

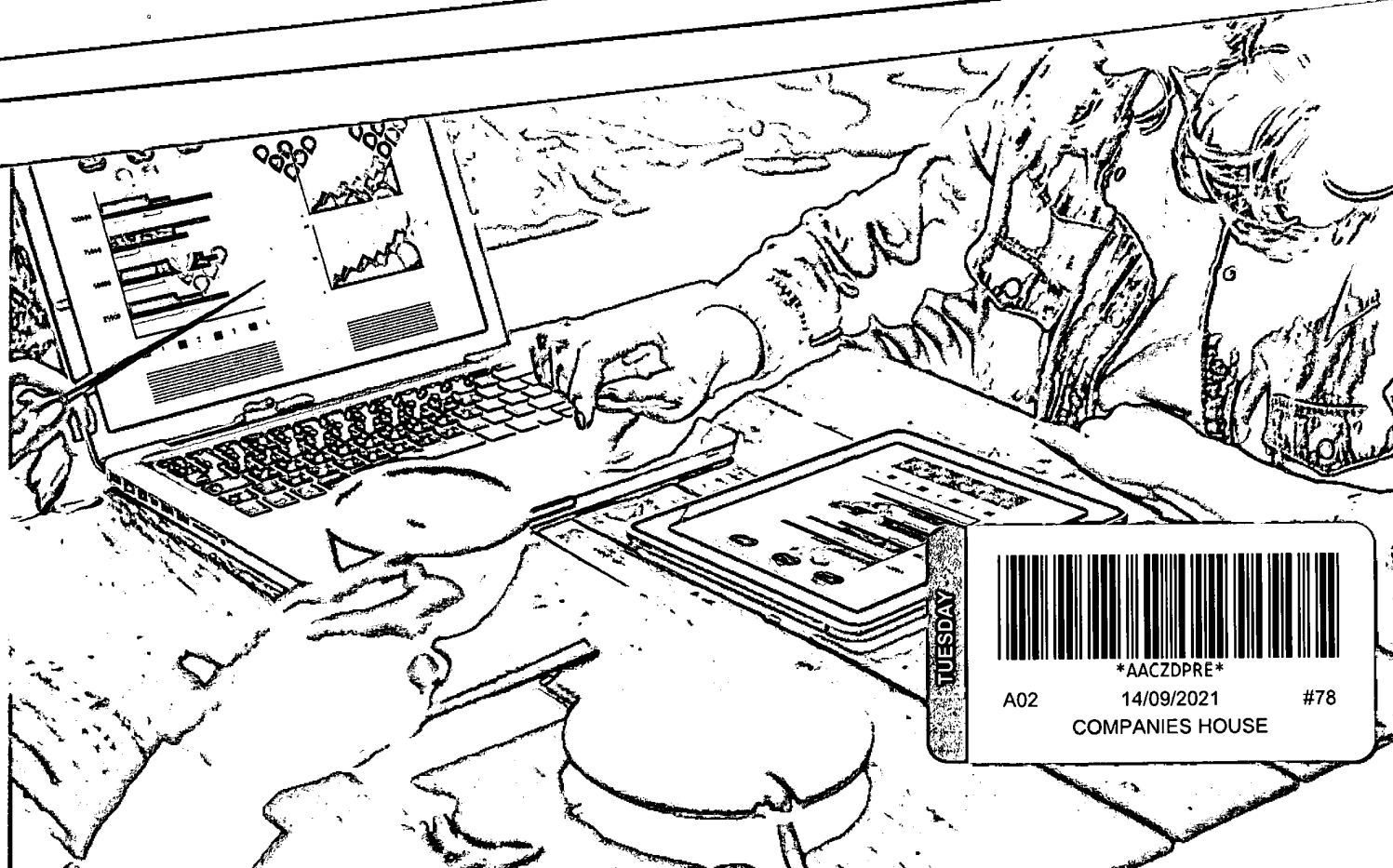
thebigword

# THEBIGWORD GROUP LIMITED

REGISTERED NUMBER: 5551907

Annual report and financial statements

For the Year Ended 31 December 2020



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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

### Directors

L J Gould  
M Gould  
J Gould  
M A Daley  
L Gregg  
A G Lightowler  
M Rice  
C A Riches  
L A Sangiovanni

### Independent auditors

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

### Bankers

HSBC Bank PLC  
Bond Court  
Leeds, LS1 2JZ  
United Kingdom

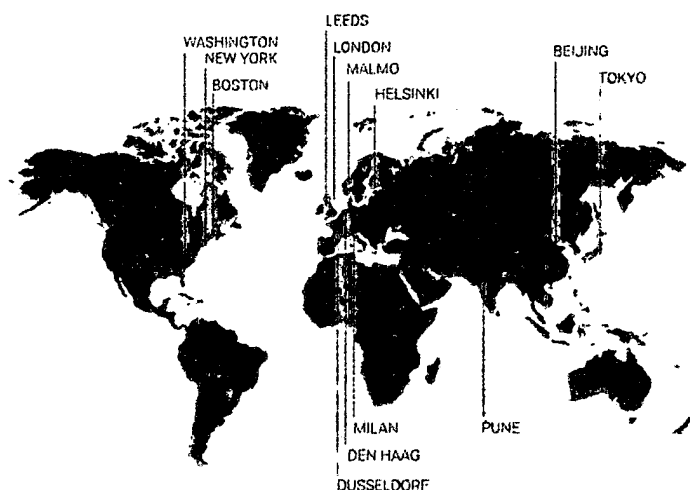
### Solicitors

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

### Company website

[www.thebigword.com](http://www.thebigword.com)

## 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** DIRECTOR OF CSR

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 decades experience leading commercial and technology departments for national and multinational 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, providing clients with the most efficient technical solutions.

### **Mark Daley** CHIEF OPERATING OFFICER

Mark is thebigword's Chief Operating Officer with over 7 years in the business. Mark is responsible for the design and delivery of the business' 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 operations, Mark can 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 19 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 the language industry put 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 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 ELITE values 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

Luis is a marketing professional with more than two decades of experience in the creation and management of brands, digital, events and lead generation. 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, however, we certainly could not have predicted the challenges that 2020 would bring to businesses globally as a result of the Covid-19 pandemic. I want to begin by thanking our employees working around the globe as well as all the linguists, freelancers and partners for their contribution, many of whom have had to adjust to new ways of working.

Despite the pandemic, 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 were particularly proud to renew our contract with the UK Ministry of Justice which we have held since 2016.

As stated last year, we expected Machine Translation to have some impact on revenue and obviously the Covid Pandemic has also contributed to a reduction. However, as forecasted, margins grew significantly powered by the WordSynk technology platform and Machine Translation which led to a reduction in our cost base. Overall thebigword grew EBITDA by 40%.

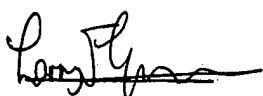
We expect significant top line growth over the next 12 months due to some significant contract wins including securing a place on all Lots of the Crown Commercial Services (CCS) Framework, NHS SBS, and a large European Police force.

It is our mission to give everyone the power to communicate without language barriers via WordSynk and we were delighted to roll out this platform to the vast majority of our clients in June 2020, ahead of schedule. thebigword remains on track for 100% of thebigword services being procured through its all-in-one language platform by the end of 2021.

We believe that our all-in-one language technology platform WordSynk is game changing for thebigword and disruptive to the wider language industry and has led to increased efficiency and automation. Of course, 2020 also saw a channel shift as Covid inevitably led to more demand for remote solutions such as WordSynk's Video Remote Interpreting, and telephone interpreting. Both solutions saw a 50% increase in usage.

Across the industry, we have continued to see 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.

I was delighted that the talent in our board was recognised once again with double success for two of our Directors at the Stevie Awards for Women in Business. Our technology also saw thebigword Group as finalists in the 2020 National Business Awards in the Growth through Innovation category, as well as TBW Global, our defence company who received the award for Innovation in the ISOA Global Impact Awards.



**Larry Gould**  
Founder and Chairman

## OUR BUSINESS

With 2.5 quintillion bytes of content created each day, demand for content localization is growing daily. According to the CSA the language services and technology Industry market size will grow to some \$53 Billion in 2021.

### WORDSYNK

thebigword has capitalised on this growth through the development of its market first all-in-one WordSynk platform.

thebigword's WordSynk platform combines all language services, from translation through to 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.

Every month the WordSynk platform delivers 2 million minutes of virtual interpreting and over 18,000 face to face assignments are scheduled through the platform, it also delivers over 90 million words of translation.

### Automation

Automation has played a key role in thebigword strategy with now 98% of all of thebigword's business now automated following the completion of its multimillion-pound Digital Transformation journey. Digital Transformation is the adoption of digital technology to transform services or businesses, through replacing non-digital or manual processes with digital processes or replacing older digital technology with newer digital technology.

thebigword set out to create a better customer experience, whilst reducing costs, widening access to language services and the ability to blitz scale the business whilst maintaining high quality levels.

thebigword's mission is for WordSynk to become the defacto multilingual communication tool of the world. It is already used by many of the Fortune 500 Companies and Governments to communicate with their stakeholders and populations.

The WordSynk platform is reducing client costs substantially for both translation and interpreting projects. This enables the whole business community to access the same services previously only available to blue chips, allowing companies to trade internationally and access global markets in a cost-effective way.

thebigword which is one of the largest language technology companies in the world, is a major supplier to the UK Government and other NATO members around the world as well as some of the largest technology companies globally. The company is based in the United Kingdom and operates globally with operations in the United States, Continental Europe and Asia.

# GROUP STRATEGIC REPORT

The directors present their strategic report on thebigword Group Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2020.

## Group Mission and Objectives

"thebigword's mission is for WordSynk to become the defacto multilingual communication tool of the world."

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:

- 1) Make translation and interpreting as accessible and cost effective, quick and accurate as possible through our WordSynk technology.
- 2) Integrate our technology, processes and services with our clients and their content management software to enhance their global trade.
- 3) Broaden the range of services that we deliver to our clients as an integrated outsourced provider.

## Business review and future developments

Turnover in the year was £61.9m (7 months to December 2019: £51.0m) resulting in an EBITDA profit of £4.6m (7 months to December 2019: profit of £2.0m) and an operating profit of £2.5m (7 months to December 2019: operating profit £0.7m).

**EBITDA £4.6m**

EBITDA is defined as Earnings before Interest, Tax, Depreciation, and Amortisation:

£'000	Year Ended 31 December 2020	7 Months Ended 31 December 2019
Operating profit	2,481	747
Depreciation	447	399
Amortisation	1,704	824
<b>EBITDA</b>	<b>4,632</b>	<b>1,970</b>

The Group encountered a challenging year as a result of the ongoing Coronavirus pandemic. This restricted revenue growth but through a reduction in cost base and the further roll out the Wordsynk technology platform profits were substantially improved.

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**

During the past year the Group improved its overall profitability margins through the utilisation of its 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 20,000 linguists at their fingertips.

The Group expanded its operations centre in Pune, India. Enhancing its flexibility to service new and existing business. The Pune operations centre has been a tremendous success and enables smooth delivery of our services globally.

This puts the Group in a strong position to capitalise on the anticipated growth in the market following the continued easing of COVID related restrictions in 2021/22.

The Directors expect the Group to return to substantial revenue growth and continued EBITDA growth in 2021.

### **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, investing in Knowledge Transfer programs with local Universities and supporting local and national charities with donations and fundraising activities. We are proud of the relationship we are developing with the Dharamveer Shambhuraje Pratishthan orphanage in Pune, India which we have supported through fundraising and donations. Directors have also given over 150 hours of free training and mentoring to entrepreneurs and start up companies globally.

### **Principal risks and uncertainties**

The Group monitors 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 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.

During the current reporting period, the Coronavirus pandemic has been a key 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.



## **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 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.

#### **European Union membership**

The Directors continue to monitor the nature and extent of the risks and uncertainty around the United Kingdom's 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 a reduction in the Group's average monthly revenue when compared to the 7 months ended December 2019 of 29.3% (2019: 3.1% increase) whilst current period EBITDA is a profit of £4.6m (7 months to December 2019: £2.0m). The Group encountered a challenging year as a result of the ongoing Coronavirus pandemic and revenue was also impacted by the increase in demand for Machine Translation, but through a reduction in cost base and the further roll out of the Wordsynk technology platform profits were substantially improved.

The Directors expect the Group to return to substantial revenue growth and continued EBITDA growth in 2021.

This report was approved by the board on 8 July 2021 and signed on its behalf.



**A Lightowler**

**Director**

# DIRECTORS REPORT

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 year ended 31 December 2020.

## Principal activities

The Group's principal activity during the year continued to be the provision of all language services, from translation through to transcription and interpreting via thebigword's all-in-one language technology platform, WordSynk. 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 thebigword Group Limited ("the company") and its subsidiaries (together "the 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; and
- prepare the audited consolidated financial statements of thebigword Group Limited ("the company") and its subsidiaries (together "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 thebigword Group Limited ("the company") and its subsidiaries (together "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 year, after taxation, amounted to £1,767,000 (7 months to December 2019: £210,000).

The directors did not pay a dividend in the year (2019: £nil).

### **Overseas branches**

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

The branches in Italy and Germany were closed in August 2020 and the Swedish branch was closed in February 2021.

### **Directors**

The Directors who served during the year were:

L J Gould  
M Gould  
J Gould  
M A Daley  
H J Griffiths (resigned 13 February 2020)  
L Gregg  
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.

### **Engagement with employees**

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 15.

### **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**

Despite the Coronavirus pandemic occurring during the period the Group has increased EBITDA profitably by 40%. The Directors see no reason why this will not continue and the Group has sufficient cash reserves to continue to operate as a going concern, after more than doubling cash held.

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.

During the past year 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 taken advantage of government support measures where it was considered to be required on a temporary basis.

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 Group's ability to continue operations.

Subsequently, these accounts have been produced on a going concern basis.

### **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 8 July 2021 and signed on its behalf.



**A Lightowler**

**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).

This data covers relevant aspects of the scopes described in the 2019 UK Government Environmental Reporting Guidelines. We have used the 2019 and 2020 UK Government GHG Conversion Factors and suggested template to calculate our emissions. We have used the financial control approach with our previous year as our base year. In the December 2019 financial statements the figures provided reflected the 7 month period being reported on but the below shows the full calendar year with this being more comparable to the current year.

We have measured our data against scopes 1 and 2 and certain scope 3 emissions. We've explained any relevant aspects of our data within the table below.

	Current Reporting Year 2020 Jan/2020 - Dec/2020	Comparison Year 2019 Jan/2019 - Dec/2019	Movement
Energy consumption used to calculate emissions: /kWh	425,820 KWh	530,687 KWh	(104,867) KWh
Emissions from combustion of gas tCO <sub>2</sub> e (Scope 1)	26.36 tCO <sub>2</sub> e	25.45 tCO <sub>2</sub> e	0.91 tCO <sub>2</sub> e
Emissions from combustion of fuel for transport purposes (Scope 1)	3.27 tCO <sub>2</sub> e	12.60 tCO <sub>2</sub> e	(9.33) tCO <sub>2</sub> e
Emissions from business travel in employee-owned vehicles (Scope 3)	7.12 tCO <sub>2</sub> e	19.35 tCO <sub>2</sub> e	(12.23) tCO <sub>2</sub> e
Emissions from purchased electricity (Scope 2, location-based)	198.55 tCO <sub>2</sub> e	271.29 tCO <sub>2</sub> e	(72.74) tCO <sub>2</sub> e
<b>Total gross CO<sub>2</sub>e based on above</b>	<b>235.3 tCO<sub>2</sub>e</b>	<b>328.69 tCO<sub>2</sub>e</b>	<b>(93.39) tCO<sub>2</sub>e</b>
Intensity ratio: tCO <sub>2</sub> e gross figure based from mandatory fields above	Average employee: 386	Average employee: 469	(83)
Emissions from employee business travel (Scope 3) / tCO <sub>2</sub> e	Taxi: 0.05 Train: 0.58 Air: 121.01	Taxi: 0.27 Train: 14.08 Air: 584.44	Taxi: 0.22 Train: 13.50 Air: 463.43
Emissions from disposal of waste generated in operations (Scope 3) / tCO <sub>2</sub> e	0.51 tCO <sub>2</sub> e	0.77 tCO <sub>2</sub> e	(0.26) tCO <sub>2</sub> e
Carbon offsets / tCO <sub>2</sub> e	345 tCO <sub>2</sub> e	345 tCO <sub>2</sub> e	- tCO <sub>2</sub> e
<b>Total annual emissions / tCO<sub>2</sub>e based on above</b>	<b>357.44 tCO<sub>2</sub>e</b>	<b>928.25 tCO<sub>2</sub>e</b>	<b>(570.81) tCO<sub>2</sub>e</b>

Because of COVID-19, most of our staff have been working from home since March 2020, which has contributed to the reduction in CO2 emissions. We expect this to increase this year as COVID-19 restrictions are lifted, but the business is committed to maintaining low emissions and we anticipated a continued reduction in comparison to previous years. We do not expect travel will return to previous levels as staff will continue to work from home and be encouraged to use our technology to keep in touch with clients remotely.

The only measure that has shown an increase in the above is in relation to emissions from combustion of gas. This increase was in relation to a malfunction of our heating system and was resolved during the year so is not expected to continue to show an increase in the future.

### **Monitoring of our environmental impacts**

Our targets are set in line with our environmental aspects and reviewed once a year.

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. 779 fruit trees were planted on our behalf during 2019. Unfortunately, this was put on hold due to the ongoing pandemic.

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 as standard double sided black and white printing option. Our paper consumption translates into 26.82 trees in 2019 and 3.66 trees in 2020.

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

We continue to monitor our waste generation, we separate our waste into general and dry recycling, and the majority of our waste is 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 auditors estimated a yearly saving 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 the year and on an ongoing basis, we supported the creation of 2 new woodlands at Mallerstang, in North Yorkshire, and Trantram's Mire in Cumbria. 3113 trees have been planted and we will capture 690 tonnes of carbon. This will offset our emissions for the period of 12 months from June 2019 to May 2020.

The project above was in partnership with Forest Carbon and more details can be found online:  
<https://www.forestcarbon.co.uk/our-partners/thebigword/>



# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THEBIGWORD GROUP LTD

## **Opinion on the financial statements**

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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of thebigword Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss Account and Statement of Other Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, 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).

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Directors report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other Companies Act 2006 reporting**

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

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

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

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

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

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, 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 and 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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

DocuSigned by:  
*Mark Langford*  
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Mark Langford (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Leeds, UK

Date: 09 July 2021

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
	Note		
Turnover	5	61,867	51,044
Cost of sales		(36,643)	(33,721)
<b>Gross profit</b>		<b>25,224</b>	<b>17,323</b>
Administrative expenses		(24,210)	(16,661)
Other operating income	6	1,467	85
<b>Operating profit</b>	7	<b>2,481</b>	<b>747</b>
Interest receivable and similar income		2	2
Interest payable and similar charges	10	(191)	(94)
<b>Profit on ordinary activities before taxation</b>		<b>2,292</b>	<b>655</b>
Taxation on profit on ordinary activities		(525)	(445)
<b>Profit for the year/period</b>		<b>1,767</b>	<b>210</b>

The notes on pages 29 to 52 form part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
Profit for the financial year/period	<u>1,767</u>	<u>210</u>
<b>Other comprehensive income</b>		
Currency translation differences	(315)	(212)
<b>Other comprehensive income for the year/period</b>	<u>(315)</u>	<u>(212)</u>
<b>Total comprehensive income for the year</b>	<u><u>1,452</u></u>	<u><u>(2)</u></u>

The notes on pages 29 to 52 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

	Note	2020 £000	2020 £000	2019 £000	2019 £000
<b>Fixed assets</b>					
Intangible assets	12		4,194		4,000
Tangible assets	13		1,072		1,415
			<u>5,266</u>		<u>5,415</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	15	11,657		17,730	
Cash at bank and in hand		6,169		1,400	
		<u>17,826</u>		<u>19,130</u>	
Creditors: amounts falling due within one year	16	(16,979)		(18,926)	
<b>Net current assets</b>			<u>847</u>		<u>204</u>
<b>Total assets less current liabilities</b>			<u>6,113</u>		<u>5,619</u>
Creditors: amounts falling due after more than one year	17		(337)		(1,487)
<b>Provisions for liabilities</b>					
Deferred tax	20	(512)		(320)	
			<u>(512)</u>		<u>(320)</u>
<b>Net assets</b>			<u><u>5,264</u></u>		<u><u>3,812</u></u>
<b>Capital and reserves</b>					
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			5,552		4,100
			<u><u>5,264</u></u>		<u><u>3,812</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 July 2021



**A Lightowler**  
Director

The notes on pages 29 to 52 form part of these financial statements.

## COMPANY BALANCE SHEET

	Note	2020 £000	2020 £000	2019 £000	2019 £000
<b>Fixed assets</b>					
Investments	14		1,706		1,706
			<u>1,706</u>		<u>1,706</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	15	2,250		2,250	
Cash at bank and in hand		6		1	
		<u>2,256</u>		<u>2,251</u>	
Creditors: amounts falling due within one year	16	(3,518)		(3,513)	
<b>Net current liabilities</b>			<u>(1,262)</u>		<u>(1,262)</u>
<b>Total assets less current liabilities</b>			<u>444</u>		<u>444</u>
<b>Net assets excluding pension asset</b>			<u>444</u>		<u>444</u>
<b>Net assets</b>			<u><u>444</u></u>		<u><u>444</u></u>
<b>Capital and reserves</b>					
Called up share capital	21		113		113
Share premium account			6		6
Capital redemption reserve			1		1
Profit and loss account			324		324
			<u><u>444</u></u>		<u><u>444</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 July 2021



**A Lightowler**  
Director

The notes on pages 29 to 52 form part of these financial statements.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit of the company for the year was £Nil (2019: £14,000).



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2020

	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 January 2020	113	6	1	(408)	4,100	3,812
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	1,767	1,767
Currency translation differences	-	-	-	-	(315)	(315)
<b>Total comprehensive income for the year</b>	-	-	-	-	1,452	1,452
<b>At 31 December 2020</b>	<b>113</b>	<b>6</b>	<b>1</b>	<b>(408)</b>	<b>5,552</b>	<b>5,264</b>

The notes on pages 29 to 52 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
<b>Comprehensive income for the 7 months</b>						
Profit for the 7 months	-	-	-	-	210	210
Currency translation differences	-	-	-	-	(212)	(212)
<b>Total comprehensive income for the 7 months</b>	-	-	-	-	(2)	(2)
<b>At 31 December 2019</b>	<b>113</b>	<b>6</b>	<b>1</b>	<b>(408)</b>	<b>4,100</b>	<b>3,812</b>

The notes on pages 29 to 52 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2020

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	113	6	1	324	444
<b>At 31 December 2020</b>	<b>113</b>	<b>6</b>	<b>1</b>	<b>324</b>	<b>444</b>

The notes on pages 29 to 52 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
<b>Comprehensive income for the 7 months</b>					
Profit for the 7 months	-	-	-	14	14
<b>Total comprehensive income for the 7 months</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>14</b>
<b>At 31 December 2019</b>	<b>113</b>	<b>6</b>	<b>1</b>	<b>324</b>	<b>444</b>

The notes on pages 29 to 52 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31 December 2020 £000	7 Months Ended 31 December 2019 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year/period	1,767	210
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,704	824
Depreciation of tangible assets	447	388
Impairments of intangible fixed assets	100	-
Loss on disposal of tangible assets	3	3
Interest paid	191	94
Interest received	(2)	(2)
Taxation charge	525	445
Decrease/(increase) in debtors	6,004	(1,051)
(Decrease)/increase in creditors	(2,539)	1,912
Corporation tax (paid)	(398)	(549)
Foreign exchange	67	-
<b>Net cash generated from operating activities</b>	<b>7,869</b>	<b>2,274</b>
<b>Cash flows used in investing activities</b>		
Purchase of intangible fixed assets	(1,998)	(1,976)
Purchase of tangible fixed assets	(107)	(154)
Interest received	2	2
HP interest paid	(11)	-
<b>Net cash used in investing activities</b>	<b>(2,114)</b>	<b>(2,128)</b>
<b>Cash flows from financing activities</b>		
New secured loans	2,000	-
Repayment of loans	(2,083)	(58)
Repayment of/new finance leases	(454)	(349)
Interest paid	(156)	(94)
<b>Net cash used in financing activities</b>	<b>(693)</b>	<b>(501)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,062</b>	<b>(355)</b>
Cash and cash equivalents at beginning of year/period	1,400	1,967
Foreign exchange gains and losses	(293)	(212)
<b>Cash and cash equivalents at the end of year/period</b>	<b>6,169</b>	<b>1,400</b>
<b>Cash and cash equivalents at the end of year/period comprise:</b>		
Cash at bank and in hand	6,169	1,400
	<b>6,169</b>	<b>1,400</b>

The notes on pages 29 to 52 form part of these financial statements.

## CONSOLIDATED ANALYSIS OF NET DEBT

	At 1 January 2020 £000	Cash flows £000	Other non-cash changes £000	At 31 December 2020 £000
Cash at bank and in hand	1,400	5,062	(293)	6,169
Debt due after 1 year	(420)	99	(16)	(337)
Debt due within 1 year	(2,083)	-	-	(2,083)
Finance leases	(909)	459	(9)	(459)
	<u>(2,012)</u>	<u>5,620</u>	<u>(318)</u>	<u>3,290</u>

Other non-cash changes are in relation to foreign exchange differences and interest accrued on debts held during the year.

The notes on pages 29 to 52 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 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

Despite the Coronavirus pandemic occurring during the period the Group has increased EBITDA profitably by 40%. The Directors see no reason why this will not continue and the Group has sufficient cash reserves to continue to operate as a going concern, after more than doubling cash held.

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.

During the past year 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 taken advantage of government support measures where it was considered to be required on a temporary basis.

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 Group's 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 and Company being in a position to meet liabilities as they fall due.

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 2020.

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 to 5 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 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

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

### 3.14 INVESTMENTS

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

### 3.15 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.

### 3.16 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.

### **3.16 FINANCIAL INSTRUMENTS (CONTINUED)**

#### **(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.

#### **(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.

### **3.17 GOVERNMENT GRANTS**

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

Grants of a revenue nature are recognised in the Consolidated Profit and Loss Account in the same period as the related expenditure.

### **3.18 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.

### **3.19 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.

### **3.20 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.

### **3.21 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.

### **3.22 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.

### **3.23 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 2020, 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 12 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 13 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 15 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 20 for details of deferred tax recognised.

## 5. TURNOVER

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

The geographical analysis of turnover by origin and destination is:

	Origin 2020 £000	Destination 2020 £000	Origin 2019 £000	Destination 2019 £000
United Kingdom	48,767	45,235	41,007	37,435
Rest of Europe	-	3,532	-	4,474
North America	9,336	8,474	8,372	6,366
Far East	3,764	4,203	1,665	2,473
Rest of the World	-	423	-	296
	<b>61,867</b>	<b>61,867</b>	<b>51,044</b>	<b>51,044</b>

## 6. OTHER OPERATING INCOME

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
Other operating income	1,467	85
	<b>1,467</b>	<b>85</b>

Other operating income arising in the year is in relation to government support in the form of the Coronavirus Job Retention Scheme.

Other operating income in the previous period represented 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.



## 7. OPERATING PROFIT

The operating profit is stated after charging:

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
Operating lease rentals	864	514
Exchange differences	(2)	72
Depreciation of tangible fixed assets	447	388
Amortisation of intangible assets, including goodwill	1,704	824
Impairment of intangible assets	100	-
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	21	19
<b>Fees payable to the Group's auditors and its associates for other services to the group:</b>		
The audit of the Group's subsidiaries pursuant to legislation	50	44
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 who are not employees.

## 8. EMPLOYEES

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

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Wages and salaries	14,916	10,793	-	-
Social security costs	1,148	867	-	-
Cost of defined contribution scheme	336	246	-	-
	<b>16,400</b>	<b>11,906</b>	<b>-</b>	<b>-</b>

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

	Year ended 31 December 2020 No.	7 months ended 31 December 2019 No.
Administration	491	544
Sales	44	57
	<b>535</b>	<b>601</b>

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

## 9. DIRECTORS' REMUNERATION

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
Directors' emoluments	2,357	815
Directors pension costs	45	25
Directors compensation for loss of office	15	276
	<u>2,417</u>	<u>1,116</u>

During the year retirement benefits were accruing to 9 Directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £1,361,000 (2019 - £319,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £8,000 (2019 - £7,000).

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

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
Bank interest payable	167	81
Finance leases and hire purchase contracts	24	13
	<u>191</u>	<u>94</u>

## 11. TAXATION

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
<b>Corporation tax</b>		
Current tax on profit for the year	325	1
Adjustments in respect of previous periods	(120)	(46)
	<u>205</u>	<u>(45)</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	128	60
	<u>128</u>	<u>60</u>
<b>Total current tax</b>	<u>333</u>	<u>15</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	192	251
Adjustment in respect of prior periods	-	179
	<u>192</u>	<u>430</u>
<b>Total deferred tax</b>		
	<u>525</u>	<u>445</u>
<b>Taxation on profit on ordinary activities</b>		
	<u>525</u>	<u>445</u>

## 11. TAXATION (CONTINUED)

### Factors affecting tax charge for the year/period

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

	Year ended 31 December 2020 £000	7 months ended 31 December 2019 £000
Profit on ordinary activities before tax	<u>2,292</u>	<u>655</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	435	124
<b>Effects of:</b>		
Expenses not deductible for tax purposes	8	36
Capital allowances for year/period in excess of depreciation	23	21
Tax rate differences in foreign branches and subsidiaries	73	55
Adjustments to tax charge in respect of prior periods	(124)	133
Short term timing difference leading to an increase (decrease) in taxation	(13)	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	7	-
Unrelieved tax losses carried forward	79	76
Deferred tax adjustment for changes in tax rates	37	-
<b>Total tax charge for the year/period</b>	<u>525</u>	<u>445</u>

### Factors that may affect future tax charges

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the balance sheet date. As a result, deferred tax balances as at 31 December 2020 continue to be measured at 19%.

## 12. INTANGIBLE ASSETS

### Group

	Development expenditure £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2020	10,759	508	11,267
Additions	1,998	-	1,998
Disposals	(1,571)	-	(1,571)
At 31 December 2020	11,186	508	11,694
<b>Amortisation</b>			
At 1 January 2020	6,759	508	7,267
Charge for the year on owned assets	1,704	-	1,704
On disposals	(1,571)	-	(1,571)
Impairment charge	100	-	100
At 31 December 2020	6,992	508	7,500
<b>Net book value</b>			
At 31 December 2020	4,194	-	4,194
At 31 December 2019	4,000	-	4,000

### 13. TANGIBLE FIXED ASSETS

#### Group

	Freehold property £000	Long-term leasehold property £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2020	1,334	49	5,279	6,662
Additions	-	-	107	107
Disposals	-	-	(2,296)	(2,296)
At 31 December 2020	1,334	49	3,090	4,473
<b>Depreciation</b>				
At 1 January 2020	867	49	4,331	5,247
Charge for the year on owned assets	89	-	358	447
Disposals	-	-	(2,293)	(2,293)
At 31 December 2020	956	49	2,396	3,401
<b>Net book value</b>				
At 31 December 2020	378	-	694	1,072
At 31 December 2019	467	-	948	1,415

### 14. FIXED ASSET INVESTMENTS

#### Company

	Investments in subsidiary companies £000
<b>Cost and net book value</b>	
At 1 January 2020	1,706
At 31 December 2020	1,706

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

#### 14. 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 %
Wordsynk 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 %
TBW Global 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 %
thebigword India Pvt Ltd*	India	Business Support Services	Ordinary	100 %

\* investment held indirectly through subsidiary undertakings. 0.01% of thebigword India Pvt Ltd is owned directly.

## 15. DEBTORS

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade debtors	8,164	11,045	-	-
Amounts owed by group undertakings	-	-	2,250	2,250
Other debtors	235	2,501	-	-
Prepayments and accrued income	3,258	4,184	-	-
	<u>11,657</u>	<u>17,730</u>	<u>2,250</u>	<u>2,250</u>

Amounts owed by group undertakings are interest free and repayable on demand.

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank loans - Note 18	2,083	2,083	-	-
Trade creditors	3,379	4,872	-	-
Amounts owed to group undertakings	-	-	3,518	2,982
Corporation tax	-	-	-	-
Other taxation and social security	4,121	1,619	-	-
Obligations under finance lease and hire purchase contracts - Note 18	459	450	-	-
Other creditors	1,822	5,287	-	531
Accruals and deferred income	5,115	4,615	-	-
	<u>16,979</u>	<u>18,926</u>	<u>3,518</u>	<u>3,513</u>

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 2020 amount to £533,000 (2019: £3,335,000 creditor).

Amounts owed to group undertakings are interest free and repayable on demand.

## 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £000	Group 2019 £000
Bank loans - Note 18	337	420
Net obligations under finance leases and hire purchase contracts - Note 18	-	459
Other creditors	-	608
	<u>337</u>	<u>1,487</u>



## 18. LOANS

	Group 2020 £000	Group 2019 £000
<b>Amounts falling due within one year</b>		
Bank loans	2,083	2,083
Finance leases	459	450
	<b>2,542</b>	<b>2,533</b>
<b>Amounts falling due 1-2 years</b>		
Bank loans	83	83
Finance leases	-	459
	<b>83</b>	<b>542</b>
<b>Amounts falling due 2-5 years</b>		
Bank loans	250	250
	<b>250</b>	<b>250</b>
<b>Amounts falling due after more than 5 years</b>		
Bank loans	4	87
	<b>4</b>	<b>87</b>
	<b>2,879</b>	<b>3,412</b>

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

During the year ended 31 December 2020 the company held two loans of £1,000,000 with HSBC Bank Plc with interest rates of 2.84% and 2.99%. The expiry date of both of these loans as at the previous period end was April 2020. These were extended to October 2020 and then to April 2021 during the year. They are currently set to expire in October 2021 having been extended a further 6 months.

In April 2020 the company drew down a further loan of £2,000,000 under a loan agreement entered into with HSBC Bank Plc. This was at an interest rate of 2.64% and had an expiry date of October 2020. This loan was extended to the 31 December 2020 with an adjusted interest rate of 1.95% and was at this point settled.

At 31 December 2020, the balance on a loan agreement with HSBC Bank Plc was £420,000 (2019: £504,000). 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.

## 19. FINANCIAL INSTRUMENTS

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
<b>Financial assets</b>				
Cash	5,940	1,400	-	-
Trade debtors	8,164	11,045	-	-
Amounts owed to group undertakings	-	-	2,250	2,250
Other debtors	235	2,501	-	-
Accrued income	2,528	3,597	-	-
	<u>16,867</u>	<u>18,543</u>	<u>2,250</u>	<u>2,250</u>
	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
<b>Financial liabilities</b>				
Loans	2,420	2,503	-	-
Obligations under finance lease and hire purchase contracts	459	909	-	-
Trade creditors	3,379	4,872	-	-
Amounts owed to group undertakings	-	-	3,518	2,982
Other taxation and social security	4,121	1,619	-	-
Other creditors	1,822	5,287	-	531
Accruals	4,298	4,191	-	-
	<u>16,499</u>	<u>19,381</u>	<u>3,518</u>	<u>3,513</u>

## 20. DEFERRED TAXATION

### Group

	2020 £000	
At beginning of year	(320)	
Charged to profit or loss	(192)	
<b>At end of year</b>	<b><u>(512)</u></b>	
	<b>Group</b> <b>2020</b> <b>£000</b>	<b>Group</b> <b>2019</b> <b>£000</b>
Short term timing differences	<b><u>(512)</u></b>	<b><u>(320)</u></b>
	<b><u>(412)</u></b>	<b><u>(320)</u></b>

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

## 21. SHARE CAPITAL

	2020 £000	2019 £000
<b>Allotted, called up and fully paid</b>		
11,297,000 (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.

## 22. 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 £336,000 (2019: £246,000).

Contributions amounting to £55,000 (2019: £67,000) were payable to the scheme at the year end.

## 23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £000	Group 2019 £000
Not later than 1 year	819	811
Later than 1 year and not later than 5 years	1,620	1,892
Later than 5 years	307	662
	<u>2,746</u>	<u>3,365</u>

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

#### **24. RELATED PARTY TRANSACTIONS**

Rent and service charges of £177,000 (2019: £119,000) 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 (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 £425,000 (2019: £513,000). Charges in the year were raised to this related party amounting to £59,000 (2019: £41,000). These amounts remain fully provided for at 31 December 2019.

During the period remuneration to close family members totalled £146,000 (2019: £126,000).

#### **25. 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.