

Company Registration No. SC222407 (Scotland)

LINGO24 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

LINGO24 LIMITED

COMPANY INFORMATION

Directors	Mr C N Arno Mr A A M Campbell
Secretary	Mr C N Arno
Company number	SC222407
Registered office	18 Torphichen Street Edinburgh EH3 8JB
Auditor	Campbell Dallas Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF

LINGO24 LIMITED

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LINGO24 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

Lingo24 has a heritage as a leading Language Service Provider (LSP) with global reach and a trusted brand. The business is one of the few in the Language Service Business, who are successfully evolving as the market evolves and as such are now positioned as a Global Content Service Provider (akin to the Global Content Strategists as categorised by CSA Research when looking at the evolution and optimisation of businesses in the languages market). This progression as a business is as a result of its technical excellence in enabling translation at scale, the breadth of its service capability and the strength of its advisory pedigree when it comes to digital content and globalisation.

In 2019 the business successfully delivered the planned 40% growth in EBITDA performance as it prepares to move into its next investment cycle. The subsequent arrival of the Covid-19 pandemic has created a challenging environment for securing such investment, but working toward this next phase remains a priority.

The Board is pleased to report that the progress in our initiatives is now flowing through into improved financial results. This is evidenced not only in the positive earnings numbers referenced above but also in the following:

- Translation at scale showing through the number of customer spending multiples of hundreds of thousands (and in a growing number of cases over a million) with us in the year.
- Our focus on e-commerce continues to deliver growth for the business, with more than £1m of sales in new name business during 2019
- Improved translation margin delivered through efficiencies and an annual rhythm of price rises help move gross margins higher.

We have now established a strong underlying run-rate of business that is then supplemented by significant projects as our customers work with us in partnership to deliver business results through major initiatives. We saw a deferral of these larger projects as economic activity slowed across the globe in the face of the developing covid-19 pandemic. The strength of relationship with our blue chip customer base reflected in a high NPS rating along with our high rates of retention provide assurances that such large projects, though deferred, will return as economic activity picks up.

In 2019, our increased investment in client orientated events delivered dividends in the increased level of new named business. As we prepare for operating in the headwinds of a covid-19 impacted world, we see that such events in their current form will not be possible. Other means of driving new business are being progressed, but we anticipate that new business will be more challenging, but not impossible, during 2020.

LINGO24 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The key business risks affecting the company are as follows:-

- Turnover growth and customer retention
- Availability of working capital
- Foreign exchange
- Current economic conditions

The directors have in place a risk management system which aims to manage and reduce the above risks to which the company is exposed.

Risks and uncertainties - Global pandemic

The directors remain confident that the business is in the right shape to weather the covid-19 storm and to return quickly to our longer-term plans for sustainable and profitable growth. The basis of this confidence is outlined below in examining how the risks and uncertainties of the current economic environment are being mitigated.

The Covid-19 pandemic will impact the businesses of Lingo24's customers. Lingo24 operates in a number of different industries, some of which are being hit hard (e.g. the travel sector), some of which are seeing an increase in activity as a result of the pandemic (e.g. Health and Wellbeing) with a range of impacts in between for other sectors.

A revised budget has been developed which is based on a 35% fall in revenues. Despite such a fall in revenues a cash generative budget has been achieved as a result of the following:

- The cash generation planned in the original 2020 budget provides a cushion for a certain level of revenue reduction
- The business has conducted 2 cost cutting exercises in 2020. These have primarily been focused on leverage efficiencies in our platform to reduce headcount in our service delivery team. We also made some reductions in our Technology team.
- The business has leveraged some temporary cost management scenarios (temporary reduced hours, temporary salary reductions and furloughing).

If required there are further opportunities for cost cutting available should the estimate of revenues prove to be too high. The business is confident that the P&L can be managed in such a way to ensure that the business is cash break-even as a minimum in 2020.

The risks to the working capital and cash flow of the business predominantly arise from the risks described and mitigated with the above on reduced revenues.

In addition to this there are some risks on debtor performance. The business has a very strong track record on debtors and as such have been able to benefit from an Invoice Financing facility for a number of years. The majority of debts within such a facility are insured against default as a mitigation measure.

The investors have also committed to underwrite short-term working capital needs should pinch points arise, on the basis that the business is confident it has managed the P&L to deliver an overall break-even result for 2020.

LINGO24 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Development and performance

Technology is key to the current and future success of the business. The focus in 2019 was to complete the remaining major components of end to end efficiency. At that time, AI allowed a number of core, resource heavy, business processes to flow with no hands-on, freeing our team to focus more on the customer and supplier engagements and further cement long term success. The impact of this could be felt towards the end of 2019, but this can only flow through to financial results when the business is able to drive growth without the addition of further headcount or if the business removes headcount.

The efficiency and speed at which we can turnaround the translation of content is important to our customers too. The streamlining of our interactions with our customers, through our portal and through technical integrations delivers part of the solution here. Our investment in our in-house AI-driven machine translation (MT) capability is also key to finding the right solution that meets our customers' business needs for speed. Our move to a predominantly Neural based solutions was completed in 2019, with Neural Adaptive MT engines having an impact on customer outcomes. The ability to leverage Neural MT in so many circumstances is enabled by our industry leading File Engineering capability that ensures that content is appropriately reconstructed and protected when working at scales with sophisticated content types.

The efficiencies referenced above will be key to delivery of financial results in 2020. With the expected revenue reductions caused by the economic downturn, Lingo24 will be able to reduce costs by taking advantage of such efficiencies, albeit by saying goodbye to members of the team, some of whom will have been with us for some time. Our preference remains showing efficiencies as we grow and therefore retaining team members, but regrettably the covid-19 crisis will prevent us following this path.

Our network of thousands of suppliers play a vital role in us successfully delivering for our customers. They have now been working successfully in our platform and engaging with us through our portal for some time. Having this established is a building block towards the higher levels of automation and scalability, identified above. They ensure that as we automate significant parts of our workflow, the depth of relationship with the supplier can be maintained. We thank our suppliers for their ongoing commitment as we migrate to new ways of working.

The progress achieved in 2019 was only possible due to the efforts of our staff, located across the globe, operating as a team 24 hours/day. Our teams in all locations deserve our thanks as they have taken the business forward as we transition to new ways of working to deliver on our objectives. The importance we attach to motivating and retaining our staff is reflected in our efforts to deliver on performance related bonuses in 2019 and by operating an options scheme, which will enable everyone in the business to share in its future success. In this context it makes it even more difficult that we may not be able to hang on to all of the team in 2020.

Building on the results of 2018, in 2019 the business exceeded its plan for earnings and was cash generative across the year. This contrasts with the losses reported over the last few years as we made the investments required to re-shape the business for future success. We are grateful for the commitment shown by our investors to get us to this point and appreciative of the success of the relationship with Lloyds Banking Group in providing working capital secured on our Debtors book.

We have reported progress with initiatives for a number of years and highlighted how those initiatives were improving the future opportunities for the business. We can now see these producing more positive financial results. There is more to run with these initiatives, which expect to more fully leverage in keeping the financials healthy during 2020.

LINGO24 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

During the year the company's ongoing growth was reflected in the businesses KPIs. Turnover increased by 3% to £11.1m (2018 - £10.7m), gross profit margin improved to 58% (2018 - 54%) and EBITDA increased to £0.8m from £0.5m in 2018.

On behalf of the board

Mr A A M Campbell

Director

30 July 2020

LINGO24 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

Lingo24 is a leading Language Service Provider (LSP) with global reach and a trusted brand.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr C N Arno

Mr A A M Campbell

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Post reporting date events

Subsequent to the year end the company's trading has been impacted by the COVID-19 pandemic. Disclosure with regard to this can be seen in note 1.2 to the financial statements.

Auditor

The auditor, Campbell Dallas Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

LINGO24 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr A A M Campbell

Director

30 July 2020

LINGO24 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINGO24 LIMITED

Opinion

We have audited the financial statements of Lingo24 Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Emphasis of matter - risks and uncertainties relating to COVID-19 pandemic

We draw attention to note 1.2 of the financial statements, which details the risks and uncertainties arising from the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our 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.

LINGO24 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF LINGO24 LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

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

Auditor's responsibilities for the audit of the financial statements

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

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

LINGO24 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LINGO24 LIMITED

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.

Fraser Campbell (Senior Statutory Auditor)
for and on behalf of Campbell Dallas Audit Services

31 July 2020

Statutory Auditor

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

LINGO24 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019 £	2018 £
Turnover	3	11,081,255	10,744,246
Cost of sales		(4,615,231)	(4,986,301)
Gross profit		6,466,024	5,757,945
Administrative expenses		(6,690,043)	(5,956,288)
Other operating income		134,788	75,492
Operating loss	4	(89,231)	(122,851)
Interest payable and similar expenses	7	(248,195)	(137,724)
Loss before taxation		(337,426)	(260,575)
Tax on loss	8	138,957	97,908
Loss for the financial year		(198,469)	(162,667)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

LINGO24 LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Loss for the year	(198,469)	(162,667)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(198,469)</u>	<u>(162,667)</u>

LINGO24 LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	9	2,239,055		2,165,040	
Tangible assets	10	4,394		4,950	
		<u>2,243,449</u>		<u>2,169,990</u>	
Current assets					
Debtors	11	2,922,961		3,030,912	
Investments	12	241		241	
Cash at bank and in hand		64,738		51,178	
		<u>2,987,940</u>		<u>3,082,331</u>	
Creditors: amounts falling due within one year	13	<u>(2,929,293)</u>		<u>(3,316,710)</u>	
Net current assets/(liabilities)			58,647		(234,379)
Total assets less current liabilities			<u>2,302,096</u>		<u>1,935,611</u>
Creditors: amounts falling due after more than one year	14		<u>(2,547,688)</u>		<u>(1,982,734)</u>
Net liabilities			<u>(245,592)</u>		<u>(47,123)</u>
Capital and reserves					
Called up share capital	19	99,060		99,060	
Other reserves		4,175,492		4,175,492	
Profit and loss reserves		<u>(4,520,144)</u>		<u>(4,321,675)</u>	
Total equity			<u>(245,592)</u>		<u>(47,123)</u>

The financial statements were approved by the board of directors and authorised for issue on 30 July 2020 and are signed on its behalf by:

Mr A A M Campbell
Director

Company Registration No. SC222407

LINGO24 LIMITED

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

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2018	99,060	4,175,492	(4,159,008)	115,544
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(162,667)	(162,667)
Balance at 31 December 2018	99,060	4,175,492	(4,321,675)	(47,123)
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(198,469)	(198,469)
Balance at 31 December 2019	99,060	4,175,492	(4,520,144)	(245,592)

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Lingo24 Limited is a private company limited by shares incorporated in Scotland. The registered office is 18 Torphichen Street, Edinburgh, EH3 8JB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of 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 financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Lingo24 Holdings Limited. These consolidated financial statements are available from its registered office, 18 Torphichen Street, Edinburgh, EH3 8JB.

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the directors consider the company's ability to meet its liabilities as they fall due.

The company meet its day to day working capital requirements through existing invoice discounting facilities and equity investor loans. Management information tools including budgets and cashflow forecasts are used to monitor and manage current and future liquidity.

The company pays special attention to the recent COVID-19 pandemic and the associated impact on the business, which is detailed within Risks and Uncertainties within the Strategic Report. The key risk affecting the company as a result of the pandemic is the fall in revenue and impact on cash flow as a result of the general economic downturn throughout the globe.

The current and future financial position of the company, its cash flows and liquidity position have been reviewed by the directors. Despite having net liabilities the directors believe the company continue to be in a position to meet its liabilities as they fall due. Working capital of the business is available through the invoice discounting facility and equity investor loans. The directors have obtained assurances that the equity investors will continue to provide financial support for at least 12 months from date of approval of the financial statements. Specifically, the directors have received confirmation that there will be no demand for the current loans and interest to be repaid until the company has the funds available to repay these. In addition further confirmation has been received to underwrite short-term working capital needs as they arise.

Based on the revised projections, scope to reduce costs further, availability of the invoice discounting facility and support of its equity investor the directors consider it appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

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.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Internally generated intangible assets in relation to information systems are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Information systems	20% straight line
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1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer equipment	33% straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Financial instruments

The company 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 company 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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 company after deducting all of its liabilities.

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 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.

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 company 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.

1.11 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.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

1.12 Retirement benefits

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

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.15 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 in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

Judgements and Key Estimates - Intangible assets

Intangible assets comprise the technology platforms and translation software that form the business infrastructure which underlies the group's business model and its ability to generate revenue. The directors review the revenue and cash inflows which these assets generate for indicators of impairment. Profit and loss and cash flow projections are prepared for a period of 12 months from the date of signing the accounts, and the directors are satisfied that these assets will generate cash inflows for the business in the forthcoming year. On this basis, the directors are satisfied that carrying these assets at amortised cost is appropriate.

Judgements and Key Estimates - Deferred tax

The company has a recognised deferred tax asset of £567,227 (2018 - £543,642) which has arisen from unutilised tax losses of £5,374,647 (2018 - £5,155,539) and other timing differences. The directors have reviewed the company's profit and loss and cash flow projections for the next 12 months and believe it is appropriate to recognise this asset on the basis it can be offset against expected future profits.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Translation revenue	10,420,724	10,103,478
DTP revenue	207,880	398,548
File engineering revenue	192,954	152,872
LocStrat/consulting revenue	53,572	8,562
PM Account revenue	206,125	80,786
	<u>11,081,255</u>	<u>10,744,246</u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue (Continued)

	2019	2018
	£	£
Other significant revenue		
Grants received	13,500	5,895

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	2,214,342	2,863,555
Europe	1,681,753	2,015,439
Rest of World	7,185,160	5,865,252
	<u>11,081,255</u>	<u>10,744,246</u>

4 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	23,221	25,702
Government grants	(13,500)	(5,895)
Fees payable to the company's auditor for the audit of the company's financial statements	10,950	-
Depreciation of owned tangible fixed assets	3,504	5,327
Amortisation of intangible assets	889,155	647,474
Operating lease charges	76,508	70,940

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019	2018
	Number	Number
Direct	2	2
Sales & marketing	11	10
Technology	10	9
Operations and support	9	9
Total	<u>32</u>	<u>30</u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,159,687	1,982,337
Social security costs	223,428	218,877
Pension costs	74,474	106,012
	<u>2,457,589</u>	<u>2,307,226</u>

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	231,188	209,063
Company pension contributions to defined contribution schemes	23,433	63,100
	<u>254,621</u>	<u>272,163</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	131,117	125,327
Company pension contributions to defined contribution schemes	12,100	12,100
	<u>143,217</u>	<u>137,427</u>

7 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	30,699	24,055
Other interest on financial liabilities	217,496	113,669
	<u>248,195</u>	<u>137,724</u>

8 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	(115,372)	(112,652)
	<u>(115,372)</u>	<u>(112,652)</u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation

(Continued)

	2019 £	2018 £
Deferred tax		
Origination and reversal of timing differences	(23,585)	14,744
	<u> </u>	<u> </u>
Total tax credit	(138,957)	(97,908)
	<u> </u>	<u> </u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Loss before taxation	(337,426)	(260,575)
	<u> </u>	<u> </u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(64,111)	(49,509)
Tax effect of expenses that are not deductible in determining taxable profit	1,294	1,537
Research and development tax credit	(119,589)	(83,899)
Other permanent differences	963	-
Adjustments in deferred tax to average rate	2,775	(998)
Surrender of tax losses for R&D credit refund	39,711	34,961
	<u> </u>	<u> </u>
Taxation credit for the year	(138,957)	(97,908)
	<u> </u>	<u> </u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Intangible fixed assets

	Information systems £
Cost	
At 1 January 2019	4,072,217
Additions - internally developed	963,170
	<hr/>
At 31 December 2019	5,035,387
	<hr/>
Amortisation and impairment	
At 1 January 2019	1,907,177
Amortisation charged for the year	889,155
	<hr/>
At 31 December 2019	2,796,332
	<hr/>
Carrying amount	
At 31 December 2019	2,239,055
	<hr/>
At 31 December 2018	2,165,040
	<hr/>

10 Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2019	53,194
Additions	2,948
	<hr/>
At 31 December 2019	56,142
	<hr/>
Depreciation and impairment	
At 1 January 2019	48,244
Depreciation charged in the year	3,504
	<hr/>
At 31 December 2019	51,748
	<hr/>
Carrying amount	
At 31 December 2019	4,394
	<hr/>
At 31 December 2018	4,950
	<hr/>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	1,481,442	1,659,072
Corporation tax recoverable	115,917	112,652
Amounts owed by group undertakings	547,276	434,140
Other debtors	116,815	194,638
Prepayments and accrued income	94,284	86,768
	<u>2,355,734</u>	<u>2,487,270</u>
Deferred tax asset (note 17)	567,227	543,642
	<u>2,922,961</u>	<u>3,030,912</u>

The company has a recognised deferred tax asset of £567,227 (2018 - £543,642) which has arisen from unutilised tax losses of £5,374,647 (2018 - £5,155,539) and other timing differences. These losses will be used against future profits within the company.

12 Current asset investments

	2019	2018
	£	£
Other investments	241	241
	<u>241</u>	<u>241</u>

13 Creditors: amounts falling due within one year

	Notes	2019	2018
		£	£
Bank loans and overdrafts	15	511,357	721,061
Obligations under finance leases	16	-	1,989
Other borrowings	15	17,650	48,825
Trade creditors		805,313	998,245
Amounts owed to group undertakings		447,933	430,417
Taxation and social security		126,932	173,034
Other creditors		5,878	10,701
Accruals and deferred income		1,014,230	932,438
		<u>2,929,293</u>	<u>3,316,710</u>

14 Creditors: amounts falling due after more than one year

	Notes	2019	2018
		£	£
Other borrowings	15	2,547,688	1,982,734
		<u>2,547,688</u>	<u>1,982,734</u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Loans and overdrafts

	2019	2018
	£	£
Bank overdrafts	511,357	721,061
Other loans	2,565,338	2,031,559
	<u>3,076,695</u>	<u>2,752,620</u>
Payable within one year	529,007	769,886
Payable after one year	<u>2,547,688</u>	<u>1,982,734</u>

Included in bank loans and overdrafts is £511,357 (2018 - £721,061) relating to the invoice discounting facility, secured over the trade debtors held.

Included within other borrowings due within one year are shareholder loans of £17,650 (2018 - £48,825).

Included within other borrowings due after one year are shareholders loans of £2,547,688 (2018 - £1,982,734).

16 Finance lease obligations

	2019	2018
	£	£
Future minimum lease payments due under finance leases:		
Within one year	-	1,989
	<u>-</u>	<u>1,989</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets	Assets
	2019	2018
	£	£
Balances:		
Accelerated capital allowances	(381,234)	(368,712)
Tax losses	913,690	876,442
Short term timing differences	34,771	35,912
	<u>567,227</u>	<u>543,642</u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17	Deferred taxation	(Continued)
		2019
	Movements in the year:	£
	Asset at 1 January 2019	(543,642)
	Credit to profit or loss	(23,585)
	Asset at 31 December 2019	<u>(567,227)</u>

18	Retirement benefit schemes	2019	2018
		£	£
	Defined contribution schemes		
	Charge to profit or loss in respect of defined contribution schemes	<u>74,474</u>	<u>106,012</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19	Share capital	2019	2018
		£	£
	Ordinary share capital		
	Issued and fully paid		
	9,906,000 Ordinary of 1p each	<u>99,060</u>	<u>99,060</u>

The company has one class of ordinary shares which carry no right to fixed income.

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	40,279	40,681
Between two and five years	12,368	13,311
	<u>52,647</u>	<u>53,992</u>

LINGO24 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Events after the reporting date

Disclosure with regards to the impact of the COVID-19 pandemic subsequent to the year end can be seen in note 1.2 to these financial statements.

Subsequent to the year end the company repaid other borrowings of £461,000. A loan of £800,000 was advanced to the company in March 2020.

22 Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year loans were received from shareholders of Lingo24 Holdings Limited to the value of £183,431 (2018 - £220,000).

At the year end, loans due to shareholders include a loan of £17,650 (2018 - £16,501) due to Jack Waley-Cohen of which £17,650 (2018 - £16,501) is due within one year and £nil (2018 - £nil) is due after one year, and a loan of £2,547,688 (2018 - £1,982,734) due to Paul Gregory of which £2,547,688 (2018 - £1,982,734) is due after one year.

23 Ultimate controlling party

The parent company of Lingo24 Limited is Lingo24 Holdings Limited.

The ultimate controlling party is Mr C N Amo by virtue of his majority shareholding in Lingo24 Holdings Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.