



THEBIGWORD GROUP LIMITED

REGISTERED NUMBER: 5551907

Annual report and financial
statements for the year ended
31 December 2019

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COMPANY INFORMATION

Company name

thebigword Group Limited

Registered number

05551907

Registered address

Link-up House
Ring Road, Lower Wortley
Leeds, LS12 6AB
United Kingdom

Company secretary

Mark Daley

Website

www.thebigword.com

Independent auditors

BDO LLP
Chartered Accountants and
Statutory Auditors Central Square
29 Wellington Street
Leeds, LS1 4DL

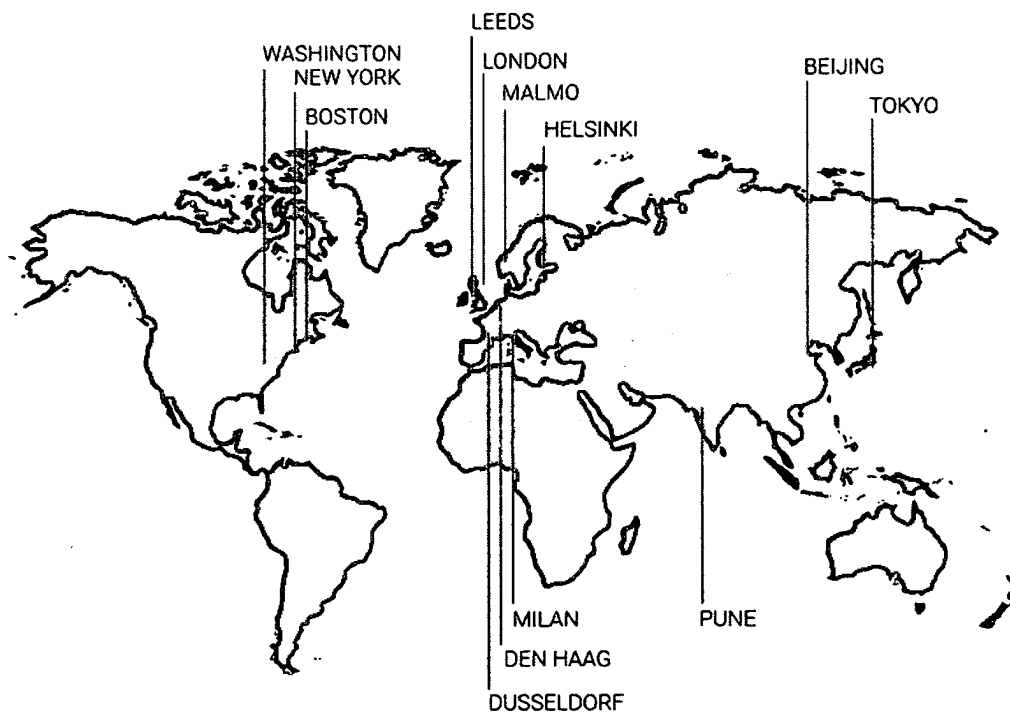
Bankers

HSBC Bank PLC
Bond Court
Leeds
LS1 2JZ

Solicitors

DLA Piper UK LLP
Princes Exchange, Princes Square
Leeds, LS1 4BY

OUR OFFICES



OUR DIRECTORS

Larry J Gould

FOUNDER AND CHAIRMAN

The embodiment of true entrepreneurialism, Larry Gould has grown **thebigword** brand from start-up to leading language technology business, now trusted by more than 80% of the top 100 global brands and organisations. His enthusiasm for the business, and its people, is a key driving force behind the evolution of **thebigword** as the number one choice for language solutions.

Joshua Gould

CHIEF EXECUTIVE OFFICER

Joshua Gould has worked as an entrepreneur and senior executive in the Language, Defence and Government services sector for almost two decades. As Global CEO, Mr Gould oversees the Group's operations across Translation, Interpretation and Defence. With a solid background in global expansion, market development and proven commercial track record, as CEO and Co-founder of TBW Global, Mr Gould has demonstrated success in leading cross-functional teams to drive global growth and efficiency.

Michele Gould

CSR DIRECTOR

Michele heads up the company's CSR committee, which is preparing thebigword for the long term by balancing social, environmental and economic considerations against key business decisions.

Mark Rice

CHIEF INFORMATION OFFICER

With almost two decades experience leading commercial and technology departments for national and multi-national companies; Mark leads thebigword's technology team. Mark is passionate about driving innovation forward throughout the business with products designed for a new digital future in order to provide clients with the most efficient technical solutions.

Mark Daley

CHIEF OPERATING OFFICER

Mark is thebigword's Chief Operating Officer with 6 years in the business. Mark is responsible for the design and delivery of the businesses global client experience strategy. He ensures all translation and interpreting operations run smoothly and efficiently. With over 20 years management experience in sales, collections, financial services and business process outsourcing operation, Mark is able to negotiate and influence at all levels to deliver improvements in margin, revenues, business thinking and culture

Andy Lightowler

CHIEF FINANCIAL OFFICER

Andy is thebigword's Group Finance Director. Having worked with the Company for 18 years in various Finance leadership roles, Andy is now responsible for the day to day Financial management of the business. Andy's longevity in the company and in the language Industry puts him in a unique position where he can call on his past experience to influence the future.

Clare Riches

CHIEF COMMERCIAL OFFICER

Clare has more than 10 years' of language industry experience and has spent the past five years managing and providing language support to defense clients. Clare holds responsibility for the team's global sales, contract management and commercial development. She ensures our contracts are not only 100% fulfilled but are also constantly improved to deliver an unrivalled and cost-effective service to our customers.

Leanne Gregg

CHIEF PEOPLE OFFICER

Leanne is a senior HR specialist, with a wealth of expertise in learning & development, management development and leadership. With more than ten years' private sector experience at director/ management level, she champions our *Global People Agenda* and leads on all aspects of HR covering: employment relations; talent and leadership development; recruitment; commercial training; apprenticeships; and employee engagement.

Luis Sangiovanni

CHIEF MARKETING OFFICER

A marketing professional with more than two decades of experience in the creation and management of brands, digital, events and lead generation campaigns, Luis is responsible for driving and executing thebigword's marketing strategy.

CHAIRMAN'S STATEMENT

Larry J Gould

FOUNDER AND CHAIRMAN

April 2020 marked thebigword's 40th anniversary and I am pleased to report that the Group enters our anniversary year stronger than ever. This year we decided to change our reporting period to a calendar year and so today, we are reporting the figures from June 1st 2019 up to December 31st 2019. The group saw growth across the three main divisions, thebigword T&I, TBW Global and Gould Tech Solutions.

Once again, we secured excellent new contracts across many different verticals and we are very proud that we continue to have very high retention of clients, many of which we have worked with for decades and this continues to give the business a strong foundation. We saw in the period a temporary dip in profits due to the investment associated with onboarding major new clients and also a significant and increased investment in technology.

We believe that our all-in-one language technology platform WordSynk which was launched in 2020 will be game changing for thebigword and disruptive to the wider language industry. During the last 12 months, we have focused strongly on developing and investing in our irresistible technology. Across the industry, we have seen a big shift in application and the capability of Machine Translation and Language services has really become language technology. As a result, platforms have become vital and thebigword Group has been building its ecosystem of machine translation tools to reflect this. We are well placed to take advantage of the expected explosion of content localization in 2020 and beyond.

100% of thebigword services will be procured through its all-in-one language platform, Wordsynk, by 2021. It is our mission to give everyone the power to communicate without language barriers via Wordsynk.

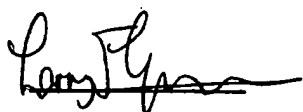
Over the next 12 months, we expect our Machine Translation solutions to cannibalise some of our revenue and this will lead to a reduction in overall revenue, however, due to a higher margin nature of Machine Translation, we expect to deliver a significant increase in profit.

thebigword maintained its position in the top 20 language service providers globally in the 2019 Common Sense Advisory (CSA) rankings and was named number 1 interpreting provider in Europe by Nimdzi.

My mantra as Chairman of thebigword Group is to ensure that we deliver irresistible solutions for our growing client base. I was delighted that thebigword Group was the UK winner in the European Business Awards in innovation and has also been shortlisted in the 2020 national business awards in the Growth through Innovation category.

In 2019, I appointed a new Group CEO, Joshua Gould, who has been a part of thebigword management team for the last 16 years. He has worked with the team to launch the technology and platforms to enable the Group to achieve its stated ambitions.

Finally, I want to thank all of thebigword employees working around the globe as well as our linguists, freelancers and partners for their contribution to our continued development.



Larry Gould

Founder and Chairman

OUR BUSINESS

We are thebigword – Technology-driven language communication leaders trusted by leading global brands. We provide client focussed solutions of the highest possible quality, making the global communication process smooth for our public and private sector clients.

LANGUAGE SERVICES

In an increasingly interconnected world the demand for effective communication has never been greater. Here at thebigword we have developed the language services and technology to help businesses not only cope but thrive in the global arena. Whether a company needs to translate website content across multiple languages or they need a face to face interpreter in an emergency situation, we have the industry knowledge, global experience and a proven track record delivering language services in the financial services sector, manufacturing, business services, health care, technology, government departments, consumer products and the legal and justice sectors.

TRANSLATION SOLUTIONS

When communicating across multiple languages, our clients rely on translations to convey their message in the right way. From marketing materials through to localised software and website content, thebigword presents the right solutions to deliver on our client's expectations. With thebigword as their expert partner, our customers are guided through the translation process, removing complexity with the guarantee of a highly accurate, on time delivery.

INTERPRETING SOLUTIONS

To support verbal communications across different languages, thebigword interpreting solutions are designed to get the right support in place for every situation. With an established face-to-face interpreting service and 24 hour telephone interpreting support, customers have access to over 300 languages and a network of over 6,000 interpreters around the clock. In addition to these core services, thebigword provides complementary solutions such as Managed Services and additional linguist screening and vetting.

LANGUAGE TECHNOLOGY

thebigword technology is expertly designed and developed to ensure every solution blends naturally with both people and processes. Injecting years of industry experience and rigorously testing each new feature in the field, thebigword is leading the way with proven solutions that are a route to improved efficiencies, enhanced quality and fast delivery, along with unrivalled protection for customer intellectual property.

THEBIGWORD TRANSLATION MANAGEMENT SYSTEM (TMS)

thebigword Translation Management System incorporates a multitude of smart features that transform the translation process. Project workflows are automatically created from customer requirements to maximise efficiencies and reduce turnaround time. The advanced Computer Assisted Translation (CAT) tools empower linguists to work quickly and effectively with secure access to customer assets, which positively impacts translation quality and consistency.

INTERPRETING MANAGEMENT SYSTEM. DIRECT (IMS. DIRECT)

thebigword's IMS.Direct provides clients with the opportunity to manage face-to-face, video remote and telephone interpreting bookings around the clock. Customer bookings are often confirmed in as little as 2 minutes to ensure the right support is in place wherever it is needed.

WORDSYNK

thebigword's WordSynk platform combines all language services, from translation through transcription and interpreting in one language technology platform. Supported by our network of over 20,000 Translators and Interpreters 24/7/365 in over 250 language combinations, WordSynk seeks to make accessing language services simpler than ever before and help us reach our corporate goal of giving everyone the power to communicate without language barriers.

WORDSYNK NETWORK

WordSynk Network is the counterpart to our client facing WordSynk platform, allowing our growing network of linguists to deliver services on-the-go. With real-time updates, linguists are able to conduct all interpreting and translation assignments, accept opportunities and support clients through our best-in-class technology platform from wherever they are in the world.

GROUP STRATEGIC REPORT

For the 7 months Ended 31 December 2019

The Directors present their strategic report on thebigword Group Limited ("the Company") and its subsidiaries (together "the Group") for the 7 month period ended 31 December 2019.

Group Mission and Objectives

The group mission is: **"To give everyone the power to communicate without language barriers. Spreading your message, anywhere, any language, anyhow."**

Our growth strategy has been developed and our business model adapted in line with three objectives that are core to meeting our mission, these are as follows:

Make translation and interpreting as accessible and cost effective, quick and accurate as possible through our technology.

Integrate our technology, processes and services with our clients and their content management software to enhance their global trade.

Broaden the range of services that we deliver to our clients as an integrated outsourced provider.

Business review and future developments

Turnover in the 7 month period was £51.0m (May 2019: £84.9m) resulting in an EBITDA profit of £2.0m (May 2019: £3.1m) and an operating profit of £0.7m (May 2019: £1.3m).

The Group saw strong growth across the three divisions, thebigword T&I, TBW Global and Gould Tech Solutions.

EBITDA
profit - £2.0m
(May 2019: £3.1m)

The Directors remain confident that the Group is well positioned to continue as one of the leading full-service providers of cost effective language solutions to meet the ever-increasing global requirements of our clients.

The Group's WordSynk technology focused upon enhancing the client experience, accessibility, security and driving efficiency. Our investment in the development of WordSynk is expected to deliver ongoing strong returns and means that the group is well placed for future expansion.

Key developments

The Group has collaborated with Microsoft to move its whole technology infrastructure into the cloud, the company will be offering a multi-layered approach to security in Azure with a team of 3,500 cybersecurity experts across the world.

The Group has leveraged the interpreting and translation technology already built to create the market first all-in-one language technology platform; WordSynk.

WordSynk is our global platform for all language service needs. Combining all services, from translation through to transcription and interpreting, our customers have the power of a network of over 15,000 linguists at their fingertips.

The Group has expanded its global footprint with the opening of a new operations centre in Pune, India. Enhancing its flexibility to service new and existing business. The Pune operations centre enables smooth delivery of our services.

Over the next 12 months, we expect our Machine Translation solutions to cannibalise some of our revenue and this will lead to a reduction in overall revenue, however, due to a higher margin nature of Machine Translation, we expect to deliver a significant increase in profit.

Section 172

This section describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Group for the benefits of its stakeholders as a whole.

Our Stakeholders

The Directors consider that the following groups are the Group's key stakeholders:

- Employees
- Clients
- Shareholders
- Suppliers

The Directors seek to understand the respective interest of such stakeholder groups so that they can be properly considered in their decisions.

Employees

The continued development of our business is dependent on the contribution of all of our employees. We recognise the benefits of having a committed and well trained workforce. This is achieved through regular meetings at all levels within the workforce and feedback via management to the Director group.

Clients

Our clients are key to the continued existence and growth of the business, and the Directors recognise that acting promptly upon customer feedback is essential. The Directors are continually aware of our customer opinions of our services either through direct contact with the customer or via feedback from our sales and operations teams. We are very proud that we continue to have very high retention of clients.

Shareholders

The shareholders rely on us to protect and manage their investment in a responsible and sustainable way to generate value for them. The Directors are in regular contact with the shareholders and keep them apprised on the ongoing development of the Group both operationally and financially.

Suppliers

We rely on our linguists, freelancers and partners to provide the services we sell. The Directors are actively involved in discussions with key suppliers, not only to ensure value for money for our shareholders, but also to ensure high quality services are delivered to our clients.

The investment in developing our technology platform has been a key strategic decision that has been continuously communicated to all of our stakeholders throughout the period.

Corporate and social responsibility successes

The Group pursues various projects with the aim of positively contributing to our stakeholders in the wider community. The areas of particular success have been our award winning Apprentice programme, helping local schools via the 'Ahead' partnership which promotes enterprise within pupils, investing in Knowledge Transfer programs with local Universities and supporting local and national charities with donations and fundraising activities.

Principal risks and uncertainties

Like all businesses, the Group faces risks and uncertainties that could have a positive or negative impact on the Group's performance. The Group monitors these risks formally through a risk committee, whose membership is drawn from all areas of the business. The key business risks affecting the group, beyond the challenging macro-economic climate, are retaining our talented pool of linguists and employees and the Group's exposure to interest rate risk, foreign exchange risk and credit risk. The Group's approach to mitigation of all these risks is explained within the Directors' report under financial risk management.

Following the current reporting period, the Coronavirus pandemic has also been raised as a potential risk that the Directors have been monitoring on an ongoing basis. This has been considered in greater detail within the Directors' report under going concern and post balance sheet events.

European Union membership

The Directors continue to monitor the nature and extent of the risks and uncertainty around the United Kingdom's future relationship with the European Union. The Group trades across many borders and has subsidiary offices within and outside of the European Union. This structure provides the Group with supply chain flexibility going forward should the trade agreements with the European Union change. The Directors continue to monitor the developments in this area to ensure that any changes impacting the Group are understood and incorporated into our risk management process.

Financial risk management

The Group's financial risk management objectives are to ensure sufficient working capital and to protect the group against bad debts and adverse movements in interest rates and foreign exchange rates.

The Group's borrowings consist of a term loan and working capital facilities. Management regularly monitor the company's exposure to movements in interest rates on such facilities to ensure that appropriate hedging instruments are utilised. Overall, however, the modest scale of such facilities means the company is not particularly exposed to movements in interest rates.

The Group both buys and sells in foreign currencies, providing exposure to movements in exchange rates where there are inflows and outflows in individual currencies. For significant net exposures, particularly in respect of the US Dollar and the Euro, the Directors pursue a hedging strategy where necessary to minimise exchange gains and losses.

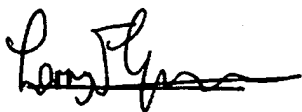
The Group transacts with its clients on credit terms and so has exposure to the risk of defaulted debts. However, a large proportion of the client base comprises of blue-chip private-sector and public-sector clients, which significantly reduces this exposure. The Group also follows proactive and robust credit management policies, designed to minimise overdue accounts and the corresponding risk of bad debts.

Financial key performance indicators

The Directors believe the most important key performance indicators for the group are revenue growth and EBITDA as presented within the financial statements. There has been growth in the Group's average monthly revenue when compared to the year ended May 2019 of 3.1% (May 2019: year on year increase of 11.1%) whilst current period EBITDA is a profit of £2.0m (May 2019: £3.1m).

The Directors expect the Group to remain profitable during 2020 setting itself up for revenue and EBITDA growth to resume in 2021.

This report was approved by the board on 29 September 2020 and signed on its behalf.



L J Gould
Director

DIRECTORS REPORT

For the 7 months Ended 31 December 2019

The Directors present their report and the audited consolidated financial statements of thebigword Group Limited ("the company") and its subsidiaries (together "the group") for the 7 months ended 31 December 2019.

The Group has changed its reporting period to end on the 31 December of each year, starting with the 7 month period ended 31 December 2019 reported in these financial statements. This is a change from the previous reporting period end of 31 May and was amended to align reporting requirements throughout the Group.

Principal activities

The Group's principal activity during the period continued to be the provision of language translation and interpreting services and the development of technology solutions. The Company continued to be a holding company.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated audited consolidated financial statements of thebigword Group Limited ("the company") and its subsidiaries (together "the group") in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited consolidated financial statements of thebigword Group Limited ("the Company") and its subsidiaries (together "the Group") for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these audited consolidated financial statements of the Company and Group, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the audited consolidated financial statements of the Company and the Group 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 the Group and to enable them to ensure that the audited consolidated financial statements of Company and the Group comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the 7 months, after taxation, amounted to £169,000 (May 2019: £574,000).

The directors did not pay a dividend in the period (May 2019: £1,999,569).

Overseas branches

The group has overseas branches in Sweden, Germany, Italy, Netherlands, Finland and Bulgaria.

thebigword Group Limited
Directors' Report (continued)
For the 7 months Ended 31 December 2019

Directors

The Directors who served during the 7 months were:

L J Gould

M Gould

J Gould

M A Daley (appointed 22 July 2019)

A N Arkan (resigned 10 October 2019)

H J Griffiths (appointed 12 August 2019, resigned 13 February 2020)

L Gregg (appointed 30 October 2019)

A G Lightowler (appointed 10 March 2020)

M Rice (appointed 28 April 2020)

C A Riches (appointed 28 April 2020)

L A Sangiovanni (appointed 28 April 2020)

Qualifying third party indemnity provision

A qualifying indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Future developments

The future developments disclosure can be found in the Strategic Report.

Employee involvement

The Group maintains a policy of keeping employees fully informed of matters affecting them as employees and to make them aware of the financial and economic factors influencing Group performance.

This involves regularly providing employees with relevant information; regular consultation with employees or their representatives so that the employees' views may be taken into account in making decisions that are likely to affect their interests and the encouragement of employees' participation in the Group's performance by providing performance related remuneration where considered appropriate.

As an Equal Opportunities employer, the Group wishes to ensure that no employee or applicant for employment with the Group suffers unjustifiable discrimination because of their disability. The Group will therefore follow procedures designed to provide that all employees are treated on the basis of their relative merits and abilities.

In particular the Group will not discriminate in the recruitment of employees, terms and conditions afforded to employees, promotion, training or any other benefit afforded to employees or disciplining of employees in a way that does or may discriminate against disabled employees.

Employment of disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and by their disability, or perceptions of it. The Group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Group. Retraining of employees who become disabled whilst employed by the Group is offered where appropriate.

Greenhouse gas emissions, energy consumption and energy efficiency action

The environmental considerations of the Group have been covered in the separate Streamline Energy and Carbon Reporting found on page 13.

thebigword Group Limited
Directors' Report (continued)
For the 7 months Ended 31 December 2019

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 that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Going concern

In light of the recent Coronavirus pandemic, the Directors have considered the impact on the financial projections and cash flows, together with the wider going concern status of the Group.

In particular, the Directors have had regard to the effects of the pandemic on demand for the Group's services, the operations of the business and the forecast cash flows of the Group.

The Group has made a full assessment of the various government support measures that are available and will take advantage of such schemes to reduce the impact on cash flow if required.

The Group has taken precautions to protect the welfare of its employees by enabling remote working where possible, implementing strict social distancing measures where not. It has also implemented strict hygiene policies in its offices.

The Directors have continuously monitored the impact of the pandemic on our customers and suppliers with no significant issues being foreseen that will reduce the Groups ability to continue operations.

Despite the Coronavirus pandemic occurring following the period end thebigword Group has continued to operate profitably. The Directors see no reason why this will not continue and believe that the Group has sufficient cash reserves to continue to operate as a going concern for the foreseeable future. Subsequently, these accounts have been produced on a going concern basis.

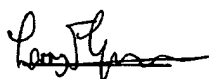
Post balance sheet events

The impact of COVID-19 is considered to be a non-adjusting post balance sheet event, on the basis that the conditions did not exist at the year end.

Independent auditors

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

This report was approved by the board on 29 September 2020 and signed on its behalf.



L J Gould
Director

STREAMLINE ENERGY AND CARBON REPORTING

Quantification, Methodology, Organisational Boundary and Base Year

Our data covers measurements collected for our Head Office in Leeds, UK (see registered office on Company information page).

| 7 months to 31 December 2019 | |
|---|---|
| Energy consumption used to calculate emissions: /kWh | 300,884.30 kWh |
| Emissions from combustion of gas tCO ₂ e (Scope 1) | 1.18 tCO ₂ e |
| Emissions from combustion of fuel for transport purposes (Scope 1) | 5.20 tCO ₂ e |
| Emissions from business travel in employee-owned vehicles (Scope 3) | 12.52 tCO ₂ e |
| Emissions from purchased electricity (Scope 2, location-based) | 153.81 tCO ₂ e |
| Total gross CO₂e based on above | 172.71 tCO₂e |
| Intensity ratio: tCO ₂ e gross figure based from mandatory fields above | Average employees: 459 (based at our Leeds office) |
| Emissions from employee business travel (Scope 3) / tCO ₂ e | Taxi: 0.10 tCO ₂ e Train: 8.42 tCO ₂ e Air: 270.14 tCO ₂ e |
| Emissions from disposal of waste generated in operations (Scope 3) / tCO ₂ e | 1.35 tCO ₂ e |
| Carbon offsets / tCO ₂ e | 345 tCO ₂ e |
| Total annual emissions / tCO₂e based on above | 452.7 tCO₂e |

Due to this being the first instance of this report being published by the Group, no prior year comparatives are available.

This data covers relevant aspects of the scopes described in the 2019 UK Government Environmental Reporting Guidelines. We have used the 2019 UK Government GHG Conversion Factors and suggested template to calculate our emissions. The previous year has been used as our base year.

We have measured our data against scopes 1 and 2 and certain scope 3 emissions.

thebigword Group Limited
Streamline Energy and Carbon Reporting (continued)
For the 7 months Ended 31 December 2019

Monitoring of our environmental impact

We participate in projects that deliver a positive environmental impact, such as providing fruit to our Leeds based staff from a supplier that plants one fruit tree in Africa for each basket they deliver. 390 fruit trees were planted on our behalf as part of this project during the reporting period.

We monitor and where possible try to reduce the amount of A4 paper consumed. We encourage our staff to use digital documents for internal and external meetings. Where printing is essential IT set up a standard double sided black and white printing option. Our paper consumption in the period translated into the use of 7.62 trees.

Water consumption is monitored allowing us to identify peaks in usage and investigate causes, such as leaks or malfunctioning taps/flushes.

Our waste is separated into general and dry recycling, with the majority of our waste being recycled. We encourage our staff to use both bins appropriately and share with them the data collected.

Where possible we have implemented projects to reduce electricity consumption. Most of the lights in our Head Office have PIR light sensors and we recently finished a project to install LED. This opportunity was brought to our attention during ESOS 2015, where the auditors estimated a yearly savings of 35,400 kwh, 17.5 tCO₂e.

We monitor our gas consumption and where possible implement projects to maintain/reduce consumption levels.

Carbon Offsets

During this period and on an ongoing basis, we have supported the creation of 2 new woodlands at Mallerstang, in North Yorkshire, and Trantram's Mire in Cumbria. 3,113 trees have been planted and we will capture 690 tonnes of carbon. The project was performed with the Forest Carbon Limited, more details of which can be found at the following website:

<https://www.forestcarbon.co.uk/our-partners/thebigword/>

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THEBIGWORD GROUP LTD

Opinion

We have audited the financial statements of thebigword Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the 7 months ended 31 December 2019, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the 7 months then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THEBIGWORD GROUP LTD (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

the information given in the Group Strategic Report and the Directors' Report for the financial 7 months for which the financial statements are prepared is consistent with the financial statements; and

- The Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company 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 on page 10, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

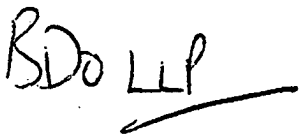
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THEBIGWORD GROUP LTD (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "BDO LLP" with a long horizontal line underneath.

Mark Langford (Senior Statutory Auditor)

for and on behalf of BDO LLP Statutory Auditors

Central Square, 29 Wellington Street, Leeds, LS1 4DL

Date: 29 September 2020

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 7 months Ended 31 December 2019

| | | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|--|------|---|--------------------------------------|
| | Note | | |
| Turnover | 5 | 51,044 | 84,875 |
| Cost of sales | | (33,721) | (55,065) |
| Gross profit | | 17,323 | 29,810 |
| Administrative expenses | | (16,661) | (28,935) |
| Other operating income | 6 | 85 | 454 |
| Operating profit | 7 | 747 | 1,329 |
| Interest receivable and similar income | | 2 | 26 |
| Interest payable and similar charges | 10 | (94) | (76) |
| Profit on ordinary activities before taxation | | 655 | 1,279 |
| Taxation on profit on ordinary activities | 11 | (445) | (705) |
| Profit for the 7 months/year | | 210 | 574 |

The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 7 months Ended 31 December 2019

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|---|---|--------------------------------------|
| Profit for the financial 7 months/year | 210 | 574 |
| Other comprehensive income | | |
| Currency translation differences | (212) | 163 |
| Other comprehensive income for the 7 months/year | <u>(212)</u> | <u>163</u> |
| Total comprehensive income for the 7 months/year | <u><u>(2)</u></u> | <u><u>737</u></u> |

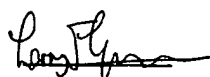
The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

| | Note | 31 December 2019 £000 | 31 December 2019 £000 | 31 May 2019 £000 | 31 May 2019 £000 |
|---|------|--------------------------------|--------------------------------|------------------------|------------------------|
| Fixed assets | | | | | |
| Intangible assets | 13 | | 4,000 | | 2,848 |
| Tangible assets | 14 | | 1,415 | | 1,652 |
| | | | <u>5,415</u> | | <u>4,500</u> |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 16 | 17,730 | | 15,998 | |
| Cash at bank and in hand | | 1,400 | | 1,967 | |
| | | <u>19,130</u> | | <u>17,965</u> | |
| Creditors: amounts falling due within one year | 17 | (18,926) | | (17,374) | |
| Net current assets | | | <u>204</u> | | <u>591</u> |
| Total assets less current liabilities | | | <u>5,619</u> | | <u>5,091</u> |
| Creditors: amounts falling due after more than one year | 18 | | (1,487) | | (1,277) |
| Provisions for liabilities | | | | | |
| Deferred tax | 20 | (320) | | - | |
| | | | <u>(320)</u> | | <u>-</u> |
| Net assets | | | <u><u>3,812</u></u> | | <u><u>3,814</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 113 | | 113 |
| Share premium account | | | 6 | | 6 |
| Capital redemption reserve | | | 1 | | 1 |
| Merger reserve | | | (408) | | (408) |
| Profit and loss account | | | 4,100 | | 4,102 |
| | | | <u><u>3,812</u></u> | | <u><u>3,814</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2020



L J Gould
Director

The notes on pages 26 to 47 form part of these financial statements.

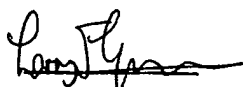
COMPANY BALANCE SHEET

As at 31 December 2019

| | Note | 31 December 2019 £000 | 31 December 2019 £000 | 31 May 2019 £000 | 31 May 2019 £000 |
|--|------|--------------------------------|--------------------------------|------------------------|------------------------|
| Fixed assets | | | | | |
| Investments | 15 | | 1,706 | | 1,706 |
| | | | <u>1,706</u> | | <u>1,706</u> |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 16 | 2,250 | | 2,250 | |
| Cash at bank and in hand | | 1 | | - | |
| | | <u>2,251</u> | | <u>2,250</u> | |
| Creditors: amounts falling due within one year | 17 | (3,513) | | (3,526) | |
| Net current liabilities | | | <u>(1,262)</u> | | <u>(1,276)</u> |
| Total assets less current liabilities | | | <u>444</u> | | <u>430</u> |
| Net assets | | | <u>444</u> | | <u>430</u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 113 | | 113 |
| Share premium account | | | 6 | | 6 |
| Capital redemption reserve | | | 1 | | 1 |
| Profit and loss account | | | 324 | | 310 |
| | | | <u>444</u> | | <u>430</u> |

The parent company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the period was £14,000 (May 2019: £2,220,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2020



L J Gould
Director

The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 7 months Ended 31 December 2019

| | Called up share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Merger reserve £000 | Profit and loss account £000 | Total equity £000 |
|----------------------------------|---------------------------------------|-------------------------------------|--|---------------------------|---------------------------------------|----------------------|
| At 1 June 2019 | 113 | 6 | 1 | (408) | 4,102 | 3,814 |
| Profit for the 7 months | - | - | - | - | 210 | 210 |
| Currency translation differences | - | - | - | - | (212) | (212) |
| At 31 December 2019 | 113 | 6 | 1 | (408) | 4,100 | 3,812 |

The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 May 2019

| | Called up share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Merger reserve £000 | Profit and loss account £000 | Total equity £000 |
|----------------------------------|---------------------------------------|-------------------------------------|--|---------------------------|---------------------------------------|----------------------|
| At 1 June 2018 | 113 | 6 | 1 | (408) | 5,365 | 5,077 |
| Profit for the year | - | - | - | - | 574 | 574 |
| Currency translation differences | - | - | - | - | 163 | 163 |
| Dividends paid | - | - | - | - | (2,000) | (2,000) |
| At 31 May 2019 | 113 | 6 | 1 | (408) | 4,102 | 3,814 |

The notes on pages 26 to 47 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 7 Months Ended 31 December 2019

| | Called up share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Profit and loss account £000 | Total equity £000 |
|----------------------------|------------------------------------|-------------------------------------|--|------------------------------------|----------------------|
| At 1 June 2019 | 113 | 6 | 1 | 310 | 430 |
| Profit for the 7 months | - | - | - | 14 | 14 |
| At 31 December 2019 | 113 | 6 | 1 | 324 | 444 |

The notes on pages 26 to 47 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 May 2019

| | Called up share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Profit and loss account £000 | Total equity £000 |
|---------------------------|------------------------------------|-------------------------------------|--|------------------------------------|----------------------|
| At 1 June 2018 | 113 | 6 | 1 | 90 | 210 |
| Profit for the year | - | - | - | 2,220 | 2,220 |
| Dividends: Equity capital | - | - | - | (2,000) | (2,000) |
| At 31 May 2019 | 113 | 6 | 1 | 310 | 430 |

The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 May 2019

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|--|--|--------------------------------------|
| Cash flows from operating activities | | |
| Profit for the financial 7 months/year | 210 | 574 |
| Adjustments for: | | |
| Amortisation of intangible assets | 824 | 1,235 |
| Depreciation of tangible assets | 388 | 572 |
| Loss on disposal of tangible assets | 3 | - |
| Interest paid | 94 | 76 |
| Interest received | (2) | (26) |
| Taxation charge | 445 | 705 |
| (Increase)/decrease in debtors | (1,051) | 336 |
| Increase in creditors | 1,912 | 149 |
| Corporation tax (paid) | (549) | (449) |
| Net cash generated from operating activities | 2,274 | 3,172 |
| Cash flows from investing activities | | |
| Purchase of intangible fixed assets | (1,976) | (2,529) |
| Purchase of tangible fixed assets | (154) | (741) |
| Interest received | 2 | 26 |
| Net cash from investing activities | (2,128) | (3,244) |
| Cash flows from financing activities | | |
| New secured loans | - | 2,000 |
| Repayment of loans | (58) | (103) |
| Repayment of/new finance leases | (349) | (107) |
| Dividends paid | - | (2,000) |
| Interest paid | (94) | (76) |
| Net cash used in financing activities | (501) | (286) |
| Net (decrease) in cash and cash equivalents | (355) | (358) |
| Cash and cash equivalents at beginning of 7 months/year | 1,967 | 2,162 |
| Foreign exchange gains and losses | (212) | 163 |
| Cash and cash equivalents at the end of 7 months/year | 1,400 | 1,967 |
| Cash and cash equivalents at the end of 7 months/year comprise: | | |
| Cash at bank and in hand | 1,400 | 1,967 |
| | 1,400 | 1,967 |

The notes on pages 26 to 47 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT

For the 7 Months Ended 31 December 2019

| | At 1 June 2019 £000 | Cash flows £000 | New finance leases £000 | Other non- cash changes £000 | At 31 December 2019 £000 |
|--------------------------|---------------------------|--------------------|-------------------------------|------------------------------------|-----------------------------------|
| Cash at bank and in hand | 1,967 | (355) | - | (212) | 1,400 |
| Debt due within 1 year | (2,083) | - | - | - | (2,083) |
| Debt due after 1 year | (469) | 58 | - | (9) | (420) |
| Finance leases | (1,246) | 349 | (12) | - | (909) |
| | (1,831) | 43 | (12) | (212) | (2,012) |

The notes on pages 26 to 47 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the 7 months Ended 31 December 2019

1. General Information

thebigword Group Limited ('the company') is a holding company investing in subsidiaries whose principal activities are that of the provision of language translation and interpreting services and the development of technology solutions.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is Link Up House, Ring Road, Lower Wortley, Leeds, LS12 6AB.

2. Statement of compliance

The group and individual financial statements of thebigword Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The group has adopted FRS 102 in these financial statements.

3.1 Basis of preparation of financial statements

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Going concern

In light of the recent Coronavirus pandemic, the Directors have considered the impact on the financial projections and cash flows, together with the wider going concern status of the Group.

In particular, the Directors have had regard to the effects of the pandemic on demand for the Group's services, the operations of the business and the forecast cash flows of the Group.

The Group has made a full assessment of the various government support measures that are available and will take advantage of such schemes to reduce the impact on cash flow if required.

The Group has taken precautions to protect the welfare of its employees by enabling remote working where possible, implementing strict social distancing measures where not. It has also implemented strict hygiene policies in its offices.

The Directors have continuously monitored the impact of the pandemic on our customers and suppliers with no significant issues being foreseen that will reduce the Groups ability to continue operations.

The Directors have incorporated these considerations into the forecast performance of the Group for 12 months from the signing of these financial statements, incorporating sensitivities, funding requirements and compliance with financing covenants, and all such forecasts show the Group being in a position to meet liabilities as they fall due.

Despite the Coronavirus pandemic occurring following the period end thebigword Group has continued to operate profitably. The Directors see no reason why this will not continue and believe that the Group has sufficient cash reserves to continue to operate as a going concern for the foreseeable future. Subsequently, these accounts have been produced on a going concern basis.

3.3 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2019.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra group transactions, balances, income and expenses are eliminated on consolidation.

3.4 Foreign currency

(i) Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands.

The Company's functional and presentation currency is the pound sterling.

3.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of discounts and rebates allowed by the Group and value added taxes.

The Group recognises turnover when the service has been provided to the customer, the amount of turnover can be measured reliably, and it is probable that future economic benefits will flow to the entity from the services provided.

The Group provides language translation and interpreting services to customers. Turnover is recognised in the accounting period in which the services are rendered.

Where the Group enters into a rebate agreement with customers, the rebate value is accrued against turnover once the turnover relating to the specific customer reaches the agreed threshold. Where the rebate period is not coterminous to the year end, the group estimates whether or not the threshold will be met and accrues for the rebate value accordingly.

3.6 Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Group operates a number of country specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in creditors in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

3.7 Interest payable and similar charges

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

3.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

3.9 Goodwill

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised to nil by equal instalments over its expected useful life, as determined by the Directors. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

3.10 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

The estimated useful lives range as follows:

Software development - 3 years

Amortisation is charged to administrative expenses in the profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3.11 Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

The estimated useful lives range as follows:

| | |
|------------------------------|-------------------------------------|
| Freehold property | - 15 years |
| Long-term leasehold property | - shorter of lease term and 5 years |
| Fixtures and fittings | - 3 to 5 years |

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 within 'administrative expenses' in the profit and loss account.

3.12 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

3.13 Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

3.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3.15 Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Assets constituting a finance transaction are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

3.15 Financial instruments (continued)

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

(iv) Hedging arrangements

The group does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

3.16 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.

3.17 Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 June 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

3.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.19 Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

3.20 Reserves

The Group's reserves are as follows:

Share capital:

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

Share premium:

Share premium represents the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve:

The capital redemption reserve is debited upon the purchase of the company's own shares which reduces share capital.

Merger reserve:

The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.

Retained earnings:

Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

3.21 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Advantage has been taken of the exemption under FRS 8, Related Party Transactions, not to disclose transactions with entities that are part of thebigword Group Limited.

3.22 Research and development

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

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

4. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the group's accounting policies

At 31 December 2019, other than the accounting estimates and assumptions below, the Group did not make any critical judgements in applying its accounting policies.

(b) Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Intangible fixed assets

The Group considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs. See note 13 for the carrying amount of intangible fixed assets

(ii) Tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of tangible fixed assets.

(iii) Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

(iv) Taxes

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See note 21 for details of deferred tax recognised.

5. Turnover

The total turnover of the Group for the current and previous financial years has been derived from its principal activity.

The geographical analysis of turnover by origin and destination is:

| | 31 December Origin 2019 £000 | 31 December Destination 2019 £000 | 31 May Origin 2019 £000 | 31 May Destination 2019 £000 |
|-------------------|--|---|----------------------------------|---------------------------------------|
| United Kingdom | 41,007 | 37,435 | 63,094 | 62,901 |
| Rest of Europe | - | 4,474 | 3,995 | 7,110 |
| North America | 8,372 | 6,366 | 14,251 | 11,207 |
| Far East | 1,665 | 2,473 | 3,535 | 3,227 |
| Rest of the World | - | 296 | - | 430 |
| | 51,044 | 51,044 | 84,875 | 84,875 |

6. Other operating income

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|------------------------|---|--------------------------------------|
| Other operating income | 85 | 454 |
| | 85 | 454 |

Other operating income comprises £85k (May 2019: £203k) representing the fair value of amounts received or receivable, net of associated costs, from third parties in relation to other services provided under the terms of contracts with customers, including the development of software for the provision of services, on-boarding of specialised linguists and marketing activities.

£251k arose in the prior year following the resolution of a legal case in October 2018.

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7. Operating profit

The operating profit is stated after charging:

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|---|---|--|
| Operating lease rentals | 514 | 829 |
| Exchange differences | 72 | 60 |
| Depreciation of tangible fixed assets | 388 | 572 |
| Amortisation of intangible assets, including goodwill | 824 | 1,235 |
| Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements | 19 | 18 |

Fees payable to the Group's auditors and its associates for other services to the group:

| | | |
|---|-----------|----|
| The audit of the Group's subsidiaries pursuant to legislation | 44 | 43 |
| Other services | 57 | 57 |

Included within the cost of sales expense are costs relating to freelance interpreters and translators who have signed contracts with the Group and are not employees.

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8. Employees

Staff costs, including Directors' remuneration, were as follows:

| | Group 7 months ended 31 December 2019 £000 | Group year ended 31 May 2019 £000 | Company 7 months ended 31 December 2019 £000 | Company Year ended 31 May 2019 £000 |
|-------------------------------------|---|--|---|--|
| Wages and salaries | 10,793 | 18,513 | - | - |
| Social security costs | 867 | 1,503 | - | - |
| Cost of defined contribution scheme | 246 | 371 | - | - |
| | 11,906 | 20,387 | - | - |

The average monthly number of persons, including the directors, employed by the company during the period/year was as follows:

| | 7 months ended 31 December 2019 No. | Year ended 31 May 2019 No. |
|----------------|--|---|
| Administration | 544 | 562 |
| Sales | 57 | 51 |
| | 601 | 613 |

The Company has no employees other than the Directors, who did not receive any remuneration (May 2019: NIL)

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9. Directors' remuneration

| | 7 months ended | Year ended |
|---|-----------------------|---------------------|
| | 31 December | 31 May |
| | 2019 | 2019 |
| | £000 | £000 |
| Directors' emoluments | 815 | 1,658 |
| Directors pension costs | 25 | 26 |
| Directors compensation for loss of office | 276 | - |
| | <u>1,116</u> | <u>1,684</u> |

During the 7 months retirement benefits were accruing to 4 Directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £319,000 (2019: £472,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £7,000 (2019: £NIL).

Other than the directors of the group, there are no persons considered to be key management personnel and therefore no separate key management personnel disclosure is required.

10. Interest payable and similar expenses

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2018 £000 |
|---|---|--|
| Bank interest payable | 81 | 76 |
| Finance lease and hire purchase contracts | 13 | - |
| | <u>94</u> | <u>76</u> |

11. Taxation

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|--|---|--|
| Corporation tax | | |
| Current tax on profit for the year | 1 | 766 |
| Adjustments in respect of previous periods | (46) | (97) |
| | <u>(45)</u> | <u>669</u> |
| Foreign tax | | |
| Foreign tax on income for the year | 60 | 34 |
| | <u>60</u> | <u>34</u> |
| Total current tax | <u>15</u> | <u>703</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 251 | (101) |
| Adjustment in respect of prior periods | 179 | 103 |
| | <u>430</u> | <u>2</u> |
| Taxation on profit on ordinary activities | <u>445</u> | <u>705</u> |

11. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the 7 months is higher than (May 2019 - higher than) the standard rate of corporation tax in the UK of 19% (May 2019 - 19%). The differences are explained below:

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|--|---|--------------------------------------|
| Profit on ordinary activities before tax | <u>655</u> | <u>1,549</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (May 2019 - 19%) | 124 | 294 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 36 | 64 |
| Capital allowances for 7 months/year in excess of depreciation | 21 | 36 |
| Tax rate differences in foreign branches and subsidiaries | 55 | 44 |
| Adjustments to tax charge in respect of prior periods | 133 | 27 |
| Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge | - | (27) |
| Unrelieved tax losses carried forward | 76 | 318 |
| Total tax charge for the year | <u>445</u> | <u>705</u> |

Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. The corporation tax rate currently enacted is 19% and there are no further changes to the corporation tax rate currently enacted.

12. Dividends

| | 7 months ended 31 December 2019 £000 | Year ended 31 May 2019 £000 |
|---|---|--------------------------------------|
| Interim dividend at nil (May 2019: 17.7p per share) | - | <u>2,000</u> |

13. Intangible assets

| Group | Development expenditure £000 | Goodwill £000 | Total £000 |
|-------------------------------|------------------------------------|------------------|---------------|
| Cost | | | |
| At 1 June 2019 | 8,783 | 508 | 9,291 |
| Additions | 1,976 | - | 1,976 |
| At 31 December 2019 | 10,759 | 508 | 11,267 |
| Amortisation | | | |
| At 1 June 2019 | 5,935 | 508 | 6,443 |
| Charge for the 7 month period | 824 | - | 824 |
| At 31 December 2019 | 6,759 | 508 | 7,267 |
| Net book value | | | |
| At 31 December 2019 | 4,000 | - | 4,000 |
| At 31 May 2019 | 2,848 | - | 2,848 |

14. Tangible fixed assets

| Group | Freehold property £000 | Long-term leasehold property £000 | Fixtures and fittings £000 | Total £000 |
|--------------------------|------------------------------|--|----------------------------------|---------------|
| Cost or valuation | | | | |
| At 1 June 2019 | 1,334 | 49 | 5,129 | 6,512 |
| Additions | - | - | 154 | 154 |
| Disposals | - | - | (4) | (4) |
| At 31 December 2019 | 1,334 | 49 | 5,279 | 6,662 |
| Depreciation | | | | |
| At 1 June 2019 | 815 | 49 | 3,996 | 4,860 |
| Charge for the 7 months | 52 | - | 336 | 388 |
| Disposals | - | - | (1) | (1) |
| At 31 December 2019 | 867 | 49 | 4,331 | 5,247 |
| Net book value | | | | |
| At 31 December 2019 | 467 | - | 948 | 1,415 |
| At 31 May 2019 | 519 | - | 1,133 | 1,652 |

15. Fixed asset investments

Company

Investments
in subsidiary
companies
£000

Cost and net book value

At 31 December 2019

1,706

At 31 May 2019

1,706

The directors believe that the carrying value of the investments are supported by their underlying net assets.

In August 2019, the Company invested £1 in a newly incorporated company in India called thebigword India Private Limited. This represents an investment of 0.01% of the total share capital.

During the period the following subsidiaries, all of which had nil net book value in these accounts, were struck off:

- thebigword Managed Services LLC
- thebigword Interpreting Inc
- thebigword Interpreting Services LLC
- thebigword Mitaka Inc
- thebigword Translation LLC

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|--|--------------------------|---------------------------|------------------------|----------------|
| Link Up Mitaka Limited | England and Wales | Translation Services | Ordinary | 100 % |
| thebigword Interpreting Services Limited | England and Wales | Interpreting Services | Ordinary | 100 % |
| Gould Tech Solutions Limited | England and Wales | Technological Services | Ordinary | 100 % |
| Multilingual Services Limited* | England and Wales | Dormant | Ordinary | 100 % |
| Mitaka Limited* | England and Wales | Dormant | Ordinary | 100 % |
| Carmona UK Limited* | England and Wales | Dormant | Ordinary | 100 % |
| thebigword Limited* | England and Wales | Dormant | Ordinary | 100 % |
| thebigword Inc* | USA | Translation Services | Ordinary | 100 % |
| thebigword (Beijing) Technology Co Ltd* | China | Translation Services | Ordinary | 100 % |
| Mitaka thebigword KK* | Japan | Translation Services | Ordinary | 100 % |
| thebigword Overseas Interpreting Limited* | England and Wales | Interpreting Services | Ordinary | 100 % |
| thebigword International Limited | England and Wales | Holding Company | Ordinary | 100 % |
| thebigword Asia Limited* | England and Wales | Holding Company | Ordinary | 100 % |
| thebigword Europe Limited | England and Wales | Dormant | Ordinary | 100 % |
| thebigword Deutschland GmbH* | Germany | Translation Services | Ordinary | 100 % |
| thebigword Global Communications LLC* | USA | Interpreting Services | Ordinary | 100 % |
| thebigword B.V. | The Netherlands | Dormant | Ordinary | 100 % |
| Word Pie Limited* | USA | Dormant | Ordinary | 100 % |
| thebigword International Management Services Limited | England and Wales | Dormant | Ordinary | 100 % |
| thebigword Transcription Services Limited* | England and Wales | Dormant | Ordinary | 100 % |
| TBW Global Limited | England and Wales | Interpreting Services | Ordinary | 100 % |

* investment held indirectly through subsidiary undertakings.

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16. Debtors

| | Group 31 December 2019 £000 | Group 31 May 2019 £000 | Company 31 December 2019 £000 | Company 31 May 2019 £000 |
|------------------------------------|--|---|--|---|
| Trade debtors | 11,045 | 9,175 | - | - |
| Amounts owed by group undertakings | - | - | 2,250 | 2,250 |
| Other debtors | 2,460 | 1,051 | - | - |
| Prepayments and accrued income | 4,184 | 5,662 | - | - |
| Deferred taxation | - | 110 | - | - |
| | 17,689 | 15,998 | 2,250 | 2,250 |

17. Creditors: Amounts falling due within one year

| | Group 31 December 2019 £000 | Group 31 May 2019 £000 | Company 31 December 2019 £000 | Company 31 May 2019 £000 |
|---|--|---|--|---|
| Bank loans - Note 19 | 2,083 | 2,083 | - | - |
| Trade creditors | 4,872 | 4,546 | - | - |
| Amounts owed to group undertakings | - | - | 2,982 | 2,981 |
| Corporation tax | - | 358 | - | - |
| Other taxation and social security | 1,619 | 2,158 | - | - |
| Obligations under finance lease and hire purchase contracts - Note 19 | 450 | 438 | - | - |
| Other creditors | 5,287 | 2,355 | 531 | 545 |
| Accruals and deferred income | 4,615 | 5,436 | - | - |
| | 18,926 | 17,374 | 3,513 | 3,526 |

Other creditors comprise the mainly of the Group's invoice discounting facility which has been secured by a fixed and floating charge over all assets of certain companies within the Group under a group facility agreement. The Group's balance on the facility at 31 December 2019 amount to £3,335,000 (May 2019: £555,000 creditor).

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

| | Group 31 December 2019 £000 | Group 31 May 2019 £000 |
|--|--|---|
| Bank loans - Note 19 | 420 | 469 |
| Net obligations under finance leases and hire purchase contracts - Note 19 | 459 | 808 |
| Other creditors | 608 | - |
| | 1,487 | 1,277 |

19. Loans

| | Group 31 December 2019 £000 | Group 31 May 2019 £000 |
|--|---|---------------------------------|
| Amounts falling due within one year | | |
| Bank loans | 2,083 | 2,083 |
| Finance leases | 450 | 438 |
| | 2,533 | 2,521 |
| Amounts falling due 1-2 years | | |
| Bank loans | 83 | 83 |
| Finance leases | 459 | 462 |
| | 542 | 545 |
| Amounts falling due 2-5 years | | |
| Bank loans | 250 | 250 |
| Finance leases | - | 346 |
| | 250 | 597 |
| Amounts falling due after more than 5 years | | |
| Bank loans | 87 | 136 |
| | 87 | 136 |
| | 3,412 | 3,799 |

The finance lease commitment shown is for Microsoft Software and is due to expire in December 2021.

During the year ended 31st May 2019, the Group drew down a loan of £1,000,000 under a loan agreement entered into with HSBC Bank Plc. At 31 December 2019, the balance on the loan was £1,000,000 (May 2019: £1,000,000). Interest is charged at 2.84% per annum. This loan was initially due to expire in October 2019 but subsequent to the year end was extended to April 2020.

During the year ended 31st May 2019, the Group drew down a loan of £1,000,000 under a loan agreement entered into with HSBC Bank Plc. At 31 December 2019, the balance on the loan was £1,000,000 (May 2019: £1,000,000). Interest is charged at 2.99% per annum. This loan was due to expire in April 2020.

Both of these loans have since been extended to expire in October 2020 with the option to extend them further.

At 31 December 2019, the balance on a loan agreement with HSBC Bank Plc was £504,000 (May 2019: £552,000). Interest is charged at LIBOR + 2.25%. This loan will expire in February 2026.

The bank loans are secured by way of a fixed and floating charge over the assets of the Group.

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For the 7 months Ended 31 December 2019

20. Financial instruments

| | Group 31 December 2019 £000 | Group 31 May 2019 £000 | Company 31 December 2019 £000 | Company 31 May 2019 £000 |
|--|---|---------------------------------|---|-----------------------------------|
| Financial assets that are debt instruments measured at amortised cost | | | | |
| Cash | 1,400 | 1,967 | 1 | - |
| Trade debtors | 10,401 | 9,175 | - | - |
| Amounts owed to group undertakings | - | - | 2,250 | 2,250 |
| Other debtors | 2,460 | 1,051 | - | - |
| Accrued income | 3,597 | 5,088 | - | - |
| | <u>17,858</u> | <u>17,281</u> | <u>2,251</u> | <u>2,250</u> |
| Financial liabilities measured at amortised cost | | | | |
| Loans | 2,503 | 2,552 | - | - |
| Obligations under finance lease and hire purchase contracts | 909 | 1,247 | - | - |
| Trade creditors | 4,872 | 4,546 | - | - |
| Amounts owed to group undertakings | - | - | 2,982 | 2,981 |
| Corporation tax | - | 358 | - | - |
| Other taxation and social security | 1,619 | 2,158 | - | - |
| Other creditors | 5,287 | 2,355 | 531 | 545 |
| Accruals | 4,191 | 4,983 | - | - |
| | <u>19,381</u> | <u>18,199</u> | <u>3,513</u> | <u>3,526</u> |

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For the 7 months Ended 31 December 2019

21. Deferred taxation

Group

| | 2019 |
|---------------------------|---------------------|
| | £000 |
| At beginning of year | 110 |
| Charged to profit or loss | (430) |
| At end of year | <u>(320)</u> |

| | Group | Group |
|-------------------------------|---------------------|-------------------|
| | 31 | 31 May |
| | December | 2019 |
| | 2019 | 2019 |
| | £000 | £000 |
| Short term timing differences | (320) | 110 |
| | <u>(320)</u> | <u>110</u> |

The Company had no deferred tax asset or liability in either financial period/year.

22. Share capital

| | 31 | 31 May |
|--|-------------------|-------------------|
| | December | 2019 |
| | 2019 | 2019 |
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 11,297,000 (May 2019 - 11,297,000) ordinary shares of £0.01 each | <u>113</u> | <u>113</u> |
| Rights, preferences and restrictions: | | |

Each of the shares carry a voting right and equal rights to participate in any discretionary dividends.

The Company and Group'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.
- The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.
- The merger reserve arose on past business combinations that were accounted for as a merger in accordance with UK GAAP as applied at that time.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

23. Pension commitments

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £246,000 (May 2019: £371,000).

Contributions amounting to £67,000 (May 2019: £69,000) were payable to the scheme at the year end.

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Notes to the Financial Statements
For the 7 months Ended 31 December 2019

24. Commitments under operating leases

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

| | Group 31 December 2019 £000 | Group 31 May 2019 £000 |
|--|--|---|
| Not later than 1 year | 811 | 746 |
| Later than 1 year and not later than 5 years | 1,892 | 582 |
| Later than 5 years | 662 | - |
| | <u>3,365</u> | <u>1,328</u> |

The Company had no commitments under non-cancellable operating leases as at the balance sheet date.

25. Related party transactions

A refund of £Nil (May 2019: £11,000) was received by the Group during the period from MW Properties No 35 Limited, of which the Gould family were trustees and members. Lease termination costs of £Nil (May 2019: £50,000) have been charged to the Group in the period. There was £nil prepaid and accrued at the end of the period (May 2019: £Nil).

Rent and service charges of £119,000 (May 2019: £152,000) have been charged to the Group in the period through JDI Properties Limited, of which the Gould family are trustees and members. There was £Nil prepaid at the end of the period (May 2019: £Nil).

At the end of the period, the Group had an outstanding loan due from Connect Earth Inc, a company wholly owned by L J Gould, of £513,000 (May 2019: £513,000). Charges were raised to this related party amount to £41,000 (May 2019: £171,000). These amounts remain fully provided for at 31 December 2019.

During the period remuneration to close family members totalled £126,000 (May 2019: £193,000).

26. Post balance sheet events

The impact of COVID-19 is considered to be a non-adjusting post balance sheet event, on the basis that the conditions did not exist at the year end.

27. Controlling party

The Directors regard L J Gould as the ultimate controlling party, by virtue of his family's 100% interest in the issued share capital of the Company.