



Financial statements Applied Language Solutions Limited

For the Period Ended 31 December 2011



Company No. 05122429

Officers and professional advisers

Company registration number	05122429
Registered office	17 Rochester Row Westminster London SW1P 1QT
Directors	M McCloskey R J Shearer A G Parker Capita Corporate Director Limited
Secretary	Capita Group Secretary Limited
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor No 1 Whitehall Riverside Leeds LS1 4BN

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Report of the directors

The directors present their report and the financial statements of the company for the seven month period ended 31 December 2011

Principal activity and business review

The principal activity of the company during the period was that of secretarial, translation and interpreting services

Sales for the period were £6.8m, representing a relative increase of 10% on the previous year. The gross margin reduced to 29%, reflecting the continued increase in lower margin interpreting work and the general pressure on price in the challenging economic environment. Other operating charges increased by 60% on the previous year due to a number of one-off items (see note 2) and an increase in headcount. As a result of the reduced margins and increased cost, the company recorded a loss before tax of £2.0 million for the period (year ended 31 May 2011: loss of £0.4 million).

The company was awarded the Ministry of Justice (MOJ) framework agreement for language services in August 2011. This national agreement will see the company providing interpreting and translation services to various MOJ authorities from 31 January 2012. This will drive significant growth for the business through the public sector. Significant costs have been incurred in 2012 to develop the company's infrastructure to meet the requirements of this contract.

Results and dividends

The loss for the period after taxation amounted to £2,014,945. The directors have not recommended a dividend.

The entire share capital of the company was acquired by Capita plc (formerly The Capita Group plc) on 22 December 2011. The company obtained financial support from the group in a long term loan and settled its existing bank loans, overdraft, invoice discounting and mezzanine facilities. The inter company loan obtained is not interest-bearing.

Financial risk management objectives and policies

The company's operations expose it to a variety of risks including the effects of changes in interest rates on debt, foreign currency risk, credit risk and liquidity risk.

The main risks and measures that the company has taken to control these risks can be summarised as follows:

Cash flow interest rate risk

During the period the company had a bank loan at 3.5% above base rate, a mezzanine facility at 10% per annum and an overdraft facility at market rate. It was the company's policy to manage its liquidity with minimal recourse to the overdraft. These risks were removed on the repayment of facilities.

Foreign currency risk

The main foreign currency in which the company operates is the US Dollar.

Exposure to the risk of changes in foreign currency rates is minimised by operating overseas bank accounts.

Report of the directors (continued)

Credit risk

The company's principal financial assets are bank balances, cash and trade debtors that represent the company's maximum exposure to credit risk in relation to financial assets

The credit risk is primarily attributable to its trade debtors. The risk is managed by maintaining a strict credit policy and effective credit rating of prospective customers

The amounts presented in the balance sheet are net of allowances for doubtful debts estimated by the company's management based on prior experience and their assessment of the current economic environment

The company has no significant concentration of credit risk with exposure spread over a large number of customers

Liquidity risk

The company previously ensured continuity of funding through invoice discounting, bank loans and its overdraft facility. Funding is now obtained through its parent company, Capita plc

Price risk

The company has no significant exposure to securities price risk as it holds no listed equity investments

Directors

The directors who served the company during the year were as follows

M McCloskey	(appointed 14 February 2012)
R G Shearer	(appointed 22 December 2011)
A J Parker	(appointed 22 December 2011)
Capita Corporate Director Limited	(appointed 22 December 2011)
T D Jackson	(resigned 22 December 2011)
S R Ratcliffe	(resigned 22 December 2011)
A J Dixon	(resigned 22 December 2011)
G L Wheeldon	(resigned 5 July 2012)

Creditor payment policy

The company aims to pay suppliers in accordance within the terms of the contracts of the suppliers. The company had an average of 47 days' purchases (31 May 2011 – 77 days' purchases) outstanding in trade creditors

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (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 company and of the profit or loss of the company for that period. In preparing those 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The directors have considered liquidity, risk and going concern and concluded that the going concern basis of accounting is appropriate. Further disclosure can be found in the financial statements of the ultimate parent undertaking, Capita plc.

ON BEHALF OF THE BOARD



R J Shearer
Director
27 September 2012



Independent auditor's report to the members of Applied Language Solutions Limited

We have audited the financial statements of Applied Language Solutions Limited for the period ended 31 December 2011 which comprise the accounting policies, profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 to 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements.



Independent auditor's report to the members of Applied Language Solutions Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Grant Thornton UK LLP

RICHARD HOBSON (Senior Statutory Auditor)

For and on behalf of

GRANT THORNTON UK LLP

STATUTORY AUDITOR

CHARTERED ACCOUNTANTS

LEEDS

1 October 2012

Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention

The company has sustained significant losses during the period, and following its acquisition in December 2011, the directors have reassessed the carrying value of certain assets and written these values down where appropriate. The company has obtained the financial support from a group undertaking after the acquisition of its entire share capital and this support has replaced previous arrangements for meeting the capital requirements of the company through bank loans and invoice discounting arrangements. The level of support is considered adequate to fund losses to date and also the projections for growth and the changes in possible trading for the foreseeable future.

Accordingly, after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Consolidation

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by Section 400 of the Companies Act 2006 as it is a subsidiary of Capita plc, a company registered in England and Wales, and is included in the consolidated accounts of that company.

Related party transactions

The company has taken advantage of the exemption under FRS8 Related Party Disclosures not to disclose transactions entered into between members of Capita plc provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. Related party transactions are disclosed where the member is not wholly owned.

Cash flow statement

The company has not produced a cash flow statement on the basis that the ultimate parent undertaking, Capita plc, has prepared a group cash flow statement in accordance with FRS1 (revised).

Turnover

Revenue from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration.

Intangible assets

Intangible assets are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

Accounting policies (continued)

Amortisation

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

Goodwill - over estimated useful life of 20 years

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

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

Leasehold Property - 20% straight line
Fixtures & Fittings - 20% reducing balance
Computer Equipment - 33 3% reducing balance
Office Equipment - 33 3% reducing balance
Software Development - duration of contracted revenue

The estimated useful lives and methods applied in depreciating assets have been reviewed by the directors in line with changes in business plan and strategy following the acquisition of the company, in order to harmonise with the policies adopted by the parent company

	Previous method	Estimate	Revised method	Estimate
Leasehold Property	Straight line	17%	Straight line	5 years
Fixtures & Fittings	Reducing balance	15%	Straight line	5 years
Computer Equipment	Reducing balance	40%	Straight line	3 years
Office Equipment	Reducing balance	15%	Straight line	3 years
Software Development	Reducing balance	40%	Straight line	Term of contracted revenue

A review has been carried out of the recoverability of the amounts capitalised as software development and an adjustment has been made to write those assets down to the amount recoverable under specific contracts over their term. A review has also been carried out of the fixed asset register following repairs at the business and the carrying values of certain assets have been written down accordingly

Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The pension cost charged in the financial statements represents the contributions payable by the company during the period.

Deferred taxation

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Accounting policies (continued)

Financial instruments

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 entity after deducting all of its financial liabilities.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Profit and loss account

	Note	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Turnover	1	6,832,478	10,641,753
Cost of sales		(4,817,866)	(6,225,206)
Gross profit		2,014,612	4,416,547
Other operating charges excluding exceptional items		(2,636,422)	(4,420,973)
Exceptional items	2	(1,003,728)	-
Other operating charges	2	(3,640,150)	(4,420,973)
Operating loss	3	(1,625,538)	(4,426)
Interest payable and similar charges excluding exceptional costs	6	(181,627)	(380,910)
Exceptional costs	6	(306,543)	-
Loss on ordinary activities before taxation		(2,113,708)	(385,336)
Tax on loss on ordinary activities	7	98,763	54,365
Loss for the financial year	21	(2,014,945)	(330,971)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

Balance sheet

	Note	31 December 2011 £	31 May 2011 £
Fixed assets			
Intangible assets	8	-	119,992
Tangible assets	9	105,841	339,663
Investments	10	-	21,975
		<u>105,841</u>	<u>481,630</u>
Current assets			
Debtors amounts falling due within one year	11	2,526,280	3,531,712
Debtors amounts falling due after more than one year	11	-	156,792
Cash at bank and in hand		245,128	390,284
		<u>2,771,408</u>	<u>4,078,788</u>
Creditors, amounts falling due within one year	12	<u>2,417,723</u>	<u>3,115,624</u>
Net current assets		<u>353,685</u>	<u>963,164</u>
Total assets less current liabilities		<u>459,526</u>	<u>1,444,794</u>
Creditors, amounts falling due after more than one year	13	2,575,030	1,584,749
Provisions for liabilities	15	54,260	20,100
		<u>(2,169,764)</u>	<u>(160,055)</u>
Capital and reserves			
Called-up equity share capital	18	100	92
Share premium account	19	5,910	682
Other reserves	20	8	8
Profit and loss account	21	(2,175,782)	(160,837)
Shareholders' deficit	22	<u>(2,169,764)</u>	<u>(160,055)</u>

These financial statements were approved by the directors and authorised for issue on 27 September 2012 and are signed on their behalf by



R J Shearer
Director

Company Registration Number 05122429

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
United Kingdom	3,831,814	5,703,904
Rest of Europe	826,626	1,349,803
North America	2,152,776	3,389,637
Rest of the World	21,262	198,409
	<u>6,832,478</u>	<u>10,641,753</u>

2 Other operating charges

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Administrative expenses	<u>3,640,150</u>	<u>4,420,973</u>

Included within administrative expenses are the following exceptional items

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Accelerated write-down of software development costs	286,022	-
Additional provisions against potentially irrecoverable debts	259,023	-
Write-down of tangible fixed assets	43,986	-
Accelerated write-down of intangible assets	95,803	-
Provisions against potentially irrecoverable balances due from group undertakings	83,181	-
Loss on disposal of investment	21,975	-
Waiver of amounts receivable on disposal of investment	213,738	-
	<u>1,003,728</u>	<u>-</u>

Notes to the financial statements (continued)

3 Operating loss

Operating loss is stated after charging/(crediting)

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Amortisation of intangible assets	119,992	8,461
Depreciation of owned fixed assets	392,462	140,379
Depreciation of assets held under finance leases	1,955	2,971
Auditor's remuneration		
Audit fees	17,500	12,700
Tax compliance fees	-	3,050
Net loss on foreign currency translation	32,836	12,853

4 Particulars of employees

The average number of staff employed by the company during the financial period amounted to

	Period ended 31 December 2011 No	Year ended 31 May 2011 No
Sales	15	10
Operations	51	34
Administration	9	7
	<u>75</u>	<u>51</u>

The aggregate payroll costs of the above were

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Wages and salaries	1,324,168	1,709,566
Social security costs	145,279	183,569
Other pension costs	18,596	13,710
	<u>1,488,043</u>	<u>1,906,845</u>

Notes to the financial statements (continued)

5 Directors

Remuneration in respect of directors was as follows

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Remuneration receivable	149,244	265,995
Value of company pension contributions to money purchase schemes	-	2,540
	<u>149,244</u>	<u>268,535</u>

Remuneration of highest paid director

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Remuneration receivable	56,537	97,176
Value of company pension contributions to money purchase schemes	-	1,392
	<u>56,537</u>	<u>98,568</u>

The number of directors who accrued benefits under company pension schemes was as follows

	Period ended 31 December 2011 No	Year ended 31 May 2011 No
Money purchase schemes	<u>2</u>	<u>2</u>

6 Interest payable and similar charges

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Interest payable on bank borrowing	104,195	150,025
Finance charges payable under finance leases	503	1,330
Other similar charges payable	393,473	229,555
	<u>498,171</u>	<u>380,910</u>

Notes to the financial statements (continued)

Included in other similar charges is an exceptional charge due on the redemption of mezzanine funding precipitated by a change in the ownership of the company of £306,543

7 Tax on loss on ordinary activities

(a) Analysis of credit in the year

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the period at 20% (year ended 31 May 2011 - 21%)	-	(53,677)
Under provision in prior year	53,677	9,674
Total current tax	53,677	(44,003)
Deferred tax		
Origination and reversal of timing differences (note 16)	(152,440)	(10,362)
Tax on loss on ordinary activities	<u>(98,763)</u>	<u>(54,365)</u>

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 26% (year ended 31 May 2011 - 20%)

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Loss on ordinary activities before taxation	<u>(2,113,708)</u>	<u>(385,336)</u>
Loss on ordinary activities by rate of tax	(549,564)	(77,067)
Expenses not deductible for tax purposes	127,674	6,959
Depreciation for the year in excess of capital allowances	102,052	19,708
Unrelieved tax losses	211,674	50,676
Capital items taken as revenue deduction	-	(44,165)
Adjustments to tax charge in respect of previous periods	53,677	9,674
Other short term timing differences	108,165	71
Tax credit rate difference in respect of research and development	-	23,005
Tax uplift in respect of research and development	-	(32,864)
Total current tax (note 7(a))	<u>53,677</u>	<u>(44,003)</u>

Notes to the financial statements (continued)

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 June 2011 and 31 December 2011	<u>146,453</u>
Amortisation	
At 1 June 2011	26,461
Charge for the year	119,992
At 31 December 2011	<u>146,453</u>
Net book value	
At 31 December 2011	-
At 31 May 2011	<u>119,992</u>

Goodwill relates to the difference between the purchase costs and separable net assets of the Applied Language Solutions partnership and Translate4me at the date of acquisition. The Directors have reviewed the carrying value of goodwill and considered that the useful economic life previously applied to the assets has been impaired. The financial statements have been adjusted to reduce the net book value of these assets to nil.

9 Tangible fixed assets

	Leasehold Property £	Fixtures & Fittings £	Computer Equipment £	Software Development £	Total £
Cost					
At 1 June 2011	12,539	56,795	131,158	585,123	785,615
Additions	-	3,479	99,825	100,198	203,502
Disposals	-	(33,121)	(136,233)	-	(169,354)
At 31 December 2011	<u>12,539</u>	<u>27,153</u>	<u>94,750</u>	<u>685,321</u>	<u>819,763</u>
Depreciation					
At 1 June 2011	6,189	27,844	99,204	312,715	445,952
Provided in the period	2,153	3,629	16,029	372,606	394,417
Disposals	-	(17,224)	(109,223)	-	(126,447)
At 31 December 2011	<u>8,342</u>	<u>14,249</u>	<u>6,008</u>	<u>685,321</u>	<u>713,922</u>
Net book value					
At 31 December 2011	<u>4,197</u>	<u>12,903</u>	<u>88,741</u>	-	<u>105,841</u>
At 31 May 2011	<u>6,350</u>	<u>28,951</u>	<u>31,954</u>	<u>272,408</u>	<u>339,663</u>

Included within the net book value for computer equipment of £88,741 is £2,502 (31 May 2011 - £4,457) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period in respect of the assets was £1,955 (year ended 31 May 2011 - £2,971).

Notes to the financial statements (continued)

10 Investments

	Subsidiary undertakings £
Cost and net book value	
At 1 June 2011	21,975
Provided during the period	(21,975)
At 31 December 2011	<u>-</u>

At 31 December 2011 the company owned 100% of the issued share capital of the following companies

	Incorporation	Activity
Traslan Teoranta Limited	Ireland	Dormant
SquidgeIT Limited	England and Wales	Dormant
Applied Community Solutions Limited	England and Wales	Dormant
Applied Language Solutions BG EOOD	Bulgaria	Dormant
Applied Language Solutions Pty Limited	Australia	Dormant
Applied Language Solutions (DE) LLC	USA	Translation services
Applied Language Solutions Limited	Bulgaria	Translation services

During the period the investment in Traslan Teoranta Limited was written down to nil net book value

On 22 December 2011 the company subscribed for the entire share capital of Applied Language Solutions (DE) LLC, a company newly incorporated in Delaware, USA. The assets of its subsidiary Applied Language Solutions LLC (incorporated in California USA) were transferred to G Wheeldon for nil consideration. The company had a net deficiency of £32,041 at that date.

On disposal of this investment, Applied Language Solutions Limited waived its rights to receivables of £213,738 and the charges in respect of the waiver of these amounts are included in exceptional items (note 3).

Notes to the financial statements (continued)

11 Debtors

	31 December 2011 £	31 May 2011 £
Trade debtors	1,775,068	2,555,936
Amounts owed by group undertakings	-	83,181
Corporation tax repayable	-	51,991
Other debtors	105,503	342,316
Directors' loan accounts	-	20,000
Deferred tax asset (note 15)	132,340	-
Prepayments and accrued income	513,369	635,080
	<u>2,526,280</u>	<u>3,688,504</u>

The debtors above include the following amounts falling due after more than one year

	31 December 2011 £	31 May 2011 £
Other debtors	-	156,792

12 Creditors: amounts falling due within one year

	31 December 2011 £	31 May 2011 £
Bank loans	-	59,996
Invoice discounting	-	494,458
Trade creditors	1,065,724	1,308,308
Amounts owed to group undertakings	50,626	-
Other taxation and social security	164,290	280,874
Other creditors	8,367	-
Amounts due under finance leases	1,571	2,095
Accruals and deferred income	1,127,145	969,893
	<u>2,417,723</u>	<u>3,115,624</u>

Notes to the financial statements (continued)

The following liabilities disclosed under creditors falling due within one year are secured by the company

	31 December 2011 £	31 May 2011 £
Bank loans and invoice discounting	-	554,454

13 Creditors: amounts falling due after more than one year

	31 December 2011 £	31 May 2011 £
Bank loans	-	84,051
Other loans	-	1,500,000
Amounts due under finance leases	-	698
Amounts due to group undertakings	2,575,030	-
	<u>2,575,030</u>	<u>1,584,749</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	31 December 2011 £	31 May 2011 £
Bank and other loans	-	1,584,051

A bank loan secured by a fixed and floating charge over all the assets of the company and repayable in equal monthly instalments, at a rate of interest of 3.5% per annum above the HSBC Bank base rate was repaid during the period with the release of charges previously given

Other loans were also repaid during the period releasing a fixed and floating charge over all the assets of the company. A redemption premium ranging from 30% to 40% crystallised on the repayment of the loan resulting in an exceptional charge described in note 6

Notes to the financial statements (continued)

14 Commitments under finance leases

Future commitments under finance leases net of future finance lease charges are as follows

	31 December 2011 £	31 May 2011 £
Amounts payable within 1 year	1,571	2,095
Amounts payable between 2 to 5 years	-	698
	<u>1,571</u>	<u>2,793</u>

15 Provisions for liabilities

The movement in the deferred taxation provision during the period was

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Provision brought forward	20,100	30,462
Profit and loss account movement arising during the period (note 7)	(152,440)	(10,362)
(Asset)/provision carried forward (note 11)	<u>(132,340)</u>	<u>20,100</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	31 December 2011 £	31 May 2011 £
Excess of taxation allowances over depreciation on fixed assets	(28,335)	55,200
Other timing differences	(104,005)	(35,100)
	<u>(132,340)</u>	<u>20,100</u>

The company has tax losses carried forward of £989,628 which have not been recognised due to the trading performance of the company

Notes to the financial statements (continued)

Other provisions

The company has made provision against liabilities for dilapidation of its office accommodation under the terms of its leases

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Provision brought forward	-	-
Provided during the period	54,260	-
Provision carried forward	<u>54,260</u>	<u>-</u>

16 Related party transactions

The company was under the control of Mr G L Wheeldon during the period to 22 December 2011 and throughout the previous year by virtue of his majority holding in the company's issued share capital

The interest free loan of £20,000 taken out from the company by Mr G L Wheeldon during the year to 31 May 2011 was repaid in full during the period and represents the maximum amount outstanding during the period

The investment held by the company in Applied Language Solutions LLC (incorporated in California, USA) was transferred to Mr G L Wheeldon at nil consideration representing the value placed on the investment by the directors. The company had a net deficiency of £32,041 at that date

The company has taken advantage of the option granted by FRS 8 not to disclose transactions with its owned subsidiaries in the period from 22 December 2011 when it became part of Capita plc

17 Commitments under operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases in respect of land and buildings as set out below

	31 December 2011 £	31 May 2011 £
Operating leases which expire Within 2 to 5 years	<u>110,000</u>	<u>110,000</u>

Notes to the financial statements (continued)

18 Share capital

Authorised share capital

	31 December 2011 £	31 May 2011 £
100,000 Ordinary shares of £0.01 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid

	31 December 2011		31 May 2011	
	No	£	No	£
10,000 (31 May 2011 9,225) Ordinary shares of £0.01 each	<u>10,000</u>	<u>100</u>	<u>9,225</u>	<u>92</u>

On 7 July 2008, the company granted certain employees options to purchase ordinary shares of £0.01 each in the company at an exercise price of £26.26 per share. These options were exercisable over a period of up to 4 years. Options were granted over a maximum of 146 shares.

On 22 September 2009, the company granted certain employees options to purchase ordinary shares of £0.01 each in the company at an exercise price of £27.33 per share. These options were exercisable over a period of up to 4 years. Options were granted over a maximum of 71 shares.

On 22 December 2011 options were exercised over 197 shares of £0.01 each. 146 shares were exercised at £26.26 per share and 51 shares were exercised at £27.33 per share.

On 22 December 2011 the company issued 496 ordinary shares of £0.01 ranking pari passu with the other ordinary shares in issue at par and also issued a further 82 ordinary shares of £0.01 on 22 December 2011.

The 100,000 ordinary shares of £0.01 each of the company in issue were consolidated on 16 February 2012 into 100 ordinary shares of £1.00 each.

19 Share premium account

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Balance brought forward	682	682
Premium on shares issued in the period	<u>5,228</u>	<u>—</u>
Balance carried forward	<u>5,910</u>	<u>682</u>

Notes to the financial statements (continued)

20 Other reserves

	31 December 2011 £	31 May 2011 £
Capital redemption reserve	<u>8</u>	<u>8</u>

21 Profit and loss account

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Balance brought forward	(160,837)	170,134
Loss for the financial period/year	<u>(2,014,945)</u>	<u>(330,971)</u>
Balance carried forward	<u>(2,175,782)</u>	<u>(160,837)</u>

22 Reconciliation of movements in shareholders' deficit

	Period ended 31 December 2011 £	Year ended 31 May 2011 £
Loss for the financial period/year	(2,014,945)	(330,971)
New share capital subscribed	<u>5,236</u>	<u>-</u>
Net reduction in shareholders' funds	(2,009,709)	(330,971)
Opening shareholders' (deficit)/funds	<u>(160,055)</u>	<u>170,916</u>
Closing shareholders' deficit	<u>(2,169,764)</u>	<u>(160,055)</u>

23 Controlling related party

The entire share capital of the company was acquired by Capita Holdings Limited, a company registered in England and Wales on 22 December 2011. The company's ultimate parent undertaking is Capita plc. The financial statements of Capita plc are available from the registered office at 61-71 Victoria Street, London SW1H 0XA.

24 Post balance sheet events

On 31 January 2012 the company commenced a contract with Ministry of Justice under a framework agreement, to supply interpreting services to courts, tribunals, prisons and certain police forces. The agreement significantly increased the turnover of the company with financial and other support from Capita plc.

Notes to the financial statements (continued)

25 Contingent liability

The company is aware of the risk of historic payments to certain overseas translators being investigated by tax authorities, which may result in additional liabilities crystallising on the company. The directors believe that there is a possibility of such liabilities crystallising but are unable to accurately quantify the expected amount to be paid.