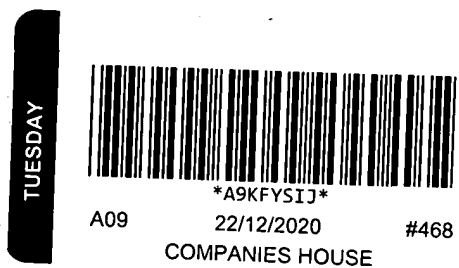


MSG Automotive Solutions Limited
Financial Statements
31 December 2019



MSG Automotive Solutions Limited

Financial Statements

Year ended 31 December 2019

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MSG Automotive Solutions Limited

Officers and Professional Advisers

The board of directors	G Humphreys K J Barber K R Spencer S C Marsh
Company secretary	C J Payne
Registered office	45 Westerham Road Bessels Green Sevenoaks Kent TN13 2QB
Auditor	RSM UK Audit LLP, Chartered accountants Davidson House Forbury Square Reading RG1 3EU
Bankers	National Westminster Bank Plc 27 South Street Worthing West Sussex BN11 3AR

MSG Automotive Solutions Limited

Strategic Report

Year ended 31 December 2019

Fair review of the business and future developments

The principal activity of the Company during the year was the ongoing design, development, marketing and supply of in-vehicle camera systems and video telematics products and services. The revenue of the company improved significantly in the year ended 31 December 2019 in comparison to the previous year. The principal reasons for the improved performance were:

- increased value of recurring revenue;
- new contracts to supply a number of large corporates operating significant vehicle fleets including Tesco, ASDA and Heathrow Airport;
- increased turnover across all distribution channels;
- development of the next generation of the company's award-winning video telematics IoT platform;
- platform integration with key strategic telematics channel partners and resellers.

The company continues to review and modify operating systems and processes to ensure a high-quality customer experience whilst reducing operating costs. The company continues to broaden its customer base across a number of sectors and expects the business to continue to grow rapidly once the impact of Coronavirus stabilises. The company has a strong pipeline of prospects.

Research and Development

The company invests heavily in research and development which has been a major contributory factor in its growth and evolution. Maintaining a flexible approach and an inherent ability to adapt to the changing needs of the marketplace and legislation is pivotal in the ongoing success of the business. The company has won 19 technology, innovation and fleet awards since its inception.

Financial key performance indicators

Key performance indicators focused on by the Company are:

	2019	2018
	£	£
Revenue (1)	15,217	7,716
Gross profit % (2)	32%	37%
EBITDA (3)	(1,105)	(277)

(1) Revenue increased 97% due to a significant growth within the Direct Fleet channel. The majority of this growth was achieved in the latter part of the year which will also have a positive impact on increased recurring revenues in future years.

(2) Gross profit margins dropped in the year due to a higher mix of dashcam sales in the insurance sector and recognising significant installation costs which will provide future financial benefit through long term recurring revenues.

(3) EBITDA was £(1.1)m which was £0.8m lower than prior year principally due to higher platform and install costs recognised in the year which will positively impact the business in future years through the increased recurring revenues.

Also higher staff costs and advertising and marketing costs were incurred to underpin future growth.

Results and dividends

No dividends were declared or paid in the year ending 31 December 2019 (2018: nil).

MSG Automotive Solutions Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Principal risks and uncertainties

In the normal course of business the company is exposed to a variety of risks. Measures are in place to ensure best practice and compliance and are under constant review by management.

The key operational risks to the business are carefully monitored as follows:

- Information technology – this is at the heart of the company's service offering and is centred around its cloud-based video telematics IoT platform. System functionality, security, reliability and redundancy are regularly assessed in order to meet our customers' needs and expectations.
- Supply chain – Hardware supply is critical to the business' performance, the business routinely reviews stock holdings and maintains close relationships with key suppliers to plan for any risk of disruption within the supply chain.
- Human Resources – The business is dependent on knowledgeable staff to oversee deployment and ongoing support of video telematics devices across a wide range of customers and sectors. The company invests in ensuring staff are retained and developed to support the rapid growth of the business and ever-changing technology.
- Duty of Care – The company recognises its legal, moral and ethical duty to ensure the health, safety and wellbeing of its workforce. As such, the regular monitoring and assessment of health and safety related risks is of paramount importance.

Coronavirus impact

The Director's responded rapidly to the coronavirus pandemic, in order to safeguard staff and to maintain service and supply. The company was able to deploy remote working for all staff, except for certain logistic operations, very quickly due to its cloud-based IT and telephony systems. The disruption to the supply chain has been minimal; the business increased and secured stock orders of key components to withstand any potential supply issues. The business worked closely with installation partners to ensure ongoing demand and health and safety practices could be satisfied. Both the short and long term impact of Coronavirus on the wider economy is uncertain at the date of signing these accounts. The financial position of the company remains positive with an increasing orderbook and new contracts signed since the year end. The Directors closely monitor order volumes and undertake detailed financial modelling in order to plan ahead as best as possible. The impact of Covid-19 and parent company support for the Company is also considered in the going concern accounting policy in note 3 on pages 13 and 14.

Political risk

The impact of the UK's planned exit from the EU is unknown, however its potential impact has been assessed by the business. The most significant risk will be to the import and export of goods. The majority of imports are from non-EU countries, but the company is looking to increase trade with EU registered organisations.

In addition to the above the company is also exposed to a number of financial risks –

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Foreign exchange risk

The company is exposed to foreign currency risk on sales, purchases, assets and liabilities which are denominated in a currency other than sterling. Purchases in US Dollars is the primary activity and currency which gives rise to this risk. Wherever possible contracts contain a clause which allows the company to increase prices in the event of significant exchange rate fluctuation. The company chooses not to hedge its foreign exchange exposure.

MSG Automotive Solutions Limited

Strategic Report *(continued)*

Year ended 31 December 2019

Interest rate risk

The company finances its operations through a mixture of retained profits and loans from shareholders. The majority of loans are from group companies and do not bear interest therefore minimising the risk of interest rate fluctuations.

S.172 Companies Act 2006: Statement of Director's Duties to Stakeholders

The board of directors of MSG Automotive Solutions Limited believe that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and with regard to the other matters as detailed in S.172 (a) – (f).

Long-term consequences of decisions

Management prepare annual forecasts for the 5-year period ahead, which include modelling of the impact of key decisions made within the company and the MHL group in order to assess their viability. The board aims to grow the company's business, creating sustainable profits by developing new opportunities for the business and our people.

Employee Engagement

The board is committed to its focus on employee's working environment and career development opportunities, which has helped the Group and company achieve its 'Investors in People' accreditation. A number of initiatives developed by the group including the 'Shooting Stars' programme for leaders of the future, and 'ALEX' the Group's apprenticeship syllabus, have all contributed to the group achieving the accreditation. The group have also developed core values, 'V10', which helps maintain the group's culture and keeps staff attitudes to work aligned. Due to the covid-19 pandemic, the majority of the group's staff base are now working from home. The board is committed to enhancing the channels of communication during this time, to ensure staff are listened to and are able to continue working effectively.

Key external stakeholder engagement – customers and suppliers

Across the Group, we have many long-standing and highly successful relationships with our customers and suppliers. The Group's ethos is to promote fairness and integrity in customer service and commit to 'putting the fun into what we do', for the benefit of our customers, employees and the community. Our customers are at the heart of everything we do, and the board is committed to treating customers fairly. The group is also committed to building strong positive relationships with a wide range of insurers, brokers, managing general agents and other distribution channels.

Impact on the community and the environment

The board considers the group's impact on the wider community and environment. The group's 'motiv8' initiative supports staff in their community and charity fundraising activities. The board also aims to encourage green initiatives to reduce our carbon footprint, as well as promoting safe driving for the next generation.

This report was approved by the board of directors on 18 December 2020 and signed on behalf of the board by:



K J Barber
Director

Registered office:
45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

MSG Automotive Solutions Limited

Directors' Report

Year ended 31 December 2019

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

Principal activities

The principal activity of the company during the year was that of selling cameras for motor vehicles and data used by those cameras.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

G Humphreys
K J Barber
K R Spencer
S C Marsh

Dividends

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

Disclosure of information in the strategic report

Matters required by Schedule 7 of the large and medium sized Companies and Groups (Accounts and Report) Regulations 2008 have been included in the separate Strategic Report in accordance with section 414c(11) of the Companies Act 2006.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting

This report was approved by the board of directors on 18 December 2020 and signed on behalf of the board by:



K J Barber
Director

Registered office:
45 Westerham Road
Bessels Green
Sevenoaks
Kent
TN13 2QB

MSG Automotive Solutions Limited

Directors' Responsibilities Statement

Year ended 31 December 2019

The directors are responsible for preparing the strategic report, 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 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;
- 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 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.

Independent Auditor's Report to the Members of MSG Automotive Solutions Limited

Opinion

We have audited the financial statements of MSG Automotive Solutions Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3, on pages 13 and 14 of the financial statements concerning the company's ability to continue as a going concern which indicates that the company incurred a loss for the financial year ended 31 December 2019 of £1.892m and as of that date had net current liabilities of £3.696m and net liabilities of £1.028m including £11.913m owed to group companies. Therefore, the company will rely on the ongoing support of the ultimate parent company to continue to trade and meet its liabilities as they fall due. There is a risk that this support may not be maintained. As stated in note 3, on pages 13 and 14, these events or conditions, along with the other matters as set forth in note 3 on pages 13 and 14, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of MSG Automotive Solutions Limited *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

**Independent Auditor's Report to the Members of MSG Automotive Solutions
Limited (continued)**

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.

RSM UK Audit LLP

Perry Linton FCA (Senior Statutory Auditor)
For and on behalf of
RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Davidson House
Forbury Square
Reading
RG1 3EU

Date: 21.12.20

MSG Automotive Solutions Limited

Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	14,888,997	7,716,311
Cost of sales		<u>(10,343,823)</u>	<u>(4,878,500)</u>
Gross profit		4,545,174	2,837,811
Administrative expenses		<u>(6,599,961)</u>	<u>(3,453,457)</u>
Other operating income	5	328,156	–
Operating loss	6	<u>(1,726,631)</u>	<u>(615,646)</u>
Interest payable and similar expenses	9	<u>(3,979)</u>	<u>(267,057)</u>
Loss before taxation		<u>(1,730,610)</u>	<u>(882,703)</u>
Tax on loss	10	<u>(161,445)</u>	<u>1,648</u>
Loss for the financial year and total comprehensive income		<u><u>(1,892,055)</u></u>	<u><u>(881,055)</u></u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

MSG Automotive Solutions Limited

Statement of Financial Position

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	2,661,250	1,593,082
Tangible assets	12	<u>191,390</u>	<u>66,208</u>
		2,852,640	1,659,290
Current assets			
Stocks	13	2,499,763	1,229,069
Debtors	14	9,251,839	3,629,786
Cash at bank and in hand		<u>60,762</u>	<u>39,916</u>
		11,812,364	4,898,771
Creditors: amounts falling due within one year	15	<u>(15,508,124)</u>	<u>(5,618,081)</u>
Net current liabilities		(3,695,760)	(719,310)
Total assets less current liabilities		(843,120)	939,980
Creditors: amounts falling due after more than one year	16	-	(75,800)
Provisions			
Taxation including deferred tax	17	<u>(184,755)</u>	<u>-</u>
Net (liabilities)/assets		(1,027,875)	864,180
Capital and reserves			
Called up share capital	20	8,843,050	8,843,050
Profit and loss account	21	<u>(9,870,925)</u>	<u>(7,978,870)</u>
Shareholders (deficit)/funds		(1,027,875)	864,180

These financial statements were approved by the board of directors and authorised for issue on ~~18 December 2020~~, and are signed on behalf of the board by:



K J Barber
Director

Company registration number: 03350417

The notes on pages 13 to 24 form part of these financial statements.

MSG Automotive Solutions Limited

Statement of Changes in Equity

Year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2018	43,050	(7,097,815)	(7,054,765)
Loss for the year		<u>(881,055)</u>	<u>(881,055)</u>
Total comprehensive income for the year	-	(881,055)	(881,055)
Issue of shares	<u>8,800,000</u>	-	<u>8,800,000</u>
Total investments by and distributions to owners	8,800,000	-	8,800,000
At 31 December 2018	8,843,050	(7,978,870)	864,180
Loss for the year		<u>(1,892,055)</u>	<u>(1,892,055)</u>
Total comprehensive income for the year	-	(1,892,055)	(1,892,055)
At 31 December 2019	<u>8,843,050</u>	<u>(9,870,925)</u>	<u>(1,027,875)</u>

The notes on pages 13 to 24 form part of these financial statements.

MSG Automotive Solutions Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares, incorporated and registered in England and Wales. The address of the registered office is 45 Westerham Road, Bessels Green, Sevenoaks, TN13 2QB, Kent.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity. All balances are rounded to the nearest £.

Going concern

The group of companies headed by Markerstudy Holdings Limited (the 'Markerstudy Group') and MSG Automotive Solutions Limited (the 'Company') are expected to generate positive cash flows for a period of at least 12 months from the date of approval of these financial statements.

During the current financial year the Markerstudy Group had amounts due by way of loans and interest owing to Qatar Re of £242.2m. On 30 November 2019, it was agreed between the Markerstudy Group and Qatar Re that the remaining loans and interest would be restructured and consolidated in its entirety and a new single loan agreement be entered into between Markerstudy Holdings Ltd ('MHL') the ultimate parent company and Qatar Re, with the loans and interest obligation moving to MHL, with MHL becoming the full obligor for all amounts due by way of loans and interest owing to Qatar Re.

At that time the repayment of the loan was restructured with £50m falling due on 31 December 2019 and the balance by 30 April 2020. Markerstudy Holdings Limited met its loan repayment commitment to Qatar Re on 31 December 2019 in line with the loan agreement and subsequently negotiated with Qatar Re to further extend the repayment date for the balance.

Accordingly Markerstudy Holdings Ltd have amounts due by way of loans owing to Qatar Re of £192.2m, along with interest accrued on these loans of c£7.2m as at the date of approval of these financial statements. The date for the repayment to be made to Qatar Re is 24 December 2020, including both capital and interest accrued.

At 31 December 2019, the company incurred a loss for the financial year ended 31 December 2019 of £1.892m and as of that date had net current liabilities of £3.696m and net liabilities of £1.028m including £11.913m owed to group companies. Therefore, the company will rely on the ongoing support of the ultimate parent company to continue to trade and meet its liabilities as they fall due.

Markerstudy Holdings Limited has provided a letter of support confirming that it will provide financial support to the Company such that it will continue to be able to meet its obligations as they fall due, for a period of at least 18 months from 14 October 2020.

The directors have forecast that the Markerstudy Group and the Company will generate positive cash flows but the loan rescheduled repayments referred to above are in excess of the Markerstudy Group and the Company's expected cash flows.

MSG Automotive Solutions Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

3. Accounting policies (continued)

Going concern (continued)

The Markerstudy Group directors are in the final stages of a process of introducing new third party investors into the Markerstudy Group and to provide the Markerstudy Group with longer-term preferential debt, significant equity funding and board representation to enable the Markerstudy Group to repay group balances due and then subsequently enable the Markerstudy Group to meet its 24 December 2020 loan repayment commitment to Qatar Re. The directors of the Markerstudy Group are confident that they will obtain the funding required.

If the anticipated new third party investor funding is not obtained, the Markerstudy Group directors will enter into renewed discussions with Qatar Re in respect of the amounts due on 24 December 2020 which they are confident will result in a further extension.

The directors have considered the effect of the ongoing worldwide pandemic of Covid-19, which is having an impact on the short term performance of the Company as detailed in the Strategic Report on page 3. Should the economic impacts be longer lasting and result in widespread corporate failure across the economy then the risk to the business and the ability of the Markerstudy Group and the Company to generate positive cash flows will be heightened..

Markerstudy Group Management have taken, and continue to take, several steps to mitigate the impacts being caused by the Covid-19 pandemic. This includes utilising the Government employee retention scheme, VAT payment deferral option and time to pay option with HMRC, agreeing a freeze on some business rates for 12 months, as well as closely monitoring cash flows. Markerstudy Group Management have also reviewed its cost base and IT and system efficiencies to generate additional cost savings including headcount savings through a redundancy programme which completed on 31 July 2020. Markerstudy Group Management also took the step of making pay reductions from April 2020, but strengthening results alongside other cost saving initiatives during the pandemic has seen full pay reinstated at the start of September 2020 (which was earlier than management had originally anticipated).

Given the unpredictable nature and impact of the outbreak, and how rapidly the responses by the Government to the outbreak are changing, the directors are unable to predict the full extent of the impact with regards to the going concern basis of accounting and its related disclosures.

The directors of MSG Automotive Solutions Limited have concluded that the above circumstances represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company will have adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial statements of Markerstudy Holdings Limited. For details on how to obtain their financial statements, please refer to note 23. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable in the ordinary nature of the business. Turnover is net of Value Added Tax.

Turnover comprises sale of cameras and user licenses to the IT data platform. Sale of cameras revenue is recognised on the date of despatch of the goods as this is when the risks and rewards of ownership have transferred to the customer. Licence income for the use of the IT data platform is spread over the length of the user licence. Installation fee income is recognised at the point of delivery of the service.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax the company is expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the statement of income and retained earnings. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Intangible assets purchased are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Research expenditure is written off as the costs are incurred. Development costs are treated in the same way unless the directors are satisfied as to the technical, commercial and financial viability of the project and costs attributable to the project can be reliably measured.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs - 5 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and equipment - 3 - 4 years straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are stated at the lower of cost and estimated selling price. All items in stock are bought from third parties as finished goods.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

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

Development costs

Whether development costs for intangible assets met the recognition criteria to enable the company to capitalise these costs as an intangible asset. A decision has also been made on the split of costs incurred in developing the intangible asset as to what can be capitalised and what is expensed.

An estimate has been made in terms of assessing the likely useful economic life of capitalised development costs. Factors taken into consideration in reaching such a decision include estimating the future economic performance that the asset will generate based on forecasts and sales projections.

R&D tax credit

A judgement is made on the costs to be included within the claim for R&D tax credits, whether expenditure is qualifying and the likelihood of the credit being received. This judgement is made on the basis of previous claims which have been accepted.

Inventory

A judgement is made as to whether any provision is required against inventory held by the company on the basis of obsolescence. Currently no provision is included on the basis that all inventory is considered.

Other key sources of estimation uncertainty

Recoverability of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the age of the debt, the state of negotiations, and historical experience of the outcome of recoveries.

4. Turnover

Turnover arises from:

	2019	2018
	£	£
Sale of cameras	13,845,271	7,219,729
Sale of data	1,043,726	496,582
	<u>14,888,997</u>	<u>7,716,311</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

5. Other operating income

	2019 £	2018 £
Research & Development income	327,334	–
Other income	822	–
	<u>328,156</u>	<u>–</u>

6. Operating loss

Operating loss is stated after charging:

	2019 £	2018 £
Amortisation of intangible assets	570,910	317,447
Depreciation of tangible assets	50,428	21,266
Cost of stocks recognised as an expense	9,840,131	5,162,028
Impairment of trade debtors	31,206	9,001
Research & Development expense	161,244	–
Foreign exchange differences	1,291	321
	<u>10,635,210</u>	<u>10,510,063</u>

7. Auditor's remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	35,000	18,500
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	2,500	2,500
	<u>37,500</u>	<u>21,000</u>

8. Staff costs

The average number of persons employed by the company during the year amounted to 60 (2018: 29).

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £	2018 £
Wages and salaries	3,156,054	1,707,720
Social security costs	346,107	189,404
Other pension costs	58,816	29,942
	<u>3,560,977</u>	<u>1,927,066</u>

The company's directors are remunerated by other group companies and it is not possible to separately identify the proportions that relate to the company.

Included within staff costs shown above is £12,055 which relates to the apprenticeship levy (2018: £6,554)

Included in the amounts disclosed above is an amount of £807,750 (2018: £290,130) of staff costs recharged from fellow Markerstudy Holdings group companies.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

9. Interest payable and similar expenses

	2019 £	2018 £
Interest on banks loans and overdrafts	–	419
Interest due to group undertakings	<u>3,979</u>	<u>266,638</u>
	<u>3,979</u>	<u>267,057</u>

10. Tax on loss

Major components of tax expense/(income)

	2019 £	2018 £
Current tax:		
UK current tax income	(26,949)	–
Deferred tax:		
Origination and reversal of timing differences	<u>188,394</u>	<u>(1,648)</u>
Tax on loss	<u>161,445</u>	<u>(1,648)</u>

Reconciliation of tax expense/(income)

The tax assessed on the loss on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Loss on ordinary activities before taxation	<u>(1,730,610)</u>	<u>(882,703)</u>
Loss on ordinary activities by rate of tax	(328,816)	(167,714)
Adjustment to tax charge in respect of prior periods	220,244	–
Effect of expenses not deductible for tax purposes	4,273	7,450
Adjustments to tax in respect of previous periods	(26,949)	–
Group relief surrendered	288,233	158,422
Adjust deferred tax rates	3,747	194
Fixed asset differences	713	–
Tax on loss	<u>161,445</u>	<u>(1,648)</u>

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

11. Intangible assets

	Development costs £	Total £
Cost		
At 1 January 2019	2,043,123	2,043,123
Additions	1,639,078	1,639,078
At 31 December 2019	3,682,201	3,682,201
Amortisation		
At 1 January 2019	450,041	450,041
Charge for the year	570,910	570,910
At 31 December 2019	1,020,951	1,020,951
Carrying amount		
At 31 December 2019	2,661,250	2,661,250
At 31 December 2018	1,593,082	1,593,082

The amortisation of development costs is recognised within administrative expenses in the statement of income and retained earnings.

12. Tangible assets

	Plant and equipment £	Total £
Cost		
At 1 January 2019	110,949	110,949
Additions	175,610	175,610
At 31 December 2019	286,559	286,559
Depreciation		
At 1 January 2019	44,741	44,741
Charge for the year	50,428	50,428
At 31 December 2019	95,169	95,169
Carrying amount		
At 31 December 2019	191,390	191,390
At 31 December 2018	66,208	66,208

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

13. Stocks

	2019 £	2018 £
Finished goods	<u>2,499,763</u>	<u>1,229,069</u>

14. Debtors

	2019 £	2018 £
Trade debtors	7,810,319	3,018,609
Amounts owed by group undertakings	52,494	1,441
Deferred tax asset	–	3,639
Prepayments and accrued income	981,648	593,316
Corporation tax repayable	26,949	–
Other debtors	380,429	12,781
	<u>9,251,839</u>	<u>3,629,786</u>

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	762,029	207,992
Amounts owed to group undertakings	11,913,154	4,638,145
Accruals and deferred income	2,199,459	697,485
Social security and other taxes	626,392	67,999
Other creditors	7,090	6,460
	<u>15,508,124</u>	<u>5,618,081</u>

Included within amounts due to group is loan interest payable of £531,264 (2018: £527,285) which relates to loan amounts due to fellow group companies. An interest rate of Bank of England base rate plus 5.75% per annum was being charged on these loans. As of 1 April 2018, the interest rate on these loans was reduced to an interest rate of Bank of England base rate plus 4.5% per annum.

16. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	<u>–</u>	<u>75,800</u>

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

17. Provisions

	Deferred tax (note 18) £
At 1 January 2019	(3,639)
Additions	<u>188,394</u>
At 31 December 2019	<u>184,755</u>

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Included in debtors (note 14)	–	3,639
Included in provisions (note 17)	<u>(184,755)</u>	<u>–</u>
	<u>(184,755)</u>	<u>3,639</u>

The deferred tax liability relates to accelerated capital allowances.

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £58,816 (2018: £29,942).

20. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>8,843,050</u>	<u>8,843,050</u>	<u>8,843,050</u>	<u>8,843,050</u>

The company's ordinary shares, which do not carry the right to fixed income, each carry the right to one vote at general meetings of the company.

21. Reserves

Profit and loss account - Cumulative profit and loss net of distributions to owners.

MSG Automotive Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

22. Related party transactions

Transactions between the Company and its related parties are disclosed below:

Other related parties:

	2019	2018
	£	£
Rent and service charges	(202,901)	(14,820)
Accommodation charges	(9,726)	(8,868)
Platform and IT charges	(731,119)	(254,956)
Repairs and maintenance	431	(2,404)

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties:

	2019	2018
	£	£
Other related parties	253,941	-

Other related parties comprise companies in the group headed by Armatire Limited and are related by virtue of common control. K R Spencer is a director and shareholder of Armatire Limited.

As a wholly owned subsidiary of Markerstudy Holdings Limited (MHL), the company has taken advantage of the exemption not to disclose transactions with other 100% owned members of the group headed by MHL under Financial Reporting Standard 102.

23. Controlling party

The immediate and ultimate parent undertaking company is Markerstudy Holdings Limited, a company registered in Gibraltar. Markerstudy Holdings Limited is the smallest and largest company for which consolidated accounts including MSG Automotive Solutions Limited are prepared. Copies of the parent company's consolidated financial statements may be obtained from 846-848 Europort, Gibraltar. Markerstudy Holdings Limited is controlled by K R Spencer.

24. Post balance sheet events

Subsequent to the year-end the worldwide pandemic of Covid-19 has had an adverse impact on economies globally. Given the unpredictable nature and impact of the outbreak, and how rapidly the responses to the outbreak are changing, the directors are unable to predict the full extent of the impact. However, the directors have considered the impact of Covid-19 on the ability of the Company to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements, as set out in note 3 on pages 13 and 14.