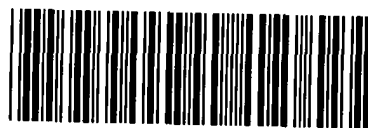


Registered number: 08430008

WHAT3WORDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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WHAT3WORDS LIMITED

COMPANY INFORMATION

Directors

M Hafner
A Guefor
Dr. J W Lazar
C J R Sheldrick
J D Waley-Cohen

Registered number

08430008

Registered office

What3words
Studio 301 Great Western Studios
65 Alfred Rd
London
England
W2 5EU

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

WHAT3WORDS LIMITED

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WHAT3WORDS LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

The directors present their Strategic report and accompanying financial statements for the year ended 31 December 2020.

Business review

During the year the Group continued to recognise revenue from the sale of its core product, an enterprise software system for the bi-directional conversion of GPS coordinates to 3-word addresses. The Group also continued to target specific local markets around the world to drive consumer awareness and usage of the product on a free-to-use basis principally through its app and webmap site, as well as working with businesses across a range of industries to generate commercial returns. The business has further developed its API interface, including the speech recognition functionality, enabling partners to integrate what3words into their own systems via a self-serve web-based platform.

Following an investment by Channel 4 Ventures in the year on an "airtime for equity" basis, the Group launched its first broadcast television campaigns in the UK, to further build awareness of the product's capabilities in emergency situations plus promotion of its wider use cases.

Like many businesses, the Group has been impacted by Covid-19 during the year. Movement restrictions from national lockdowns and international border closures have impacted year-on-year revenue growth. The Group assessed the range of Government support made available for businesses in the UK, but ultimately did not apply for any such assistance. The Group adapted to full remote working in March 2020, with office attendance on a voluntary basis when legally permissible during the year and in accordance with covid-secure working practices. In spite of the commercial challenges brought on by Covid-19, the Group signed a number of future revenue generating deals across various industries such as automotive and logistics, and also signed additional free-to-use licenses with emergency service providers in a number of countries including the UK, Australia, Canada and Germany.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The principal risks and uncertainties affecting the Group are considered to include:

Covid-19

As progress is made in controlling the Covid-19 virus and rolling out immunisations on a global basis, macroeconomic forecasts predict economies will bounce back during 2021 and beyond. There remains a risk regarding the speed and extent of these economic recoveries, plus residual uncertainty as to the possibility for further spikes in Covid-19 cases and the impacts these may bring. For example further lockdowns or continuing travel restrictions may influence the Group's future growth forecasts given consumer mobility is a predictor for increased usage, alongside the strategy of developing international business relationships to increase commercial returns.

Commercial risk

The success of the business is dependent on the development, conversion and retention of a pipeline of commercial contracts to take the business cash flow positive and profitable.

Behavioural change risk

The Group has created a new addressing format, with the aim of becoming a universal standard for location referencing. A key aspect of this is acquiring and retaining a high volume of new engaged consumers, creating wide-scale network effects and consumer behaviour change to ultimately deliver commercial contracts.

WHAT3WORDS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial key performance indicators

The Group's loss for the year was £16,090,222 (2019: loss £14,468,797), with the increase compared to 2019 principally due to additional investment in growth marketing to drive consumer acquisition and awareness, including a large-scale digital and broadcast television campaign in the UK.

The Group has net assets of £20,374,570 (2019: £23,338,590), predominantly comprised of cash and cash equivalents totaling £19,351,935 (2019: £22,321,163).

The Group has continued to successfully raise investment finance, with a further £12.9m of Series C investment completed in the year, including the Group's first crowdfunded campaign which raised £7.2m from a base of over 10,000 retail investors. A further £28.4m of Series C investment also closed in March 2021 from a range of new and existing investors, including funding from the investment arm of a major consumer-facing logistics business and media for equity deals with two UK television broadcasters.

This report was approved by the board on 21 April 2021 and signed on its behalf.



J D Waley-Cohen
Director

WHAT3WORDS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £16,090,222 (2019: loss £14,468,797).

The directors do not recommend payment of a dividend (2019: Nil).

Future developments

The Group plans to continue building a strong international user base, initially focused in a small number of key countries, and then convert this consumer awareness into commercial revenue-generating deals across a range of global industries.

Subsidiaries and branches outside the UK

There are two wholly-owned subsidiaries in USA and Germany. The Group also has a branch in South Africa.

Directors

The directors who served during the year were:

G Massing (resigned 1 April 2021)
A Guefor
Dr. J W Lazar
C J R Sheldrick
J D Waley-Cohen
M Hafner (appointed 1 April 2021)

Qualifying third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

WHAT3WORDS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Going concern

The directors have assessed the Group and Company's ability to continue as a going concern by preparing a cash flow forecast of all expected cash flows for 12 months from the date of signing these financial statements, taking into account the following principal factors:

- the Group's cash balance at year end of £19.4m;
- the current and forecasted cash burn rate; and
- positive assessment of continuing ability to raise investment finance as validated by the £28.4m funding completed in March 2021.

The Company and the Group has run a downside scenario of an immediate reduction in sales, and therefore revenue, to nil, but maintaining the current level of expenditure. This is done to identify risks to liquidity and takes into consideration the impact of COVID-19 on the global economy and any possible related effects on the Group and Company's commercial pipelines. After applying the downside sensitivity, the Directors have not identified any material uncertainties to the Company or the Group's ability to continue to operate over a period of at least 12 months from the date of approval of the financial statements as they believe cash reserves are sufficient to sustain the business. The directors do not have an intention to liquidate the Group or Company, nor to cease trading.

The directors believe that based on the Company's and the Group's cash balance at year end, the further £28.4m of investment received in March 2021 and the current and forecasted cash burn rate, the Company and the Group has sufficient liquidity headroom to enable changes in the business plan should they be required to ensure the business can meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

The Company and the Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Post balance sheet events

On 4 January 2021, the Group issued 143,742 C1 Preferred shares in exchange for media services worth £0.5m provided across December 2020 and January 2021. Further details can be found in note 20 of the financial statements. Over the period 3 March 2021 to 29 March 2021, the Group completed an additional C1 investment from new and existing investors totaling £28.4m in exchange for a combination of cash and media services under media for equity arrangements. Both of these events are non-adjusting. There have been no other significant events affecting the Group or Company since the year end.

WHAT3WORDS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

WHAT3WORDS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Independent auditors

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be considered in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 April 2021 and signed on its behalf.



J D Waley-Cohen
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHAT3WORDS LIMITED

Opinion

We have audited the financial statements of What3words Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and of the parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group and the parent Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and of the parent Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and of the parent Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHAT3WORDS LIMITED (CONTINUED)

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

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHAT3WORDS LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHAT3WORDS LIMITED (CONTINUED)

Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks being UK GAAP, the Companies Act 2006 and the relevant UK tax compliance regulations.
- We understood how the group is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of intangible assets;
 - the occurrence of revenue in relation to the accounting for new contracts; and
 - the journal entry process.
- Our audit procedures for significant components included in the scope of our audit involved: journal entry testing, with a focus on year end journals and journals indicating large or unusual transactions based on our understanding of the business; challenging assumptions and judgements made by management in its significant accounting estimates and review of the accounting for new revenue contracts. In addition, we completed audit procedures to conclude on the compliance of disclosures in the accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHAT3WORDS LIMITED (CONTINUED)

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
 - the provisions of the applicable legislation;
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
 - the applicable statutory provisions.
- No matters about non-compliance were communicated to the engagement team.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
 - the applicable statutory provisions.

Use of our report

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

Grant Thornton UK LLP

Aimee Griffiths BA FCA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London Finsbury
Date: 21/4/2021

WHAT3WORDS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	458,830	392,989
Gross profit		458,830	392,989
Administrative expenses		(17,253,674)	(15,032,428)
Other operating income	5	165	13,043
Operating loss	6	(16,794,679)	(14,626,396)
Interest receivable and similar income	10	115,936	165,319
Interest payable and expenses	11	(255)	(366)
Loss before taxation		(16,678,998)	(14,461,443)
Tax on loss	12	588,776	(7,354)
Loss for the financial year		(16,090,222)	(14,468,797)
Foreign exchange reserve		(6,230)	(11,654)
Other comprehensive income for the year		(6,230)	(11,654)
Total comprehensive income for the year		(16,096,452)	(14,480,451)

There were no recognised gains and losses for 2020 or 2019 other than those included in the Consolidated statement of comprehensive income.

All amounts relate to continuing operations.

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED
REGISTERED NUMBER:08430008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	1,233,424	1,089,758
Tangible assets	14	188,720	334,872
		<u>1,422,144</u>	<u>1,424,630</u>
Current assets			
Debtors: amounts falling due within one year	16	997,705	920,831
Cash at bank and in hand	17	19,351,935	22,321,163
		<u>20,349,640</u>	<u>23,241,994</u>
Creditors: amounts falling due within one year	18	(1,397,214)	(1,328,034)
Net current assets		<u>18,952,426</u>	<u>21,913,960</u>
Total assets less current liabilities		<u>20,374,570</u>	<u>23,338,590</u>
Net assets		<u>20,374,570</u>	<u>23,338,590</u>
Capital and reserves			
Called up share capital	20	404,425	367,901
Share premium account	21	69,270,544	56,864,706
Foreign exchange reserve	21	(19,731)	(13,501)
Other reserves	21	3,688,915	2,998,845
Profit and loss account	21	(52,969,583)	(36,879,361)
		<u>20,374,570</u>	<u>23,338,590</u>

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



J D Waley-Cohen
 Director
 Date: 21 April 2021

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED
REGISTERED NUMBER:08430008

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	13	1,233,424	1,089,758
Tangible assets	14	188,720	334,872
Investments	15	22,280	22,280
		<u>1,444,424</u>	<u>1,446,910</u>
Current assets			
Debtors: amounts falling due within one year	16	1,021,365	944,795
Cash at bank and in hand	17	19,315,557	22,287,563
		<u>20,336,922</u>	<u>23,232,358</u>
Creditors: amounts falling due within one year	18	(1,397,459)	(1,327,401)
Net current assets		<u>18,939,463</u>	<u>21,904,957</u>
Total assets less current liabilities		<u>20,383,887</u>	<u>23,351,867</u>
Net assets		<u><u>20,383,887</u></u>	<u><u>23,351,867</u></u>
Capital and reserves			
Called up share capital	20	404,425	367,901
Share premium account	21	69,270,544	56,864,706
Other reserves	21	3,688,915	2,998,845
Profit and loss account	21	(52,979,997)	(36,879,585)
		<u>20,383,887</u>	<u>23,351,867</u>

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 Company's loss after tax for the year was £16,100,412 (2019: loss £14,475,815).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2021.



J D Waley-Cohen
Director

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2020	367,901	56,864,706	(13,501)	2,998,845	(36,879,361)	23,338,590
Loss for the year	-	-	-	-	(16,090,222)	(16,090,222)
Foreign exchange reserve	-	-	(6,230)	-	-	(6,230)
Total comprehensive income for the year	-	-	(6,230)	-	(16,090,222)	(16,096,452)
Costs relating to share issue	-	(139,797)	-	-	-	(139,797)
Issue of ordinary share capital	21,094	6,903,536	-	35,000	-	6,959,630
Issue of ordinary preference capital	15,430	5,642,099	-	-	-	5,657,529
Equity settled share based payment transactions	-	-	-	655,070	-	655,070
Total transactions with owners	36,524	12,405,838	-	690,070	-	13,132,432
At 31 December 2020	404,425	69,270,544	(19,731)	3,688,915	(52,969,583)	20,374,570

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Foreign exchange reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2019	329,390	43,862,446	(1,847)	2,077,385	(22,410,564)	23,856,810
Loss for the year	-	-	-	-	(14,468,797)	(14,468,797)
Foreign exchange reserve	-	-	(11,654)	-	-	(11,654)
Total comprehensive income for the year	-	-	(11,654)	-	(14,468,797)	(14,480,451)
Costs relating to share issue	-	(246,493)	-	-	-	(246,493)
Issue of ordinary share capital	270	-	-	-	-	270
Issue of ordinary preference capital	38,241	13,248,753	-	-	-	13,286,994
Equity settled share based payment transactions	-	-	-	921,460	-	921,460
Total transactions with owners	38,511	13,002,260	-	921,460	-	13,962,231
At 31 December 2019	367,901	56,864,706	(13,501)	2,998,845	(36,879,361)	23,338,590

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	367,901	56,864,706	2,998,845	(36,879,585)	23,351,867
Comprehensive income for the year					
Loss for the year	-	-	-	(16,100,412)	(16,100,412)
Total comprehensive income for the year	-	-	-	(16,100,412)	(16,100,412)
Equity settled share based payment transactions	-	(139,797)	-	-	(139,797)
Issue of ordinary share capital	21,094	6,903,536	35,000	-	6,959,630
Issue of preference share capital	15,430	5,642,099	-	-	5,657,529
Equity settled share based payment transactions	-	-	655,070	-	655,070
Total transactions with owners	36,524	12,405,838	690,070	-	13,132,432
At 31 December 2020	404,425	69,270,544	3,688,915	(52,979,997)	20,383,887

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	329,390	43,862,446	2,077,385	(22,403,770)	23,865,451
Comprehensive income for the year					
Loss for the year	-	-	-	(14,475,815)	(14,475,815)
Total comprehensive income for the year	-	-	-	(14,475,815)	(14,475,815)
Costs relating to share issue	-	(246,493)	-	-	(246,493)
Issue of ordinary share capital	270	-	-	-	270
Issue of preference share capital	38,241	13,248,753	-	-	13,286,994
Equity settled share based payment transactions	-	-	921,460	-	921,460
Total transactions with owners	38,511	13,002,260	921,460	-	13,962,231
At 31 December 2019	367,901	56,864,706	2,998,845	(36,879,585)	23,351,867

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(16,090,222)	(14,468,797)
Adjustments for:		
Amortisation of intangible assets	126,974	95,913
Depreciation of tangible assets	205,441	429,392
Interest paid	255	366
Interest received	(115,936)	(165,319)
Taxation (credit)/charge	(588,776)	7,354
(Increase) in debtors	(76,874)	(2,486)
Increase in creditors	70,716	62,805
Corporation tax received	589,936	538,669
Difference on foreign exchange	(8,926)	(23,378)
Equity settled share based payment expense	690,070	921,460
Media for equity expense	695,882	-
Net cash used in operating activities	(14,501,460)	(12,604,021)
Cash flows from investing activities		
Purchase of intangible fixed assets	(270,640)	(337,293)
Purchase of tangible fixed assets	(59,289)	(316,686)
Interest received	115,936	165,319
Net cash used in investing activities	(213,993)	(488,660)

WHAT3WORDS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from financing activities		
Interest paid	(255)	(366)
Proceeds from issue of shares	11,886,277	13,286,994
Cost of issue of share capital	(139,797)	(246,493)
Net cash generated from financing activities	11,746,225	13,040,135
Net (decrease) in cash and cash equivalents	(2,969,228)	(52,546)
Cash and cash equivalents at beginning of year	22,321,163	22,373,709
Cash and cash equivalents at the end of year	19,351,935	22,321,163
Cash and cash equivalents at the end of year comprise:		
Bank and cash balances	19,351,935	22,321,163
	19,351,935	22,321,163

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash at bank and in hand	22,321,163	(2,969,228)	19,351,935

The notes on pages 21 to 41 form part of these financial statements.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

What3words Limited is a private company limited by shares and incorporated in England and Wales. The registered office is located at What3words, Studio 301 Great Western Studios, 65 Alfred Road, London, England, W2 5EU.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Company has taken advantage of the following exemptions in its individual financial statements:

- a. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- b. from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- c. from disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein; and
- d. from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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 following principal accounting policies have been applied:

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.2 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

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.

2.3 Going concern

The directors have assessed the Group and Company's ability to continue as a going concern by preparing a cash flow forecast of all expected cash flows for 12 months from the date of signing these financial statements, taking into account the following principal factors:

- the Group's cash balance at year end of £19.4m;
- the current and forecasted cash burn rate; and
- positive assessment of continuing ability to raise investment finance as validated by the £28.4m funding completed in March 2021.

The Company and the Group has run a downside scenario of an immediate reduction in sales, and therefore revenue, to nil, but maintaining the current level of expenditure. This is done to identify risks to liquidity and takes into consideration the impact of COVID-19 on the global economy and any possible related effects on the Group and Company's commercial pipelines. After applying the downside sensitivity, the Directors have not identified any material uncertainties to the Company or the Group's ability to continue to operate over a period of at least 12 months from the date of approval of the financial statements as they believe cash reserves are sufficient to sustain the business. The directors do not have an intention to liquidate the Group or Company, nor to cease trading.

The directors believe that based on the Company's and the Group's cash balance at year end, the further £28.4m of investment received in March 2021 and the current and forecasted cash burn rate, the Company and the Group has sufficient liquidity headroom to enable changes in the business plan should they be required to ensure the business can meet its liabilities as they fall due over a period of at least 12 months from the date of approval of these financial statements.

The Company and the Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.4 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are transacted at the exchange rates ruling at the year end. Exchange adjustments arising from the re-translation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.5 Revenue**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Software licenses:

Software licenses provide customers, via an application programming interface (API) or software development kit (SDK), access to the Group's proprietary technology which converts 3 word addresses to GPS coordinates and vice versa. Licenses fees are stated in the license contract, typically paid in advance and initially recognised as deferred income, being released to revenue evenly over the license period as the performance obligations under the license are satisfied, namely provision of access to the what3words geocoding technology for a specific period.

Software license royalties:

The Group earns software license royalty revenue from the integration of the Group's proprietary geocoding technology into customer's products, with a set fee payable per unit produced. Royalty revenue is recognised when the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the Group. Revenue is recognised on an accrual basis in line with the number of units produced by the customer with What3words technology incorporated.

Marketing services:

Revenue from marketing services is recognised upon completion of relevant services to the customer.

Sign sales:

The Group produces and sells 3 word address display signs, which can be ordered through the Group's website for specific locations requested by the customer. Revenue is recognised when the risks and rewards of ownership are passed to the customer following despatch of the sign.

2.6 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2.7 Research and development

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

2.8 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

WHAT3WORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.9 Finance costs

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

2.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2.12 Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.13 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.14 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents	- 5% straight line
Word list	- 10% straight line
Development costs	- 33.33% straight line
Trademarks	- 10% straight line

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.15 Tangible fixed assets (continued)**

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

Depreciation is provided on the following basis:

Leasehold improvements	- over the term of the lease
Fixtures and fittings	- 25% reducing balance
Computer equipment	- 33.33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 Debtors

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

2.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.21 Financial instruments**

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow Group companies 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Impairment of intangible assets

Management assess whether there are indicators of impairment on an annual basis. Where there are indicators of impairment of individual assets, management estimate the recoverable amount of each asset based on expected future discounted cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of suitable discount rate.

Useful economic lives

Management establish a reliable estimate of the useful life of intangible assets. This estimate is based on a variety of factors such as the expected use of the assets and assumptions that market participants would consider in respect of similar businesses. Management review the estimate of the useful lives of intangible assets at each reporting date, based on the expected utility of the assets.

Share based payments

Share options are measured at their fair value using the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

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

	2020 £	2019 £
UK	26,395	32,623
Europe	401,014	324,784
Rest of world	31,421	35,582
	<u>458,830</u>	<u>392,989</u>

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

	2020 £	2019 £
Sale of goods	21,469	30,175
Rendering of services	437,361	362,814
	<u>458,830</u>	<u>392,989</u>

5. Other operating income

	2020 £	2019 £
Other operating income	165	13,043

6. Operating loss

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

	2020 £	2019 £
Exchange losses	1,154	10,734
Depreciation of tangible fixed assets	205,441	429,392
Gain on disposal of tangible fixed assets	(22)	(590)
Amortisation of intangible assets	126,974	95,913
Operating lease charges	868,982	831,492
Share based payments	690,070	921,460

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Auditor's remuneration

	2020	2019
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	30,000	28,000
Fees payable to the Group's auditor and its associates in respect of:		
Non-audit - accounts preparation	2,160	2,100
Taxation compliance services	5,250	4,500
Taxation advisory services	-	12,500

8. Employees

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

	Group 2020	Group 2019	Company 2020	Company 2019
	£	£	£	£
Wages and salaries	7,702,859	6,274,042	7,524,720	6,137,107
Social security costs	874,757	704,633	869,289	694,110
Cost of defined contribution scheme	197,301	158,685	195,271	155,165
	8,774,917	7,137,360	8,589,280	6,986,382

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

	2020	2019
	No.	No.
Administration	102	92
Management	16	8
	118	100

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	274,427	267,173
Directors' national insurance	33,285	34,379
Company contributions to defined contribution pension schemes	21,790	11,322
	<u>329,502</u>	<u>312,874</u>

There have been no transactions in 2020 (2019: *none*) with non executive board members other than the exercise of the options listed below.

Options exercised by directors in 2020:

John Lazar exercised 27,000 options on 5 August 2020.

Options exercised by directors in 2019:

John Lazar exercised 27,000 options on 8 July 2019.

10. Interest receivable

	2020 £	2019 £
Other interest receivable	<u>115,936</u>	<u>165,319</u>

11. Interest payable and similar expenses

	2020 £	2019 £
Other interest payable	<u>255</u>	<u>366</u>

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Taxation

	2020	2019
	£	£
Corporation tax		
Adjustments in respect of previous periods	(589,936)	6,191
Foreign tax on income for the year	1,160	1,163
Total current tax	(588,776)	7,354
Deferred tax		
Total deferred tax	-	-
Taxation on loss on ordinary activities	(588,776)	7,354

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Taxation (continued)**Factors affecting tax charge for the year**

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

	2020 £	2019 £
Loss on ordinary activities before tax	(16,678,998)	(14,461,443)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(3,169,010)	(2,747,674)
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	126,849	179,586
Fixed asset differences	12,836	30,734
Foreign tax credits	1,160	1,163
Adjustment to tax charge in respect of previous periods	(589,936)	6,191
Deferred tax not recognised	3,029,165	2,286,343
Adjust closing and opening deferred tax to average rate of 19%	-	268,982
Other permanent differences	160	(17,971)
Total tax (credit)/charge for the year	(588,776)	7,354

The Company has estimated losses of £44,197,822 (2019: £30,252,121) available for carry forward against future profits.

A net deferred tax asset of £8,493,491 (2019: £5,216,007) has not been recognised as there is uncertainty in the timing of future profits against which to offset such asset.

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Intangible assets**Group and Company**

	Patents and trademarks £	Word list £	Development costs £	Total £
Cost				
At 1 January 2020	459,265	845,660	670,975	1,975,900
Additions	101,372	169,268	-	270,640
At 31 December 2020	560,637	1,014,928	670,975	2,246,540
Amortisation				
At 1 January 2020	69,158	146,009	670,975	886,142
Charge for the year on owned assets	33,398	93,576	-	126,974
At 31 December 2020	102,556	239,585	670,975	1,013,116
Net book value				
At 31 December 2020	458,081	775,343	-	1,233,424
At 31 December 2019	390,107	699,651	-	1,089,758

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Tangible fixed assets**Group and Company**

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	513,004	161,724	248,789	923,517
Additions	21,385	4,246	33,658	59,289
At 31 December 2020	534,389	165,970	282,447	982,806
Depreciation				
At 1 January 2020	410,680	62,723	115,242	588,645
Charge for the year on owned assets	97,657	25,709	82,075	205,441
At 31 December 2020	508,337	88,432	197,317	794,086
Net book value				
At 31 December 2020	26,052	77,538	85,130	188,720
At 31 December 2019	102,324	99,001	133,547	334,872

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	22,280
At 31 December 2020	22,280
Net book value	
At 31 December 2020	22,280
At 31 December 2019	22,280

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Date of incorporation	Class of shares	Holding
what3words GmbH	Germany	22 August 2018	Ordinary	100%
what3words Inc	US	31 May 2018	Ordinary	100%

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	64,344	3,063	64,344	3,063
Amounts owed by group undertakings	-	-	24,359	23,967
Other debtors	580,329	540,095	579,630	540,092
Prepayments and accrued income	353,032	377,673	353,032	377,673
	997,705	920,831	1,021,365	944,795

17. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	19,351,935	22,321,163	19,315,557	22,287,563

18. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	408,345	409,791	407,101	409,791
Corporation tax	33,474	4,495	35,505	4,495
Other taxation and social security	243,969	215,895	243,982	215,895
Other creditors	51,511	47,279	50,972	46,646
Accruals and deferred income	659,915	650,574	659,899	650,574
	1,397,214	1,328,034	1,397,459	1,327,401

WHAT3WORDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Financial instruments

	Group 2020 £	<i>Group 2019 £</i>
Financial assets		
Financial assets that are debt instruments measured at amortised cost	644,673	<i>543,158</i>
Financial liabilities		
Financial liabilities measured at amortised cost	(1,094,472)	<i>(1,107,555)</i>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

20. Share capital

	2020 £	<i>2019 £</i>
Allotted, called up and fully paid		
19,105,310 (2019: 16,996,000) Ordinary shares of £0.01 each	191,053	<i>169,960</i>
3,396,000 (2019: 3,396,000) A1 Preferred shares of £0.01 each	33,960	<i>33,960</i>
5,828,000 (2019: 5,828,000) A2 Preferred shares of £0.01 each	58,280	<i>58,280</i>
12,113,177 (2019: 10,570,127) C1 Preferred shares of £0.01 each	121,132	<i>105,701</i>
	404,425	<i>367,901</i>

During the year the Company issued 1,543,050 C1 Preferred shares and 2,109,310 Ordinary shares. All Ordinary shares were issued for cash. Of the C1 Preferred shares issued in the year, 200,444 were issued in exchange for media services provided under a media for equity arrangement with a UK public service broadcaster. Of this total, 56,539 were allotted in respect of services received in December 2020, and therefore are recognised within share capital as at 31 December 2020. However the shares were only issued on 4 January 2021 in conjunction with a further 87,203 of shares issued for media services provided in January 2021 under the same media for equity arrangement (143,742 total shares issued on 4 January 2021). All other C1 Preferred shares were issued for cash.

All classes of transactions rank pari passu in all respects except for dividends or other distributions made pursuant to Article 8 (Liquidation event) and anti-dilution rights pursuant to Article 7 (Anti-dilution protection) of the Articles of Association. The funds raised shown in equity are net of transaction costs.

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21. Reserves**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign exchange reserve

The foreign exchange reserve contains the translation differences that arise upon translating the results of subsidiaries with a functional currency other than Sterling.

Profit and loss account

Includes all current and prior periods' retained profits & losses.

Other reserves - Share based payments

Each option granted converts to one ordinary share on exercise. During the year the Company recognised total share based payment expenses of £690,070 (2019: £921,460).

22. Share based payments

The number of employee and non-employee share options and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (pence) 2020	Number 2020	<i>Weighted average exercise price (pence) 2019</i>	<i>Number 2019</i>
Outstanding at the beginning of the year	.01	2,322,427	.01	2,099,000
Granted during the year	.01	1,621,158	.01	469,566
Forfeited during the year	.01	(199,597)	.01	(219,139)
Exercised during the year	.01	(27,000)	.01	(27,000)
Expired during the year	-	-	-	-
Outstanding at the end of the year	.01	3,716,988	.01	2,322,427

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22. Share based payments (continued)

	2020 Black Scholes	2019 Black Scholes
Option pricing model used		
Exercise price (pence)	.01	.01
Weighted average contractual life (years)	4-7.3	4-7.3
Expected volatility	52.5%	52.5%
Expected dividend growth rate	0%	0%
Risk-free interest rate	0%	1%

23. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions totalling £50,861 (2019: £40,933) were payable to the fund at the reporting date and are included in creditors.

24. 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 £	Group 2019 £	Company 2020 £	Company 2019 £
Rent due within 1 year	822,104	694,171	822,104	694,171
Rent due within 2 - 5 years	1,027,631	205,526	1,027,631	205,526
	1,849,735	899,697	1,849,735	899,697

25. Related party transactions

The Company has taken advantage of the exemptions conferred by FRS 102 allowing it not to disclose any transactions with other members of the Group that are 100% owned.

The key management personnel of the Group are considered to be the executive directors. Directors' Remuneration is disclosed in Note 9.

During the year the Group made sales to Mercedes-Benz AG, a shareholder, of £351,839 (2019: £324,617).

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26. Post balance sheet events

On 4 January 2021, the Group issued 143,742 C1 Preferred shares in exchange for media services worth £0.5m provided across December 2020 and January 2021, further details can be found in note 20 of the financial statements. Over the period 3 March 2021 to 29 March 2021, the Group completed an additional C1 investment from new and existing investors totaling £28.4m in exchange for a combination of cash and media services under media for equity arrangements. Both of these events are non-adjusting. There have been no other significant events affecting the Group or Company since the year end.

27. Ultimate controlling party

There is no individual shareholder with over 25% ownership of the Company, therefore there is no ultimate beneficial owner. This is the largest and smallest Group for which consolidated accounts are prepared.