale of business (Note 3)	<u>-</u>	<u>112</u>
(Loss)/income from continuing operations before interest and other expense and income tax provision.	(350)	24,970
Interest and amortization of debt discount and expense/(income) (Note 10)	<u>45,790</u>	<u>(22,364)</u>
(Loss)/Profit from continuing operations before income tax provision	(46,140)	47,334
Income tax provision (Note 15)	<u>13,686</u>	<u>26,724</u>
Net (loss)/profit from continuing operations	(59,826)	20,610
Other comprehensive (income)/loss, net of tax:		
Foreign currency translation adjustments	(47,270)	1,461
Total comprehensive (loss)/income from continuing operations	<u>(12,556)</u>	<u>19,149</u>
Net profit/(loss) from discontinued operations	<u>251,098</u>	<u>(35,445)</u>
Total comprehensive income/(loss) from operations	<u><u>238,542</u></u>	<u><u>(16,296)</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

PACIFIC (BC) TOPCO LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2022	December 31, 2021 As Restated
	\$000	\$000
Cash flows from operating activities of continuing operations:		
Net (loss)/profit	(59,826)	20,610
Adjustments to reconcile loss to net cash provided by operating activities of continuing operations:		
Foreign currency gain	(2,463)	(63,813)
Loss on sale of business	-	112
Cost of acquiring subsidiaries	121	-
Depreciation	7,848	4,268
Amortization of intangible assets	20,201	20,424
Loss on impairment of intangible assets	16,208	-
Amortization of debt issuance costs	8,890	2,769
Payment in kind interest	-	1,767
Decrease in deferred income taxes	492	7,555
Increase/(decrease) in receivables, net	180	(9,058)
Increase in prepaid expenses and other assets	(1,112)	(885)
(Decrease)/increase in current liabilities	(5,097)	5,992
Changes in book overdrafts, net	-	(32)
(Decrease)/increase in long-term liabilities and other, net	(9,102)	11
Net cash (used by operating activities of continuing operations)	(23,660)	(10,280)
Cash flows from investing activities of continuing operations:		
Capital expenditures	(9,087)	(10,090)
Acquisitions of business, net of cash acquired	(2,232)	(950)
Proceeds from sale of business, gross of cash sold	431,181	91
Net cash provided/(used) by investing activities of continuing operations	419,862	(10,949)
Cash flows from financing activities of continuing operations:		
Proceeds from issuance of debt	368,609	5,924
Payments for debt issuance costs	(10,770)	(19)
Repayment of long-term debt	(482,463)	(399)
Payment of loan to related parties	(3,487)	(183)
Receipt of loan from related party	583	-
Cash dividends paid	(17,316)	-
Purchase of shares	(248,286)	-
Net cash (used)/provided by financing activities of continuing operations	(393,130)	5,323
Net cash provided/(used) by continuing operations	3,072	(15,906)
Net cash (used)/provided by operating activities of discontinued operations	(38,299)	96,317
Net cash used for investing activities of discontinued operations*	(64,474)	(3,350)
Net cash used for financing activities of discontinued operations	(1,381)	(51,500)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,940)	(3,643)
Cash and cash equivalents:		
(Decrease)/increase for the period	(104,022)	21,918
Balance, beginning of period	155,116	133,198
Balance, end of period	51,094	155,116

Cash and cash equivalents held by continuing operations	51,094	48,184
Cash and cash equivalents held by discontinued operations	-	106,932
Cash and cash equivalents	<u>51,094</u>	<u>155,116</u>
Cash paid by continuing operations for interest	31,173	39,639
Cash paid by continuing operations for income taxes, net	11,374	8,952

*Net cash used for investing activities of discontinued operations includes \$62,917,000 of cash held by the discontinued operations at the date of their disposal.

The accompanying notes are an integral part of the consolidated financial statements.

PACIFIC (BC) TOPCO LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Preferred Stock	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated (Loss) Profit	Total Pacific (BC) TopCo Ltd Shareholders Equity (Deficit)	Non- Controlling Interest	Total Shareholders' Equity (Deficit)
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at December 31, 2020	200	1,666	301,714	(69)	(243,479)	60,032	38	60,070
As Restated								
Comprehensive loss, As Restated:								
Net profit from continuing operations					20,610	20,610		20,610
Net loss from discontinued operations					(35,445)	(35,445)		(35,445)
Foreign currency translation				(1,461)		(1,461)		(1,461)
Total comprehensive loss	-	-	-	(1,461)	(14,835)	(16,296)	-	(16,296)
Unpaid distribution yield, As Restated			38,109	(8,275)	(29,834)	-		-
Balance at December 31, 2021	200	1,666	339,823	(9,805)	(288,148)	43,736	38	43,774
As Restated								
Comprehensive income:								
Net loss from continuing operations					(59,826)	(59,826)		(59,826)
Net profit from discontinued operations					251,098	251,098		251,098
Realized on disposal				2,849	(2,849)			-
Foreign currency translation				47,270		47,270		47,270
Total comprehensive income	-	-	-	50,119	188,423	238,542	-	238,542
Dividends paid on preference shares					(17,316)	(17,316)		(17,316)
Repurchase of preference shares		(1,354)	(256,419)	9,570		(248,203)		(248,203)
Repurchase of ordinary shares	(1)		(82)			(83)		(83)
Unpaid distribution yield			4,321	(9,398)	5,077	-		-
Balance at December 31, 2022	199	312	87,643	40,486	(111,964)	16,676	38	16,714

The accompanying notes are an integral part of the consolidated financial statements

PACIFIC (BC) TOPCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands unless otherwise noted.

1. Organization and Basis of Presentation:

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and present the assets and liabilities, and results of operations of Pacific (BC) Topco Limited (the "Company") and its majority-owned subsidiaries (the "Group"), which operate globally under variations of the names MSX International, Inc. or Geometric Results, Inc.. The preparation of the financial statements in conformity with US GAAP requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented. The Company's significant estimates relate to the valuation of financial instruments, the measurement of goodwill and intangible assets, contingent liabilities, income taxes, leases, derivative instruments, and long-lived assets. Although the estimates have been prepared using management's best judgment and management believes that the estimates used are reasonable, actual results could differ from those estimates and such differences could be material. The consolidated financial information for prior years have been restated due to the correction of errors identified by management that affect the financial information as at January 1, 2021 as well as December 31, 2021 and for the year then ended. For details related to these restatements, please see Note 2s "Restatement of prior years' financial information".

The Company is a holding company registered in Jersey and tax resident in the United Kingdom. Operating subsidiaries and branches located in Europe, North America, Asia-Pacific, and South America provide business process outsourcing ("BPO") in the form of retail network solutions to automotive OEMs, managed service provider ("MSP") solutions for extended workforce management across many industries, and technical contingent staffing and training services to automobile manufacturers, their dealers, and suppliers.

During the financial period ended December 31, 2022 the Group disposed of the Geometric Results, Inc. ("GRI") MSP business and Technical Staffing Services business in two separate transactions. The GRI MSP and Technical Staffing Services businesses have been classified as discontinued operations in these financial statements. The Consolidated Balance Sheets, Statements of Operations and Comprehensive Loss and Statements of Cash Flows for the period ended December 31, 2021 have been restated to disclose the assets and liabilities, profit or loss and cashflows of the disposal group separately from the Group's continuing operations.

The continuing operations of the Group relate to subsidiaries providing BPO services operating globally under the name MSX International ("MSX").

2. Significant Accounting Policies:

a. *Principles of Consolidation.* The accompanying financial statements include the accounts of the Company and all majority owned subsidiaries. Intercompany transactions have been eliminated.

b. *Cash and Cash Equivalents.* All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Selected bank accounts in certain markets are subject to pledges in connection with the Company's non-recourse accounts receivable factoring program; related customer collections are immediately forwarded to the financing institution involved in the program. The value of pledged cash included in cash and cash equivalents as of December 31, 2022 was \$5,010,000 (December 31, 2021: \$2,430,000).

c. *Accounts Receivable.* Accounts receivable are presented net of allowances for uncollectible accounts of less than \$0.1 million as of December 31, 2022 and December 31, 2021. The Group records an allowance for uncollectible accounts receivable based on historical loss experience, customer payment patterns and current economic trends. The Group reviews the adequacy of the allowance for uncollectible accounts receivable on a quarterly basis and, if necessary, increases or decreases the balance. See Note 5 for a discussion of the Group's factoring arrangement.

PACIFIC (BC) TOPCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands unless otherwise noted.

d. *Property and Equipment.* Property and equipment, including leasehold improvements, are recorded at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

	Useful Lives In Years
Buildings and leasehold improvements	5 - 39
Machinery and equipment	3 - 12
Computers, peripherals, and software.....	2 - 5

Leasehold improvements are amortized on a straight-line basis over their estimated useful lives or the term of the lease, whichever is shorter.

e. *Goodwill and Other Intangibles.* Goodwill is not amortized and represents the excess of purchase price over net assets acquired. Management evaluates the recoverability of goodwill when events or circumstances warrant such a review, and in any case, annually during the fourth quarter of each year. In its annual assessment, the Group has the option first to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, including goodwill. This review includes, but is not limited to, an evaluation of the macroeconomic, industry, or market, and cost factors relevant to the reporting unit as well as financial performance and entity or reporting unit events that may affect the value of the reporting unit. If this review leads to the determination that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, further impairment testing is not required. However, if this review cannot support a conclusion that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, or at our discretion, quantitative impairment steps are performed.

The quantitative portion of the impairment test compares the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying value, then an impairment loss is recognized in an amount equal to the excess, up to the value of goodwill in accordance with the Financial Accounting Standards Board, Accounting Standards Update No. 2017-04 – Simplifying the Test for Goodwill Impairment. There was no impairment of goodwill during 2022 or 2021. Other intangibles include customer related intangibles and trademarks and are amortized over three to fifteen years.

Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of intangible assets subject to amortization is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. The estimated cash flows include management's assumptions of cash inflows and outflows directly resulting from the use of that asset or asset group in operations. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Other intangibles were not impaired during 2022 or 2021.

The Group incurs costs on internally developed software for sale to third parties. Expenditure on the research phase of projects to develop new customized software for digitalizing the BPO services is recognized as an expense as incurred.

Once the research phase declares that the software is technically feasible, costs that are directly attributable to a project's development phase are capitalized and recognized as intangible assets.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

PACIFIC (BC) TOPCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands unless otherwise noted.

f. *Debt Issuance Costs.* Debt issuance costs are deferred (included with debt) and amortized over the term of the related debt into interest expense on a straight-line basis, which approximates the effective interest method.

g. *Investments.* For investments accounted for using the cost method of accounting, management evaluates information (e.g., budgets, business plans, financial statements, etc.) in addition to quoted market price, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financings at an amount below the cost basis of an investment. This list is not all-inclusive, and management weighs all qualitative factors in determining if an other-than temporary decline in value of an investment has occurred. For investments accounted for under the equity method, the carrying amount of the investment is increased or decreased to recognize the Group's share of the profit or loss of the investee. At December 31, 2022 and December 31, 2021 the value of such investments totaled \$4.6 million and is included with other assets in the accompanying consolidated balance sheets of its continuing operations. See Note 3 for a discussion of the investment activity for 2022 and 2021.

h. *Reserves for Self-Insured Risk.* The Group is self-insured for a portion of its health insurance and under its current self-insurance program, the Group is responsible for up to \$275,000 (2021: \$250,000) of health insurance claims per person per year. Remaining estimated self-insurance costs are accrued for incurred claims and claims incurred but not yet reported. Factors considered in estimating the insurance reserves are the nature of outstanding claims including the severity of the claims, costs to settle existing claims, loss history and inflation, as well as estimates provided by third party actuaries. Significant changes in the factors described above could have a material adverse impact on future operating results. The accrual at December 31, 2022 and December 31, 2021 was \$171,000 and \$464,000 respectively.

i. *Fair Value of Financial Instruments.* The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable and debt approximate their carrying amounts. The estimated fair value of other current assets and liabilities are reported in Note 12.

j. *Foreign Currency Translation and Transactions.* Net assets of operations outside of the U.S. are translated into U.S. dollars using exchange rates at the end of the fiscal year with the effects of translation adjustments included in shareholders' equity as a separate component of comprehensive income. Revenues and expenses of operations outside of the U.S. are translated at the average rates of exchange during the period. Gains and losses arising from transactions denominated in currencies other than the functional currency of a particular entity are included in income. These transaction gains and losses are included in interest and other expense on the consolidated statements of operations and comprehensive loss.

k. *Revenue Recognition.* The Group records revenue in accordance with the Financial Accounting Standards Board FASB, Accounting Standards Codification ASC Topic 606 - Revenue from Contracts with Customers ("ASC 606") and has concluded that its continuing operations has a single revenue stream: MSX - BPO services. The Group generates BPO services revenue across multiple countries in North America, Europe and Asia and further details on the types of services are included in the below Continuing Operations section.

Revenues are recognized applying the following 5-step process:

- 1 Identifying the contract with a customer.
- 2 Identifying the performance obligations.
- 3 Determining the transaction price.
- 4 Allocating the transaction price to the performance obligations.
- 5 Recognizing revenue when/as performance obligation(s) are satisfied.

Revenues are recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

PACIFIC (BC) TOPCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands unless otherwise noted.

Revenue from services and the related direct costs are recorded in accordance with the accounting guidance on reporting revenue gross as a principal versus net as an agent. When the Group arranges for other contingent labor suppliers and/or service providers to perform services for the customer, the Group does not control those services before they are transferred, and only the net amount is recorded as revenue. The amounts recorded as revenue are the amounts billed to the customers less the amounts paid to the secondary suppliers/service providers.

Continuing Operations

MSX provides BPO (business process outsourcing) services primarily to the automotive industry. These Services consist of warranty claim management, channel management, parts and services sales optimization, customer engagement and fleet mobility, provided to global OEMs. Revenue is primarily comprised of revenue from time and material contracts and fixed price contracts. Revenues from time and material contracts and fixed price contracts are recognized in the period in which services are provided and control passes to the customer based on contractual billing rates as the customer simultaneously receives and consumes the benefits. Revenue is recognized on a gross basis since the Group is acting as principal in these transactions as it demonstrates control over the service by being the employer of record for the individuals performing the service, by being primarily responsible to the customers and by having a level of discretion in establishing pricing in which the gross amount is recorded as revenues.

The Group has elected the “as-invoiced” practical expedient to recognize revenue as they have the right to payment in an amount that corresponds directly with the value of the performance completed to date according to the fixed price contract. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. The Group typically satisfies the contractual performance obligations as services rendered (on a weekly or monthly basis).

Sales to significant automotive customers, including their automotive subsidiaries, as a percent of total net sales from continuing operations were:

Sales to:	Percent of Net Sales	
	For the Fiscal Year Ended	For the Fiscal Year Ended
	2022	2021
Ford	35.5%	31.9%
Stellantis	10.8%	14.0%
BMW	8.3%	7.9%
Hyundai	6.8%	5.1%
Volkswagen	6.6%	7.8%
Total	68.0%	66.7%

PACIFIC (BC) TOPCO LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands unless otherwise noted.

The Continuing Operations of the Group's revenue disaggregated by primary geographical markets is as follows for the years ended December 31, 2022 and 2021:

Sales to:	<u>Geographical Analysis of</u>	
	<u>Revenues (\$'000)</u>	
	For the Fiscal Year Ended	For the Fiscal Year Ended
	2022	2021
North America	135,226	114,992
Germany	39,548	43,292
United Kingdom	32,490	43,772
France	34,407	38,786
Italy	31,310	34,013
Rest of Europe	67,893	73,559
South America	7,177	4,827
Asia & Middle East	57,098	52,285
Total	405,149	405,526

The vast majority of the Continuing Operations of the Group's contracts are for the delivery of services within the next 12 months, characterized by non-bundled performance obligations for the below products / line of services for the years ended December 31, 2022 and 2021.

Sales of:	<u>Product/line of service Analysis of</u>	
	<u>Revenues (\$'000)</u>	
	For the Fiscal Year Ended	For the Fiscal Year Ended
	2022	2021
Customer		
Engagement	28,566	30,338
Fleet & Mobility	11,470	14,324
Parts & Service	74,283	63,444
Retail Performance	144,527	141,084
Technical	67,117	67,411
Warranty	52,784	59,390
Other	26,402	29,535
Total	405,149	405,526

Discontinued Operations

GRI operated primarily in the USA and United Kingdom and provided MSP solutions, which are a BPO relating to the provision of management of labor and other employee services to the Group's customers. Revenue was primarily comprised of fixed management contracts and fee-based contracts. Revenue was recognized on a net basis since the Group was acting as agent in these transactions.

Technical Staffing Services operated in Brazil and consisted of provision of labor and other employee services to the Group's customers. Revenue was based on agreed rates for the individual services provided. Revenue was recognized on a gross basis since the Group was acting as principal in these transactions.

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The discontinued operations of the Group had elected the “as-invoiced” practical expedient to recognize revenue as they had the right to payment in an amount that corresponds directly with the value of the performance completed to date according to the fixed price contract. In all cases, the total transaction price for a contract was allocated amongst the various performance obligations based on their relative stand-alone selling prices. The Group typically satisfied the contractual performance obligations as services rendered (on a weekly or monthly basis).

Variable Consideration

Variable consideration included in certain customer contracts is predominantly associated with meeting specific key performance indicators (KPIs) related to reduction of costs. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Provisions for sales allowances (billing adjustments related to errors, service issues and compromises on billing disputes), based on historical experience, are recognized at the time the related sale is recognized as a reduction in revenue from services.

Payment Terms and Other

Customer payments are typically due within 30 to 90 days of invoicing but may be shorter or longer depending on contract terms. Management does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the services to the customer will be less than one year. The Group does not have any significant financing components or extended payment terms.

Contract costs include all direct material and labor costs and indirect costs such as indirect labor, supplies, tools, and repairs. Contract liabilities are recognized for consideration received in respect of unsatisfied performance obligations and are reported as other liabilities in the balance sheet. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its balance sheet, depending on whether something other than the passage of time is required before the consideration is due.

The following table shows the Group’s revenues from continuing operations disaggregated according to the timing of transfer of goods or services (in millions). Sales (and similar) taxes that are imposed on our sales and collected from customers are excluded from revenues:

	December 31, 2022	December 31, 2021
<u>Basis of Revenue Recognition</u>	\$000	\$000
<i>Revenue Recognized Gross</i>		
MSX BPO Services revenue	405,149	405,526
Total Revenue	<u>405,149</u>	<u>405,526</u>

All Revenue is recognized as a point in time.

Contract assets and liabilities consist of:

	December 31, 2022	December 31, 2021
<u>Accounts Receivable</u>		
MSX BPO Services revenue	44,133	45,613
Total Accounts Receivable	<u>44,133</u>	<u>45,613</u>

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<u>Deferred Revenue (included in other accrued liabilities Note 9)</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
MSX BPO Services revenue	8,510	9,058
Total Deferred Revenue	<u>8,510</u>	<u>9,058</u>

l. *Income Taxes.* Deferred income taxes are recorded to reflect the differences between the tax basis and financial reporting basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recognized to reduce the deferred tax assets to the amount management believes is more likely than not to be realized.

m. *Derivative Contracts.* The Group uses derivative contracts periodically to manage its exposure to fluctuations in foreign currency rates and to rates of interest on its borrowings. These contracts are not held for trading purposes and are put into place to hedge specific exposures. Gains and losses on these contracts are recognized currently in earnings because they are not designated as hedging instruments for accounting purposes.

n. *Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from such estimates and assumptions.

o. *Leases.* The Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, which conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use.

Having identified whether a contract is or contains a lease, the Group identifies whether it is a finance or operating lease. If any of the following classification criteria are met, the lease is a finance lease:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion will not be used for lease classification purposes.
- The present value of the sum of lease payments and any residual value guaranteed by the lessee that is not already reflected in lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

Regardless of the lease classification, at lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the Consolidated Balance Sheets. The initial right-of-use asset and lease liability is

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measured based on the present value of the lease payments using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

The Group amortizes the right-of-use assets and accounts for interest expense related to the lease liability which are recorded together as lease expense to produce a straight-line recognition effect in the Consolidated Statements of Operations and Comprehensive Loss.

p. *Cost categorization.* Cost of sales are costs that are directly related to providing the services that generates service revenue. Such costs include direct labor costs and amortization of intellectual property intangible assets. Selling, general and administrative costs include all selling expenses as well as all general and administrative expenses such as indirect labor costs, depreciation and rent expenses.

q. *Recently Issued Accounting Pronouncements.* In June 2016, the FASB issued ASU 2016-13 amending how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions and forecasted information rather than the current methodology of delaying recognition of credit losses until it is probable a loss has been incurred. This ASU is effective for interim and annual reporting periods beginning after December 15, 2022 based on FASB guidance issued via ASU 2019-10. The Group has evaluated the new guidance and it is not expected to have a material effect on its consolidated financial statements.

r. *Recently Adopted Accounting Pronouncements.* In February 2016, the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) Topic 842, Leases (ASC 842), to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. The Group adopted ASC 842 effective January 1, 2022, using the alternative transition method. Under the alternative transition method, the effects of initially applying the new guidance are recognized as a cumulative-effect adjustment to retained earnings at the date of initial application, which is January 1, 2022, and prior periods are not restated. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The standard requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of income.

The Group elected the new standard's package of transition practical expedients, which permits the Group to maintain prior conclusions about lease identification, lease classification, and initial direct costs.

The standard had a material impact on the Group's Consolidated Balance Sheets, due to the recognition of ROU assets and lease liabilities for operating leases but did not have a material impact on the Consolidated Statements of Operations and Comprehensive Loss nor Consolidated Statements of Cash Flows.

As a result of the adoption of the new lease accounting guidance on January 1, 2022, the continuing operations of the Group recognized operating lease ROU assets of \$22,035,000 and lease liabilities of \$22,035,000. The continuing operations of the Group has not entered into finance leases at the date of adoption and at December 31, 2022. There was no impact on retained earnings at the date of adoption. See note 8 for more details.

In March 2020, the FASB issued Accounting Standards Update (the "ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"), which provides temporary optional guidance to ease the potential burden on accounting for reference rate reform on financial reporting for contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR"). ASU 2020-04 is currently effective and may be applied prospectively to contract modifications made on or before December 31, 2022. The Group adopted Topic 848 during 2021 and elected the optional expedients related to the debt amendments discussed in Note

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8 that converted the use of LIBOR in those agreements to an alternate benchmark rate. The effect of this adoption allows the Group to treat these modifications as a continuation of the existing contract, thereby bypassing any evaluation of whether the modification results in the establishment of a new contract or the continuation of an existing contract.

s. *Restatement of prior years' financial information.* In the course of preparing the financial statements for the period ended December 31, 2022, management identified five errors in the prior year financial statements. Management assessed the materiality of the errors on its prior year financial statements and concluded that while various errors were individually material in size, the errors were not qualitatively material to that period. In arriving at this conclusion, management considered that the errors did not relate to the reporting of the Group's net trading performance or the Group's cash position.

These errors have been corrected by restating the comparative amounts disclosed in these financial statements. The errors are as follows:

Error 1 - Accounting for shareholders' equity transactions - management had historically accounted for the issuance of preference shares at their historic cost at the date the shares were issued and also accounted for them within the line item of common stock in the historic financial statements. The value of the preference shares should have been increased each year (within additional paid in capital) by the 13% annual distribution yield that accumulates on the shares less the value of any distribution paid to date. In addition to the errors associated with preference shares, it was identified that the historical issuance of common shares were recorded in the line item of common stock, and not appropriately recorded in additional paid in capital for amounts exceeding par value. The adjustment has resulted in an increase of \$115,393,000 in the Company's capital stock, an increase of \$4,729,000 in the value of the Accumulated Other Comprehensive Loss reserve and an increase of \$120,122,000 in the Group's Accumulated Loss at December 31, 2020. During the year ended December 31, 2021 the Company's capital stock was further increased by \$38,109,000, the Accumulated Other Comprehensive Loss reserve reduced by \$8,275,000 and the Group's Accumulated Loss increased by a further \$29,834,000. There is a \$nil impact in the Consolidated Statement of Operations and Comprehensive Loss and Consolidated Statements of Cashflows. Finally, management identified it had not accounted for a number of common and preference share transactions during 2018 and 2019, which led to an increase in common stock of \$346,000, an increase in other debtors of \$306,000 and an increase in the Group's Accumulated Loss of \$40,000. These adjustments relate to the continuing operations of the Group.

Error 2 - Fair value of derivative instruments – subsequent to the signing of the 2021 financial statements, management received an updated external valuation of the cross-currency swap at December 31, 2021, which indicated a liability of \$7,767,000 compared to a previously recorded liability of \$278,000. In addition, it was identified that the fair value liability had incorrectly been accounted for as a current liability instead of a non-current liability. A prior year restatement has been made to increase the value of the liability and to reflect the liability as being non-current. This was also reflected in the interest expense within the Consolidated Income Statement, and in the operating activities section of the Consolidated Statement of Cashflows as shown in the table below. There is \$nil impact in the Consolidated Statement of Shareholders' Equity. These adjustments relate to the continuing operations of the Group.

Error 3 - Deferred income taxes valuation allowance – subsequent to the signing of the 2021 financial statements, management identified an overstatement of the deferred income taxes valuation allowance and as such a prior year restatement has been made to reflect the decrease in valuation allowance. The adjustment resulted in a decrease of \$5,288,000 in the income taxes provision in the Consolidated Statement of Operations and Comprehensive Loss and a decrease of \$5,288,000 in the deferred income taxes liability in the Consolidated Balance Sheets. There is a \$nil impact in the Consolidated Statement of Shareholders' Equity and the Consolidated Statement of Cashflows. These adjustments relate to the continuing operations of the Group.

Error 4 - Nominal classification of other receivables – it was identified that certain nominal accounts had been misclassified in 2021 and as such a prior year restatement has been made for \$4,766,000 to correct the classification of other receivables from Accounts receivable to Prepaid expenses and other assets (\$4,400,000) and amounts owed by related parties (\$366,000), both of which are reflected in the Consolidated

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Balance Sheet, of which \$183,000 related to a cashflow movement in 2020, which is reflected in the Consolidated Statement of Cashflows. There is a \$nil impact in the Consolidated Statements of Operations and Comprehensive Loss, and the Consolidated Statement of Shareholders' Equity. These adjustments relate to the continuing operations of the Group.

Error 5 - Nominal classification of costs – it was identified that certain nominal accounts had been misclassified in 2021 and as such a prior year restatement has been made for \$9,129,000 to correct the classification of expenditure from costs of sales to selling, general and administrative expenses in the 2021 Consolidated Statement of Operations and Comprehensive Loss to conform to current year presentation. There is a \$nil impact in the Consolidated Balance Sheet, Consolidated Statement of Cashflows and Consolidated Statement of Shareholders' Equity. This adjustment relates to the continuing operations of the Group.

The impact of the errors on the December 31, 2021 consolidated balance sheets of the Group's continuing operations (after reclassification of discontinued operations) is as follows:

*Balances of continuing operations at
December, 31 2021*

	Previously reported	Adjustments	As Restated
	\$000	\$000	\$000
Accounts receivable, net (error 4)	50,379	(4,766)	45,613
Amounts owed by related parties (error 4)	188,363	366	188,729
Prepaid expenses and other assets (errors 1,4)	5,425	4,706	10,131
Total current assets	1,422,173	306	1,422,479
Total assets	1,813,887	306	1,814,193
Other accrued liabilities (current) (error 2)	(37,459)	278	(37,181)
Total current liabilities	(1,235,315)	278	(1,235,037)
Other long-term liabilities (error 2)	(8,496)	(7,767)	(16,263)
Deferred income taxes (liabilities) (error 3)	(21,257)	5,288	(15,969)
Total liabilities	(1,768,218)	(2,201)	(1,770,419)
Common stock (error 1)	(187,841)	187,641	(200)
Preferred Stock (error 1)	-	(1,666)	(1,666)
Additional paid in capital (error 1)	-	(339,823)	(339,823)
Accumulated other comprehensive loss (error 1)	6,259	3,546	9,805
Accumulated loss	135,951	152,197	288,148
Total Pacific (BC) Topco Limited shareholders' equity	(45,631)	1,895	(43,736)
Total shareholders' equity	(45,669)	1,895	(43,774)
Total liabilities and shareholders' equity	(1,813,887)	(306)	(1,814,193)

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The impact of the errors on the December 31, 2021 consolidated statements of operations and comprehensive loss of the Group's continuing operations (after reclassification of discontinued operations) is as follows:

Amounts of continuing operations for the year ended December, 31 2021

	Previously reported	Adjustments	As Restated
	\$000	\$000	\$000
Cost of Sales (error 5)	310,154	(9,129)	301,025
Gross profit from continuing operations	95,372	9,129	104,501
Selling, general and administrative expenses (error 5)	49,407	9,129	58,536
Income from continuing operations before interest and other expense	24,970	-	24,970
Interest and amortization of debt discount and expenses (error 2)	14,875	7,489	22,364
Profit from continuing operations before income tax provision	54,823	(7,489)	47,334
Income tax provision (error 3)	32,012	(5,288)	26,724
Net profit from continuing operations	22,811	(2,201)	20,610
Total comprehensive income from continuing operations	21,350	(2,201)	19,149
Total comprehensive loss from operations	(14,095)	(2,201)	(16,296)

The impact of the errors on the December 31, 2021 consolidated statements of cashflows of the Group's continuing operations (after reclassification of discontinued operations) is as follows:

Amounts of continuing operations at December, 31 2021

	Previously reported	Adjustments	As Restated
	\$000	\$000	\$000
Cashflows from operating activities:			
Net profit	22,811	(2,201)	20,610
Decrease in deferred income taxes (error 3)	12,843	(5,288)	7,555
Decrease in receivables, net (error 4)	(13,824)	4,766	(9,058)
Increase/(decrease) in prepaid expenses and other assets (error 4)	3,698	(4,583)	(885)
Increase in current liabilities (error 2)	6,270	(278)	5,992
Decrease in long term liabilities (error 2)	(7,756)	7,767	11
Net cash used by operating activities of continuing operations	(10,463)	183	(10,280)
Payment of loan to related parties	-	(183)	(183)
Net cash used by financing activities of continuing operations	5,506	(183)	5,323
Net cash used by continuing operations	(15,906)	-	(15,906)

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The impact of the errors on the December 31, 2021 consolidated statements of shareholders' equity of the Group's continuing operations is as follows:

*Balances of continuing operations at
December, 31 2020*

	Previously reported	Adjustments	As Restated
	\$000	\$000	\$000
Common stock (error 1)	(187,841)	187,641	(200)
Preferred Stock (error 1)	-	(1,666)	(1,666)
Additional paid in capital (error 1)	-	(301,714)	(301,714)
Accumulated other comprehensive loss (error 1)	4,798	(4,729)	69
Accumulated loss (error 1)	123,317	120,162	243,479
Total Pacific (BC) Topco Limited shareholders' equity	(59,726)	(306)	(60,032)
Total shareholders' equity	(59,764)	(306)	(60,070)

*Balances of continuing operations at
December, 31 2021*

	Previously reported	Adjustments	As Restated
	\$000	\$000	\$000
Common stock	(187,841)	187,641	(200)
Preferred Stock	-	(1,666)	(1,666)
Additional paid in capital (error 1)	-	(339,823)	(339,823)
Accumulated other comprehensive loss (error 1)	6,259	3,546	9,805
Accumulated loss (errors 1,2,3)	135,951	152,197	288,148
Total Pacific (BC) Topco Limited shareholders' equity	(45,631)	1,895	(43,736)
Total shareholders' equity	(45,669)	1,895	(43,774)

3. Disposals:

On May 31, 2022, the Group sold the Geometric Results, Inc. ("GRI") MSP business by disposing of its investments in Patron (BC) Bidco Limited and Pacific Holdco Inc and their respective subsidiaries. Proceeds of \$255,739,000 less costs of \$12,430,000 were received resulting in a profit on disposal of \$255,263,000. The profit on disposal has been included in the net profit attributable to discontinued operations in the Consolidated Statement of Operations and Comprehensive Loss

In August 2022, the Group sold the Technical Staffing Services business by disposing of its investment in MSX Internacional do Brasil Ltda. Proceeds of \$1,332,000 less costs of \$402,000 were received resulting in a loss on disposal of \$13,101,000. The loss on disposal has been included in the net profit attributable to discontinued operations in the Consolidated Statement of Operations and Comprehensive Loss.

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Applying ASC 205, management consider that the GRI MSP and Technical Staffing Services businesses should be classified as discontinued operations in these financial statements as follows:

Consolidated Balance Sheets:

	December 31, 2022	December 31, 2021
	\$000	\$000
Carrying amounts of major classes of assets included as part of discontinued operations in the statement of financial position		
Cash and cash equivalents	-	106,932
Accounts receivable, net	-	535,342
Goodwill	-	321,030
Other intangibles, net	-	138,570
Total major classes of assets of the discontinued operations	-	1,101,874
Other classes of assets that are not major	-	27,948
Total assets of the disposal groups classified as held for sale in the statement of financial position	-	1,129,822
Carrying amounts of major classes of liabilities included as part of discontinued operations in the statement of financial position		
Amounts owed to related parties	-	188,364
Accounts payable and drafts	-	689,316
Long term debt	-	170,413
Other accrued liabilities	-	64,787
Deferred income taxes	-	39,884
Total liabilities of the disposal groups classified as held for sale in the statement of financial position	-	1,152,764

Consolidated Statement of Operations and Comprehensive Income

	December 31, 2022	December 31, 2021
	\$000	\$000
Major classes of line items constituting pretax profit/(loss) of discontinued operations		
Net sales	52,222	102,767
Cost of sales	28,794	52,193
Selling, general and administrative expenses	3,071	19,564
Amortization of intangibles	8,242	17,821
Cash interest expense	3,915	26,770
Non-cash interest and other expense, net	14,933	16,948
Other expense items that are not major	-	1,363
Pretax loss of discontinued operations	(6,733)	(31,892)
Pretax gain on the disposal of discontinued operations	242,162	-
Total pretax profit/(loss) of discontinued operations	235,429	(31,892)
Income tax (benefit)/charge	(15,669)	3,553
Total profit/(loss) on discontinued operations that is presented in the statements of operations and comprehensive loss	251,098	(35,445)

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In the comparative period on March 31, 2021, a subsidiary company in the Group disposed of its interest in Quicklane Australia. The transaction resulted in a loss on disposal being recognized of \$0.1 million.

4. Acquisitions:

On July 29, 2022, the continuing operations of the Group acquired control of The Academy S.R.L. through the purchase of 100% of the share capital for total consideration of \$7,752,000 of The Academy S.R.L. The Group is required to pay a maximum aggregate of \$1,070,000 additional consideration between 2022 and 2025 contingent on The Academy S.R.L. achieving revenue targets and an EBITDA margin range and consideration matrix. The fair value of the contingent consideration is \$173,000 at the balance sheet date and forms part of the \$7,752,000 consideration. The fair value of the customer relationships acquired net of deferred tax was \$1,212,000, the fair value of the brand acquired net of deferred tax was \$75,000 and the fair value of the net assets at the date of acquisition were \$5,516,000. The resultant goodwill of \$949,000 is attributable to the workforce of the acquired company and significant opportunities to enhance the Group's solutions portfolio in Sales Training and Business Development Consulting. The fair value of the assets and liabilities recognized as a result of the acquisition are detailed as follows:

	\$000
Computers, peripherals and software	37
Accounts receivable, net	1,332
Prepaid expenses and other assets	8
Other accrued liabilities	(507)
Cash and cash equivalents	5,469
Income tax recoverable	139
Deferred income taxes	23
Accrued payroll and benefits	(985)
Net identifiable assets acquired	5,516
Goodwill	949
Other intangibles, net	1,694
Deferred income taxes on other intangibles	(407)
Net assets acquired	7,752

At the balance sheet date, no adjustments to the fair value of the net identifiable assets acquired have been identified.

The total net cash outflow on acquisition was \$2,232,000, being \$7,579,000 of initial consideration, plus directly attributable costs of \$122,000 accounted for as administrative expenses in the profit and loss, less \$5,469,000 of acquired cash and cash equivalents.

The acquired business contributed revenues of \$1,710,000 and profit of \$266,000 to the Group for the period from August 1, 2022 to December 31, 2022.

In the comparative period in April and May 2021, a subsidiary company in the Group made earn-out payments totaling \$950,000 in relation to the acquisition of Pacific Technology Solutions LLC in 2019.

5. Accounts Receivable, Net:

Accounts receivable includes billed and unbilled receivables. Amounts are billed periodically in accordance with contract terms.

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In February 2019, the Group entered into a non-recourse factoring agreement to sell trade accounts receivables owed to MSX subsidiaries in the US, UK, France, Germany, Spain and Italy to an international financing institution. The agreement accelerates collection of trade accounts receivables denominated in GBP, EUR, and USD at a financing fee of 3-month Euribor (zero floor), plus 75bps, plus factoring and administrative charges. The maximum total funding amount available from the program through February 15, 2024 is €45,000,000. At December 31, 2022 and December 31, 2021 the amount of accelerated funding through the facility totaled approximately \$44,300,000 and \$42,556,000 respectively.

Unbilled receivables of continuing operations amounted to \$10,079,000 and \$7,789,000 at December 31, 2022 and December 31, 2021, respectively. All such amounts are expected to be billed and collected within the ensuing year.

6. Property and Equipment, Net:

Property and equipment, net, of the continuing operations includes the following:

	December 31, 2022	December 31, 2021
	\$000	\$000
Cost:		
Buildings and leasehold improvements	4,460	4,944
Machinery and equipment	2,600	2,753
Computers, peripherals and software	51,445	48,751
	58,505	56,448
Less accumulated depreciation and impairment	(45,301)	(26,634)
Property and equipment, net	13,204	29,814

Depreciation amounted to \$7,847,000 for the fiscal year ended December 31, 2022 and \$4,359,000 for the fiscal year ended December 31, 2021. An impairment of \$16,208,000 was made to Computers, peripherals and software in the fiscal year ended December 31, 2022. There was no impairment booked in the year ended December 31, 2021.

7. Goodwill and Other Intangibles, Net:

The recoverability of goodwill is evaluated at the reporting unit level in accordance with note 2 section c to these consolidated financial statements. Goodwill is considered impaired if the book value of a reporting unit exceeds its estimated fair value. The customer related intangible assets are amortized over ten to nineteen years. Trademark assets are amortized over fifteen years. Technology assets are amortized over three to ten years. Other intangible assets are amortized over ten years. Intangible amortization expense was \$20,202,000 for the fiscal year ended December 31, 2022 and \$20,333,000 for the fiscal year ended December 31, 2021. Intangible amortization expense is expected to be \$20,476,000 for the fiscal years 2023 and 2024, \$20,433,000 for fiscal years 2025 and 2026 and \$26,167,000 thereafter.

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The following summarizes the Group's goodwill balances relating to continuing operations, by reporting unit, as of December 31, 2022 and December 31, 2021:

	<u>MSX</u>	<u>Total</u>
	\$000	\$000
Balance at December 31, 2021	224,791	224,791
Additions (Note 4)	949	949
Disposals	-	-
Balance at December 31, 2022	<u>225,740</u>	<u>225,740</u>

The following summarizes the Company's other intangibles balances relating to continuing operations as of December 31, 2022 and December 31, 2021:

	2022			2021		
	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	\$000	\$000	\$000	\$000	\$000	\$000
Customer related intangible	174,588	(97,068)	77,520	172,992	(80,288)	92,704
Trademark	49,083	(19,574)	29,509	48,985	(16,294)	32,691
Other intangibles	2,488	(1,532)	956	2,488	(1,391)	1,097
Total	<u>226,159</u>	<u>(118,174)</u>	<u>107,985</u>	<u>224,465</u>	<u>(97,973)</u>	<u>126,492</u>

8. Leases

The following summarizes information on the leases accounted for under ASC-842 of the continuing operations of the Group:

	<u>December 31, 2022</u>
	\$000
Operating lease cost	8,926
Short term lease cost	<u>156</u>
Total lease cost recognized in the Consolidated Statements of Operations and Comprehensive Loss	<u>9,082</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	8,926
Right of use assets obtained in exchange for new operating lease liabilities	5,569
	16 months

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Weighted average remaining lease term

Weighted average discount rate 7.5%

The discount rate is the weighted average of the interest rates which are either implicit in the leases or if this rate cannot be readily determined, the incremental borrowing rate of the Group.

The continuing operations of the Group have leases for real estate and equipment utilized in its business. In most cases, management expects that in the normal course of business these leases will be renewed or replaced by other leases. Future minimum rental payments required from the continuing operations of the Group under leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Fiscal year ended:	<u>Total</u>
	\$000
2023	7,841
2024	5,415
2025	3,299
2026	2,579
2027	<u>1,752</u>
Total	<u>20,886</u>

The continuing operations of the Group has no finance leases.

9. Other Accrued Liabilities:

Other accrued liabilities relating to continuing operations include the following:

	December 31, 2022	December 31, 2021
	<u>\$000</u>	<u>As Restated \$000</u>
Income and other taxes	8,133	9,162
Deferred income	8,510	9,058
Interest	2,372	5,767
Accrued services	3,326	3,302
Restructuring - France	209	1,547
Other	<u>10,954</u>	<u>8,345</u>
Total	<u>33,504</u>	<u>37,181</u>

Deferred income represents payments from customers received in advance of revenues recognized.

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10. Debt:

Long-term debt relating to continuing operations is comprised of the following:

	Interest Rates at		December	December
	December 31,	Maturity	31,	31,
	2022	Date	2022	2021
Outstanding Debt:			\$000	\$000
Senior revolver facility	SOFR+3.75%	06/09/2026	36,679	-
Term B Loan EUR	EURIBOR+7.00%	06/09/2029	167,288	-
Term B Loan USD	SOFR+7.00%	06/09/2029	150,000	-
Term B3 loan EUR		01/06/2024	-	441,272
PIK notes		01/06/2025	-	52,325
Pandemic support loan - Spain	1.99%	06/08/2025	2,530	3,661
Pandemic support loan - France	0.75%	11/26/2025	6,532	8,643
Pandemic support loans - Italy	EURIBOR+1.5-			
	1.7%	03/24/2027	5,351	5,687
Capital leases and other			-	256
Unamortized issuance costs			(7,036)	(5,763)
Total debt			361,344	506,081
Less: current portion of long-term debt			(40,209)	(2,931)
Long-term debt			<u>321,135</u>	<u>503,150</u>

Senior Facility Agreement ("SFA")

Between January 2017 and January 2019, the Group increased its borrowing related to continuing operations to €388,000,000 of Term B3 debt which is part of the wider Group Senior Facility Agreement which also funded the Group's discontinued operations. The applicable margin on the debt was a variable 4.25-4.75% above 3-month EURIBOR with a maturity of January 6, 2024.

In anticipation of the discontinuation of LIBOR as an available benchmark rate beginning December 31, 2021, the Group agreed to amend the SFA in order to, among related matters, effect the transition to the Sterling Overnight Index Average ("SONIA") rate from LIBOR. This was accomplished by way of an Amendment and Restatement Agreement dated November 1, 2021. Comparable agreements were entered into in connection with the SFA Revolver and Ancillary Agreements. As of December 31, 2021, the Group had no borrowings outstanding that were immediately impact by transition to SONIA from LIBOR.

In February 2022, the Group amended and restated the Senior Facility Agreement, extending the maturity of the Term B3 debt by two years to January 6, 2026 and the applicable margin on the debt became 4.75% above 3-month EURIBOR.

In May 2022, the Group used part of the proceeds received from the sale of the GRI division and the settlement of the intercompany balances with the GRI division to settle the €390,552,000 Term B3 debt in full in May 2022.

On June 9, 2022, the Group drew down funds pursuant to a Senior Facilities Agreement executed on May 14, 2022. The facility includes loans of €156,300,000 and \$150,000,000 with applicable margin of 7% above 3-month Euribor and 3-month SOFR and access to a revolving facility ("RCF") of \$40,000,000 with applicable margin of 3.75% above 3-month SOFR. The maturity profile is 4 years for the RCF and 7 years for the loans which reduces to 5 years if the RCF is not extended.

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At December, 31 2022, the continuing operations of the Group had drawn \$36,679,000 of the RCF.

Debt issuance costs incurred to obtain financing are capitalized and amortized over the life of the respective loan term into interest expense on a straight-line basis, which approximates the effective interest method. Unamortized debt issuance costs were \$7,036,000 at December 31, 2022 and \$4,388,000 at December 31, 2021.

PIK Facility

The continuing operations of the Group had borrowings in the form of a payment in kind (PIK) facility with US Bank Trustees Limited acting as security agent. The outstanding balance was repaid in full on June 9, 2022 as part of the refinancing of the Group's borrowing facilities and the draw down of funds pursuant to a new Senior Facilities Agreement.

The PIK facility was due for repayment in full in 2025, although this was extended to 2026 in February 2022 before it was subsequently repaid on June 9, 2022. The rate of interest was a fixed percentage of either 10% or 11.5% depending upon whether interest is paid in cash or added to the value of the loan and compounded, plus a variable element based on EURIBOR for Utilisations in euro or LIBOR for all other Utilisations, with a 1% LIBOR floor.

The PIK facility principal was secured by a debenture with a fixed and floating charge over the assets of the Group. This debenture was released on the repayment of the PIK loan during the year.

Government-supported Loans in Response to COVID-19 Pandemic

Among actions initiated in March 2020 to mitigate the impact of the COVID-19 pandemic on liquidity, the continuing operations of the Group identified and assessed its eligibility in major operating markets to qualify for government-sponsored financing programs that were enacted to preserve business activity and mitigate local job losses.

Spain: On August 27, 2020, the Company's subsidiary in Spain received proceeds from a €3,500,000 loan from a local bank offered in accordance with Spain's pandemic relief initiatives. Indebtedness incurs interest due monthly at 1.99% per annum for the first twelve months. Thereafter, interest and principal are amortized in equal monthly payments, with final maturity June 8, 2025. Proceeds of the loan, initially held as excess cash, are available to support operations of the business and are subject to restrictions on certain transactions with affiliates.

France: On November 26, 2020, the Company's subsidiary in France finalized a €7,600,000 loan. Loan proceeds initially invested as cash are held in anticipation of planned disbursements. Principal outstanding incurs interest at a 0% fixed rate and is repayable on the first anniversary of initial funding. The subsidiary has the option, by giving notice prior to the end of the first year, to choose to amortize the loan over an additional period of one, two, three, four or five years. If the subsidiary exercises this option, principal repayment will be straight-line over the period chosen, plus applicable interest calculated on the basis of the actual cost incurred by the Bank to finance on the European interbank market. Use of loan proceeds are subject to restrictions on transactions with affiliates, including dividends, distributions, and cash pooling arrangements. On October 18, 2021, in accordance with the above option, the loan was extended for an additional five years incurring interest at a 0.75% fixed rate.

Italy: On March 23, 2021, and March 31, 2021, the Company's subsidiary in Italy received proceeds from a €3,000,000 and €2,000,000 loan respectively from two local banks in accordance with Italy's pandemic relief initiatives. Each loan is "interest only" for the first 2 years, followed by monthly amortization of principal and interest for the succeeding four years. The first loan, totaling €3,000,000, bears interest at a rate of one-month Euribor plus 1.5%. The second loan, totaling €2,000,000, bears interest at a rate of three-months Euribor plus 1.7%. Both loan agreements include limitations on transactions with affiliates, including in connection with distributions and cash pooling arrangements.

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Other Debt

Certain companies in the Group relating to continuing operations, maintain lines of credit with local banks to provide backup liquidity or to finance operational cash flows as needed. In general, interest accrues on the lines of credit at floating rates applicable to local markets, as determined by the local bank, with amounts outstanding payable on demand. As of December 31, 2022 and 2021, there were no borrowings.

Interest and Other Expense

The Group's non-cash interest and other expense is impacted by changes in foreign exchange rates on the recorded value of its debt. The translation of the non-U.S. dollar denominated intercompany and external debt resulted in a \$14,342,000 currency translation loss during fiscal year 2022 and a \$63,813,000 currency translation gain during fiscal year 2021. These losses and gains are the result of appreciation or depreciation in the value of the Euro and British Pound relative to the U.S. dollar during the respective periods.

The following table summarizes the significant components of the continuing operations of the Group's interest and other expense:

	For the Fiscal Year Ended December 31, 2022	For the Fiscal Year Ended December 31, 2021 <u>As Restated</u>
	\$000	\$000
Term B Loan	23,873	20,652
PIK note	2,529	5,914
Credit facilities	764	495
Invoice Factoring	1,435	627
Loss (gain) on currency translation of debt and accrued interest	14,342	(63,813)
(Gain) loss on cross-currency swaps and options	(7,372)	10,187
Debt issuance	8,890	2,769
Other	1,329	805
Interest and other expense, net	<u>45,790</u>	<u>(22,364)</u>

11. Derivatives and Hedging Activities:

The Group is exposed to market risk from changes in foreign currency exchange rates. Periodically, the Group enters into derivative contracts and non-derivative financial instruments with the objective of managing its financial and operational exposure arising from this risk by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The Group monitors the hedging program, derivative positions, and hedging strategies. The Group's hedging documentation includes the hedging objectives, practices and procedures, and related accounting treatment. Hedges that receive designated hedge accounting treatment are evaluated for effectiveness at the time they are designated as well as throughout the hedging period.

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Derivative Instruments

The Group is exposed to market risk from changes in foreign currency exchange rates and to rates of interest on its borrowings. Periodically, Group enters into derivative contracts and non-derivative financial instruments with the objective of managing its financial and operational exposure arising from this risk by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them.

These contracts are not held for trading purposes and are put into place to hedge specific exposures. Gains and losses on these contracts are recognized in profit or loss because they are not designated as hedging instruments for accounting purposes.

The Group has a mix of US Dollar and Euro denominated debt. To align the indebtedness to the Group's earning profile, from time to time the Group enters into cross currency swaps and also caps interest rates on variable rate borrowings.

On November 20, 2018, the Company entered into a cross currency swap fixing the exchange rate of €100,000,000 of borrowing into £88,890,000 through to maturity on January 9, 2023 and to fix the exchange rate on the quarterly interest repayments. This transaction was undertaken to better align the GBP earnings of the Group with its loan commitments. This was terminated in June 2022 with a termination payment of \$5,779,000.

Shortly after its 2017 Term Loan borrowing, the Group executed an internal FX hedge transaction between a UK subsidiary and a US subsidiary. The arrangement partially hedged exposure to the Group's Euro-denominated Term Debt. The US subsidiary paid semi-annual interest accrued at the floating six-month LIBOR rate on an intercompany loan to its UK affiliate. Prior to July 31, 2021, the currency amount of this loan was \$207,605,000. Offsetting this, the UK subsidiary incurred semi-annual floating interest based on EURIBOR (with a 0% floor) on a loan to the US subsidiary totaling €192,960,000 prior to July 31, 2021.

In the comparable period in July 2021, the Group reduced the values of the cross-currency swap in proportion to the reduction in external borrowings. The amount that the US subsidiary was to pay on January 6, 2024 was reduced by approximately €82,960,000 (USD equivalent of \$98,465,000) to €110,000,000, and the amount the UK subsidiary was to receive was reduced by approximately \$89,256,000 to \$118,349,000. In conjunction with the July 2021 amendment, the UK subsidiary made a payment of \$10,420,000, resulting in a loss on settlement of \$1,211,000. At December 31, 2021, the fair value of the cross-currency swap was a liability of \$7,990,000.

The cross-currency swap was terminated in May 2022 with a net receipt of \$2,921,000 by the UK subsidiary from the US subsidiary.

In June 2022, the continuing operations of the Group entered into interest rate cap instruments of 2% 3-month Euribor on €74,766,000 and 3.5% 3-month SOFR on \$80,000,000. In November 2022, further interest rate cap instruments were entered into of 3.75% 3-month Euribor on €50,000,000 and 5.0% 3-month SOFR on \$45,000,000. These instruments have an effective date of September 9, 2022 and maturity date of June 9, 2025.

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Information related to the fair values of derivative instruments in the Consolidated Balance Sheets of the continuing operations of the Group as of December 31, 2022 and December 31, 2021 is as follows:

Liability Derivatives			
December 31, 2022			
Derivatives not designated as hedging instruments	Balance Sheet Location	Fair Value	Net
		\$000	\$000
Interest rate caps	Other assets	1,118	1,118
Cross-currency hedge – related party	Other long-term liabilities	-	-
Cross-currency hedge - external	Other long-term liabilities	-	-
December 31, 2021 Restated			
Derivatives not designated as hedging instruments	Balance Sheet Location	Fair Value	Net
		\$000	\$000
Cross-currency hedge – related party	Other long-term liabilities	(7,990)	(7,990)
Cross-currency hedge - external	Other long-term liabilities	(7,767)	(7,767)

Information related to the effect of derivative instruments on the Consolidated statements of operations for the fiscal year ended December 31, 2022 and for the fiscal year ended December 31, 2021 is as follows:

Derivatives Not Designated as Hedging Instruments	Amount of (Income) Loss Recognized in Income on Derivative		
	Location	Year Ended December 31, 2022	Year Ended December 31, 2021
		\$000	\$000
Interest rate caps	Interest and Other Expense	(1,118)	-
Cross-currency hedge	Interest and Other Expense	(12,899)	2,181

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12. Fair Value Measurement:

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2022 and December 31, 2021 using the fair value hierarchy prescribed by U.S. GAAP. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and level 3 includes fair values estimated using significant non-observable inputs. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

	<u>Carrying Value</u> \$000	<u>Fair Value Measurements Using</u> <u>Level 1</u> \$000	<u>Level 2</u> \$000	<u>Level 3</u> \$000
At December 31, 2022				
Interest rate caps asset	(1,118)	-	(1,118)	-
Cross-currency hedge liabilities	-	-	-	-
At December 31, 2021				
Cross currency hedge liabilities	15,757	-	15,757	-

The Group's counterparty to these interest rate caps and cross-currency swaps is a major financial institution with an investment grade credit rating. The contracts are measured at fair value using a valuation approach which represents the counterparty's good faith estimate of the market value of the contracts based on mid-market inputs.

13. Commitments and Contingencies:

The Group and its subsidiaries are parties to various legal proceedings arising in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Group's consolidated financial condition, results of operations or cash flows.

In conjunction with certain transactions and in the ordinary course of business, the Group occasionally provides routine indemnifications relating to the enforceability of trademarks, coverage for legal and environmental issues, as well as provisions for other items. Currently, the Group has several such agreements in place with various expiration dates. Based on historical experience and evaluation of the specific indemnities, management does not believe that any material loss related to such indemnifications is likely and therefore no related liability has been recorded. The Group has standby letter of credit agreements securing certain obligations totaling approximately \$10,308,000 and \$308,000 at December 31, 2022, and December 31, 2021 respectively. The increase of \$10,000,000 in the year relates to letters of credit associated with the disposal of the GRI business. Except for the Group's letters of credit, the Group has no other existing off-balance sheet financing arrangements.

On June 23, 2020, the Group was advised of the termination of several contracts in France PSA due to cost saving initiatives being introduced. The Group needed to make a significant restructuring of its work force as a result of the loss of these contracts. The Group worked closely with PSA to minimize the impact on its employees during Summer 2020.

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A 'Social Plan' (restructuring plan under French labor law) was initiated in September 2020 and concluded in December 2020. A provision of \$9,920,000 was accrued at December 31, 2020 of which \$208,000 remains outstanding at December 31, 2022 (2021: \$2,248,000) to meet the anticipated costs of the restructuring, which is included within accrued liabilities.

14. Employee Benefit Plans:

The continuing operations of the Group maintains a qualified cash or deferred compensation plan under Section 401(k) of the Internal Revenue Code. Participation in this plan is available to substantially all salaried employees and to certain groups of hourly employees. Under the plan, employees may elect to defer up to 75 percent of their annual wages, subject to the limitations of the Internal Revenue Code. All matching contributions were suspended.

With the acquisition of APX International during 1997, the predecessor Company acquired certain obligations with respect to a frozen defined benefit pension plan. The plan was frozen in 1988 and covers certain union and non-union employees who were formerly employed by Autodynamics Corporation of America, Inc., a predecessor company. Contributions are determined in accordance with provisions of the plan. This plan is not material to the Group's consolidated financial position, results of operations or cash flows.

The Group also participates in statutory pension plans for certain of its foreign subsidiaries. The Group's consolidated pension expense was \$3,129,000 for the fiscal year December 31, 2022 and \$3,898,000 for the fiscal year December 31, 2021.

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15. Income Taxes:

Corporate income taxes are provided at the applicable rates on the basis of items included in the determination of income for income tax purposes. The Group's effective tax rate may be different than what would be expected if the standard rate of UK corporation tax of 19% was applied to earnings primarily because of changes in the valuation allowance, income included for tax purposes not included for financial report, and amounts expensed for financial reporting that are not deductible for tax purposes. Examples of these in the current year and years prior are the impacts of foreign exchange and interest tax deductibility restrictions.

The following table summarizes the continuing operations of the Group's components of the consolidated provision for income taxes and the temporary differences that give rise to deferred tax assets and liabilities as of and for the years ended December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
		Restated
The provision for income taxes of continuing operations was:		
Current tax expense	13,048	24,236
Deferred tax expense	638	2,488
	<u>13,686</u>	<u>26,724</u>
	December 31, 2022	December 31, 2021
Net deferred tax liabilities of continuing operations included:		
Goodwill and intangibles	(21,513)	(24,837)
Prepays, accrued liabilities and deferred compensation	(28)	260
Net operating losses	44,635	35,338
Property & equipment	(1,118)	(2,369)
Unrealized foreign exchange loss	-	3,812
Other, net	17,199	2,892
	<u>39,175</u>	<u>15,096</u>
Deferred tax asset	39,175	15,096
Less: Valuation allowance	(51,342)	(26,149)
	<u>(12,167)</u>	<u>(11,053)</u>
Net deferred tax liability	<u>(12,167)</u>	<u>(11,053)</u>

The continuing operations of the Group has historic losses carried forward totaling \$233,569,000, of which \$231,206,000 can be carried forward indefinitely, with the balance expiring in varying amounts between 2025 and 2032.

Realization of deferred tax assets is dependent on various limitations as provided within current tax laws, including generation of sufficient taxable income within specific tax jurisdictions. At December 31, 2022, a \$51,342,000 valuation allowance has been recorded for specific items where management has determined that the likelihood of realization was not sufficient to allow for recognition of the deferred tax

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asset, primarily related to various tax attribute carry forwards. Based on expected future profits, management determined that it was more likely than not that certain deferred tax assets will not be realized in the future.

The continuing operations of the Group conducts business globally and is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Brazil, Canada, France, Germany, Italy, Netherlands, Spain, Sweden, the United Kingdom and the United States of America. The Group's tax returns are subject to examination based on each country's statute of limitations and at the Balance Sheet date there were a number of examinations ongoing. The Group has recorded uncertain tax positions of \$2,900,000 (2021: \$nil) relating to examinations in the United Kingdom, Germany and Italy which represents management's view on the more likely than not financial impact of their outcome. Other examinations include the US for the 2019 tax year. Management do not believe that any of the other examinations would result in a material income tax expense and, therefore, has not recorded an uncertain tax position in relation to any other examinations.

The Group intends to permanently reinvest the accumulated foreign earnings of its subsidiaries in its foreign jurisdictions. Management deems it impractical to calculate the taxes that would be applied to the distribution of the foreign earnings to the Company and deem that, if calculated, the value of the taxes would be immaterial on a quantitative and qualitative basis.

16. Equity

	Ordinary Stock		Preferred Stock		Total	
	Par value	Paid in	Par	value	Par	value
	(\$'000)	capital	(\$'000)	paid in	(\$'000)	paid in
		(\$'000)		capital		capital
				(\$'000)		(\$'000)
At 12/31/2020						
(restated)	200	20,184	1,666	281,530	1,866	301,714
Unpaid						
distribution yield				38,109		38,109
At 12/31/2021						
(restated)	200	20,184	1,666	319,639	1,866	339,823
Cancellation of						
shares	(1)	(82)	(1,354)	(256,419)	(1,355)	(256,501)
Unpaid						
distribution yield				4,321		4,321
At 12/31/2022	199	20,102	312	67,541	511	87,643

At December 31, 2022 the Company had 206,026,155 (2021: 206,026,155) shares authorized of which 48,605,777 (2021: 177,458,171) were issued and outstanding.

The company has 3 classes of ordinary shares – 16,319,603 A €0.01 Ordinary shares issued (2021 – 16,319,603 shares issued), 1,325,089 B €0.01 Ordinary shares issued (2021 – 1,325,089 shares issued) and 1,292,663 C €0.01 Ordinary shares issued (2021 - 1,345,589 shares issued). All classes of Ordinary Stock are non-redeemable and non-convertible. The holders of the A Ordinary Stock are entitled to one vote per share.

The company has 2 classes of Preferred Stock – 27,498,263 A €0.01 Preferred Stock issued (2021 - 146,876,420 shares issued) and 2,170,159 B €0.01 Preferred Stock issued (2021 - 11,591,470 shares issued). Both classes of Preferred Stock are non-redeemable and non-convertible and attract an annual distribution yield of 13% of which any unpaid amount is capitalized into the value of the shares at December 31 of each year. The holders of the A Preferred Stock are entitled to one vote per share.

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The reduction in the number of issued shares arose on June 10th, and October 17, 2022, when the Company acquired 128,852,394 shares from its shareholders and cancelled the shares.

17. Related parties

The Group entered into a management agreement with Bain Capital Private Equity, LP, a related party to its majority shareholders, to assist the Group with various services. The continuing operations of the Group incurred expenses related to these services of \$1.7 million for the fiscal year ended December 31, 2022 and \$1.5 million for the fiscal year ended December 31, 2021.

The Group had a receivable of \$3,225,000 at December 31, 2022 (\$366,000 at December 31, 2021) from Pacific (BC) Sarl which is the majority shareholder of Pacific (BC) Topco Limited. The receivable was settled in full during the course of the year ended December 31, 2023 (see note 18).

At December 31, 2021 the continuing operations of the Group had a receivable of \$188,363,000 from its discontinued operations. This amount was settled in full during the course of the year ended December 31, 2022 on the disposal of the GRI Group.

18. Subsequent Events

The Group evaluated subsequent events through the date these financial statements were available for issuance which is February 2, 2024. Except for the following matters, we are not aware of any significant events that occurred subsequent to the balance sheet date that would have a material impact on the Consolidated Financial Statements.

On February 6, 2023, the Group was subject to a cyber-attack which effected a minor part of the Group's IT infrastructure. The attack was identified immediately, and the Group were able to quickly isolate the effected systems meaning the amount of data at risk was minimized. There was minimal disruption to the Group's operations and there was no impact on the Group's financial systems. At the date of signing these Consolidated Financial Statements, Management are still in the process of assessing the financial impact of the attack but have concluded that the Group's financial position at December 31, 2022 is not effected and do not expect the attack to have a material impact on the financial performance and position in the year ended December 31, 2023.

On September 27, 2023, the Company was part of a series of transactions to settle the Group's related party receivables from Pacific (BC) Sarl and pay a distribution to the Group's shareholders.

The Company's indirect subsidiary company Pacific (BC) Topco 5 Limited distributed its \$2,289,000 receivable from Pacific (BC) Sarl to its parent company Pacific (BC) Topco 4 Limited. Pacific (BC) Topco 4 Limited then distributed the receivable from Pacific (BC) Sarl to its parent company Pacific (BC) Topco 3 Limited. Pacific (BC) Topco 3 Limited then distributed the receivable from Pacific (BC) Sarl to its parent company Pacific (BC) Topco 2 Limited. Pacific (BC) Topco 2 Limited then distributed the receivable from Pacific (BC) Sarl to the Company.

The Company then declared a distribution of \$3,536,000 to its shareholders which was settled via a dividend in kind of the Company's total loan receivable from Pacific (BC) Sarl of \$3,329,000 and \$207,000 of cash.

On October 11, 2023 the Group disposed of its associate investment in MCON Group AG for proceeds of \$5,164,000 (€4,876,000). On the same day, the Group entered into a loan with MCON Group AG for \$582,000 (€550,000). The loan has a fixed term of 2 years with an option to extend by 1 year on agreement by the Group. The loan attracts interest of 3-month Euribor + 2.5%. The associate investment was held at a value of \$4,528,000 in Other assets in the Consolidated Balance Sheets at December 31, 2022.

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On October 18, 2023, the Group agreed to an amendment to its SFA whereby the Group can elect to part-defer the payment of the interest that falls due on the Term B loan. The election can be made for 2 quarters in the year ended December 31, 2023 and 2 quarters in the year ended December 31, 2024. If an election is made, the interest accruing in the quarter is calculated at an increased margin of 7.5% (increased from 7%). The interest to be paid in the elected quarters is calculated at a margin of 1.5%. The accrued interest which is not paid in the elected quarters will remain outstanding for the term of the loan and will attract interest at a margin of 7% calculated on a quarterly basis. At the date of signing these consolidated financial statements, the Group has made the election for the last 2 quarters of December 31, 2023.