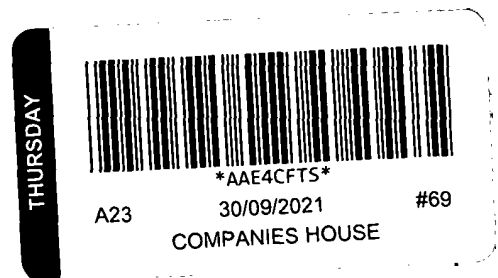


Registered number: 02034398

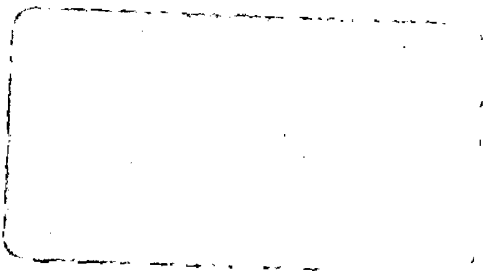
SDL SHEFFIELD LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



SDL SHEFFIELD LIMITED

COMPANY INFORMATION

Directors	SDL Limited Timothy Everitt
Registered number	02034398
Registered office	New Globe House Vanwall Business Park Vanwall Road Maidenhead Berkshire SL6 4UB
Independent auditor	Ernst and Young LLP Apex Plaza Forbury Road Reading RG1 1YE
Bankers	HSBC Apex Plaza Reading RG1 1AX
Solicitors	DLA Piper UK LLP 160 Aldersgate Street London EC1A 4HT



SDL SHEFFIELD LIMITED

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SDL SHEFFIELD LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business review

The Company is a wholly owned subsidiary of SDL Ltd (formerly SDL Plc) and operates as part of the Group's Language Services division. Revenue is generated by both language services translation to external customers as well as intragroup transactions as a network office providing translation services to other companies within the group.

On 27 August 2020, SDL Plc (the former ultimate parent Company of SDL Sheffield Limited) announced that it had reached an agreement with RWS Holdings Plc ('RWS') for an all share combination, pursuant to which RWS acquired the entire issued and to be issued share capital of SDL Plc by means of a court-sanctioned scheme of arrangement which became effective on 4 November 2020.

The enlarged RWS Group combines RWS's specialist technical language services with SDL's leading language technology expertise and created the world's leading language services and technology group, with over 7,000 employees and global coverage. The successful integration of SDL's operations into the RWS Group will be management's key focus in the year ahead

SDL Ltd continues to invest in research and development activities. These activities have resulted in a number of updates to existing products and the deployment of these products enhances operational effectiveness of the Company's activities. The Directors regard continued research and development investment by the Group as necessary for the continuing success of the company in the medium to long term future.

Key performance indicators

The Directors considers the key performance indicators of the Company to be revenue and gross profit.

The operating profit for the year, before taxation, amounted to £529,442 (2019: £449,390).

As shown in the Company's Statement of Comprehensive income on page 10, the Company's revenue has decreased by £2,429,882 over the previous year. Gross profit for the year of £12,958,808 (2019: £13,311,325) decreased due to the fall in sales.

The Group manages its operations on a functional basis. For this reason, the Company's directors believe that the Company's key performance indicators are in line with those of the broader Group. The performance of the Group, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report.

Business risks

Competitive pressure is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying services but in handling all customer queries, and by maintaining strong relationships with customers. The Company and Group manage its cost base to ensure that competitive pricing can be provided to its customer base.

The Company's sales outside the UK are made in currencies other than sterling and it is therefore exposed to foreign currency fluctuations. The Group does not hedge foreign currency profit and loss translation exposures and the statutory results are therefore impacted by movements in exchange rates. Foreign exchange receipts and payments are managed by the Group Treasury function.

The Company is financed by its own cash receipts and group funding and has no third party debt. It therefore has no direct interest rate exposure. Inter-company loans are at a fixed interest rate so that exposure is limited.

The Group risks are discussed in the Group's Annual Report which does not form part of this Report. A copy of the annual report is available from the registered office of the Group.

SDL SHEFFIELD LIMITED

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

This report also includes the Group's Section 172 statement, where the Board is required to act in accordance with a general set of duties detailed in the UK Companies Act 2006.

In the decisions taken during the year ended 31 December 2020, the Directors of SDL Sheffield have acted in the way they consider, in good faith, would be most likely to promote the success of the Company and its continuing reputation for high standards of business conduct, for the benefit of its members as a whole.

Our employees are fundamental to the delivery of our plan and we aim to be a responsible employer. The health, safety and wellbeing of our workforce is one of our primary considerations in the way we do business. On page 4 we explain how we have continued to engage regularly with employees throughout 2020.

The Directors ensure that management operates the business to the high standards of business conduct and good governance expected and, in doing so, contributes to the delivery of the strategic plan. The result is maintenance and nurture of the Company's reputation, through the construction and delivery of the plan, the long-term view and responsible behaviour.

The ethos of the Company is to behave responsibly towards our stakeholders and treat them fairly and equally, so they benefit from a successful performance. This section and by cross reference, parts of the Directors' report and parts of the Strategic Report, explain how the Directors have taken account of stakeholder views and met the requirements of s172 of the Companies Act.

Commentary can also be found throughout these 2020 financial statements as follows:

- Details of stakeholder engagement can be found on pages 3 to 4 of the Directors report.
- For remuneration information see the table in note 7.

Further information on the Group's 172 statement and the way it discharges its corporate social responsibility requirements and stakeholder engagement are included in the Group annual report which is available from the registered office of the Group.

Future developments

The Company expects to continue developing its Language Services operations as part of the broader Group.

Subsequent events

Subsequent to the balance sheet date an interim dividend was paid for £5m (2019: £NIL). The full details of which are included in Note 19 Post Balance Sheet Events.

Other key performance indicators

The Directors consider there to be no other key performance indicators applicable to the Company.

Directors' statement of compliance with duty to promote the success of the Company

The Directors confirm and acknowledge responsibilities for securing compliance with the relevant obligations.

This report was approved by the board on 29 September 2021 and signed on its behalf.



.....
Timothy Everitt
Director

SDL SHEFFIELD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The Company's principal activities are the development and sale of Language Services. There have been no significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Results and dividends

The profit for the year, after taxation, amounted to £537,856 (2019 - £1,232,397). Subsequent to the balance sheet date an interim dividend was paid for £5m (2019: £NIL).

Directors

The directors who served during the year were:

SDL Limited
Robert Cant (resigned 1 May 2020)
Timothy Everitt (appointed 1 May 2020)

SDL Global Holdings Limited directly owns 100% of the share capital of the Company.

Political contributions

No political donations were made during the year (2019: £NIL).

Environmental matters

SDL Sheffield Limited is part of the RWS Group which recognises that its operations impact upon the environment.

The Group is committed to improving the environmental sustainability of its operations by reducing negative environmental impacts, preventing pollution, protecting the environment and enhancing positive impacts wherever reasonably practicable.

The Group measures and monitors its significant environmental impacts, where it has the ability, and sets objectives and targets for their reduction. The Group has developed an Environmental Plan to reduce their carbon emissions and environmental performance is reviewed six-monthly and audited annually against objectives and targets.

Research and development activities

The Group continues to invest in research and development. This has resulted in a number of new products being launched recently which are expected to make significant contributions to the growth of the Group from which the Company will benefit. The Company benefits from the Group Research and Development activities with improved internal efficiencies and external product offerings but does not actively engage in any such activities itself due to the nature of its business.

SDL SHEFFIELD LIMITED

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

Engagement with employees

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Group has continued by holding regular meetings between local management and employees. These meetings allow a free flow of information and ideas.

As a Group, a Chief People Officer, is engaged with employees to ensure information is shared consistently and effectively. Each year an Employee Engagement Survey is sent to all employees and the results then shared with the Group. The Board for the group will then use this to set objectives to improve key areas where scores are low and continue to engage where high.

Engagement with suppliers, customers and others

SDL operates in a number of different ecosystems and supply chains across its technology and services businesses. SDL's partners and suppliers are an important extension to our capabilities and part of our market competitiveness. We want the best partners and suppliers in the industry to choose to work with SDL. We aim to treat our supply chains fairly and transparently and to work together to deliver the most exciting projects.

SDL is in business to deliver outstanding products and services to our customers that make a measurable difference to their sales and operations and to lead them into the future by investing in innovation. Our customers' needs are changing, becoming more complex and require more technology. It is critically important that we listen closely to our customers, be easy to work with and deliver industry leading innovation.

Disabled employees

The RWS Group gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities; and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled persons during the period of their employment. The Group provides the same opportunities for training, career development and promotion for disabled people as for other employees.

Qualifying third party indemnity provisions

During the year, and up to the date of approval of the financial statements, the Company had in place third party indemnity provision for the benefit of all the directors of the company.

Statement of corporate governance arrangements

Good governance and business standards are essential to the success and prosperity of the RWS Group. The Group is committed to promoting transparent, fair and timely decision-making that considers the needs of all its stakeholders – employees, shareholders, clients, suppliers and community.

Business ethics As an AIM listed company, RWS Group has chosen to implement The Quoted Companies Alliance Corporate Governance Code (the QCA Code). The principles and disclosures laid out by the QCA Code provide a framework to ensure the appropriate corporate governance arrangements are in place. The Board considers that RWS Group does not depart from any of the principles of the QCA Code, which is reviewed annually in line with the requirements of the QCA Code.

SDL SHEFFIELD LIMITED

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

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months to the end of September 2022 which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, RWS Holdings Plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on RWS Holdings Plc providing additional financial support during that period. RWS Holdings Plc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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 the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Ernst and Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *24 September 2021* and signed on its behalf.



.....
Timothy Everitt
Director

SDL SHEFFIELD LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 to 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.

SDL SHEFFIELD LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDL SHEFFIELD LIMITED

Opinion

We have audited the financial statements of SDL Sheffield Limited for the year ended 31 December 2020 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, 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 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

SDL SHEFFIELD LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDL SHEFFIELD LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 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 or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

SDL SHEFFIELD LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDL SHEFFIELD LIMITED

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101, and the Companies Act 2006), the relevant tax compliance regulations in the jurisdictions in which the Company operates and the EU General Data Protection Regulations (GDPR).
- We understood how SDL Sheffield Limited is complying with those frameworks by making enquires of management, those responsible for legal and compliance procedures and the Company Secretary. We observed that there is a culture of honesty and ethical behaviour and a strong emphasis is placed on fraud prevention. We corroborated our enquires through our review of Board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, legal counsel; and journal entry testing with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the Company.

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

Use of our report

This report is made solely to the 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.



Joe Yglesia (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date 29 September 2021

SDL SHEFFIELD LIMITED

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

	Note	2020 £	2019 £
Turnover	4	39,258,942	41,688,824
Cost of sales		<u>(26,300,134)</u>	<u>(28,377,499)</u>
Gross profit		12,958,808	13,311,325
Administrative expenses		<u>(12,429,366)</u>	<u>(12,861,935)</u>
Operating profit	5	529,442	449,390
Tax (charge)/credit on profit	8	8,414	783,007
Profit for the financial year		<u>537,856</u>	<u>1,232,397</u>

There was no other comprehensive income for 2020 (2019: £NIL).

The notes on pages 13 to 27 form part of these financial statements.

SDL SHEFFIELD LIMITED
REGISTERED NUMBER: 02034398

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	6,642,676	7,149,115
Tangible assets	10	769,783	927,234
		<u>7,412,459</u>	<u>8,076,349</u>
Current assets			
Debtors: amounts falling due within one year	11	19,852,679	14,837,930
		<u>19,852,679</u>	<u>14,837,930</u>
Creditors: amounts falling due within one year	12	(14,936,112)	(11,170,470)
		<u>4,916,567</u>	<u>3,667,460</u>
Net current assets		4,916,567	3,667,460
Total assets less current liabilities		12,329,026	11,743,809
Provisions for liabilities			
Deferred taxation	13	(1,258,146)	(1,210,785)
		<u>(1,258,146)</u>	<u>(1,210,785)</u>
Net assets		<u>11,070,880</u>	<u>10,533,024</u>
Capital and reserves			
Called up share capital	14	130	130
Share premium account	15	10	10
Capital contribution reserve	15	4,432,338	4,432,338
Profit and loss account	15	6,638,402	6,100,546
		<u>11,070,880</u>	<u>10,533,024</u>

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



Timothy Everitt
 Director

The notes on pages 13 to 27 form part of these financial statements.

SDL SHEFFIELD LIMITED

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

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	130	10	4,365,360	4,868,149	9,233,649
Profit for the year	-	-	-	1,232,397	1,232,397
Capital contribution in the year	-	-	66,978	-	66,978
At 1 January 2020	<u>130</u>	<u>10</u>	<u>4,432,338</u>	<u>6,100,546</u>	<u>10,533,024</u>
Profit for the year	-	-	-	537,856	537,856
At 31 December 2020	<u>130</u>	<u>10</u>	<u>4,432,338</u>	<u>6,638,402</u>	<u>11,070,880</u>

The notes on pages 13 to 27 form part of these financial statements.

SDL SHEFFIELD LIMITED

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

1. General information

SDL Sheffield Limited is a company incorporated in England and Wales and is limited by shares.

The Company's principal activities are the development and sale of Language Services.

The address of the registered office is given in the company information of these financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

SDL SHEFFIELD LIMITED

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

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The financial statements have been prepared under the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The Company's former parent undertaking, SDL Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of SDL Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary's office, New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

SDL SHEFFIELD LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months to the end of September 2022 which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, RWS Holdings Plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on RWS Holdings Plc providing additional financial support during that period. RWS Holdings Plc has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.4 Revenue recognition

The Company provides a single, principles based five step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods and services.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when or as the entity satisfies its performance obligations.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Revenue on service contracts is recognised only when their outcomes can be foreseen with reasonable certainty and is based on the percentage stage of completion of the contracts, calculated on the basis of costs incurred. Accrued and deferred revenue arising on contracts is included in trade receivables as accrued income and in trade and other payables as deferred income as appropriate.

The Group's language services contracts provide for the Company to be reimbursed for work as it is undertaken. Accordingly the Group recognises revenue over time, on a percentage of completion basis.

SDL SHEFFIELD LIMITED

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

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

SDL SHEFFIELD LIMITED

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

2. Accounting policies (continued)

2.7 Intangible fixed assets

Computer software

Computer software licences and other intellectual property assets acquired are held at cost and are amortised on a straight line basis over their estimated useful lives of 2 to 6 years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Intangible assets arising on acquisition

Customer relationships amortised on a straight line basis over their estimated useful life of 15 years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the recoverable amount is less than the carrying value of an asset an impairment charge is made.

2.8 Tangible fixed assets

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

Depreciation is provided to write off the cost less the estimated residual value based on prices at the balance sheet date of property, plant and equipment over their estimated useful economic lives as follows:

Depreciation is provided on the following basis:

Leasehold improvements	- At the lower of 10 years or the lease term straight line
Fixtures and fittings	- Over 4 to 7 years according to the estimated life of the asset.
Computer equipment	- Over 2 to 3 years according to estimated life of the asset

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Research and development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured and technical feasibility and commercial viability can be demonstrated.

2.10 Financial Instruments

Short-term trade and other debtors and trade and other creditors are treated as financial assets or liabilities.

SDL SHEFFIELD LIMITED

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

2. Accounting policies (continued)

2.11 Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transactions costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the re-purchase, settlement or other cancellation of liabilities are recognised respectively in finance income and finance expense.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2.12 Debtors

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- a. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- b. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables, which generally have 30-90 day payment terms mainly depending on the jurisdiction, are carried at original invoice amount, including value added tax and other sales taxes, less a provision for expected credit losses.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime expected credit losses. There are no trade receivables held by the Group where any significant financing component has been included due to the short-term nature of the Group's trade receivables.

2.13 Creditors

Creditors are recognised at cost, which is deemed to be materially the same as the fair value.

SDL SHEFFIELD LIMITED

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

2. Accounting policies (continued)

2.14 Pensions

Pension obligations

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The Company has no legal or constructive obligations to pay further contributions to the fund. The cost of providing these benefits, recognised in the profit and loss account, comprises the amount of contributions payable to the schemes in respect of the year.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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

Revenue – Rendering of services

Management makes estimates of the total costs that will be incurred by SDL on a contract by contract basis. Management reviews the estimate of total costs on each contract on an ongoing basis to ensure that the revenue recognised accurately reflects the proportion of the work done at the balance sheet date. All contracts are of short-term nature. The majority of services work is invoiced on completion and the amount of year end work in progress amounted to £1,441,608 (2019: £2,135,574).

SDL SHEFFIELD LIMITED

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

4. Turnover

Turnover represents the amount invoiced excluding value added tax, derived from the provision of localisation services to third party customers, except in respect of long-term contracts where turnover represents the value of work carried out during the year, including amounts not invoiced and excluding amounts invoiced in advance.

Analysis of turnover by geographical destination was as follows:

	2020 £	2019 £
United Kingdom	22,297,499	24,483,058
Rest of Europe	11,479,517	11,428,673
Rest of the World	5,481,926	5,777,093
	<u>39,258,942</u>	<u>41,688,824</u>

An analysis of the Company's turnover by services provided is as follows:

	2020 £	2019 £
Software, support and maintenance	50,501	16,183
Consultancy and services	39,208,441	41,672,641
	<u>39,258,942</u>	<u>41,688,824</u>

Included in the total Company revenue is intra group revenue of £8,353,483 (2019: £5,184,796) as a result of providing language services translation services to other companies in the group.

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation and amortisation of owned assets	701,721	711,338
Net foreign exchange (gains)/losses	(2,390,234)	1,866,865
Defined contribution pension cost	<u>574,266</u>	<u>521,409</u>

6. Auditor's remuneration

	2020 £	2019 £
Auditor's remuneration	<u>9,000</u>	<u>17,600</u>

SDL SHEFFIELD LIMITED

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

7. Staff costs

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	9,556,938	9,504,604
Social security costs	1,029,784	988,504
Cost of defined contribution scheme	<u>574,266</u>	<u>521,409</u>

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

	2020 No.	2019 No.
Administration and Sales	57	77
Production	185	175
	<u>242</u>	<u>252</u>

Directors' emoluments

The Directors of the company are also directors or employees of SDL Limited. The Directors' services to the Company do not occupy a significant amount of their time. As such the Directors do not consider that they received any remuneration for their incidental services to the company for the years ended 31 December 2020 (2019 - £NIL).

8. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	201,840	230,506
Adjustments in respect of previous periods	(283,570)	(838,349)
	<u>(81,730)</u>	<u>(607,843)</u>
Total current tax	<u>(81,730)</u>	<u>(607,843)</u>
Deferred tax		
Origination and reversal of timing differences	(99,985)	(125,872)
Adjustments in respect of previous periods	173,301	(49,292)
Total deferred tax	<u>73,316</u>	<u>(175,164)</u>
Taxation on profit/(loss) on ordinary activities	<u>(8,414)</u>	<u>(783,007)</u>

SDL SHEFFIELD LIMITED

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

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>529,442</u>	<u>449,390</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	100,594	85,384
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,261	4,442
Capital allowances for year in excess of depreciation	-	(501)
Adjustments to tax charge/credit in respect of prior periods	(110,269)	(887,641)
Other timing differences leading to an increase (decrease) in taxation	-	15,309
Group relief claimed	(201,840)	(230,506)
Payment for group relief	201,840	230,506
Total tax charge for the year	<u><u>(8,414)</u></u>	<u><u>(783,007)</u></u>

Factors that may affect future tax charges

The UK corporation tax rate reduced from 20% to 19% from 1 April 2017. The UK Finance Act 2020, which received Royal Assent on 22 July 2020, amends the previously enacted reduction of UK corporation tax to 17% from 1 April 2020 to 19% for the financial years 2020 and 2021.

On 3 March 2021 the Chancellor of the Exchequer announced in the budget speech that in April 2023, the UK rate of corporation tax will increase to 25%, a 6% increase from the current 19% while at the same time creating a small profits rate for businesses with less than £50,000 profit who will continue to pay corporation tax at the current 19% rate.

SDL SHEFFIELD LIMITED

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

9. Intangible assets

	Customer Relation- ships £	Software £	Total £
Cost			
At 1 January 2020	7,893,562	125,359	8,018,921
Additions	20,808	-	20,808
At 31 December 2020	<u>7,914,370</u>	<u>125,359</u>	<u>8,039,729</u>
Amortisation			
At 1 January 2020	745,503	124,303	869,806
Charge for the year on owned assets	526,237	1,010	527,247
At 31 December 2020	<u>1,271,740</u>	<u>125,313</u>	<u>1,397,053</u>
Net book value			
At 31 December 2020	<u>6,642,630</u>	<u>46</u>	<u>6,642,676</u>
At 31 December 2019	<u>7,148,059</u>	<u>1,056</u>	<u>7,149,115</u>

Customer Relationships

The Company's material amortised customer relationship balances are wholly the balances identified as part of the acquisition of DLS in 2018, the intangibles are amortised over 15 years and are expected to be fully amortised in 2023. There were no individual items of intellectual property with a material net book value.

SDL SHEFFIELD LIMITED

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

10. Tangible fixed assets

	Leasehold £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	854,784	313,678	521,943	1,690,405
Additions/(Disposal)	(1,014)	-	18,037	17,023
At 31 December 2020	<u>853,770</u>	<u>313,678</u>	<u>539,980</u>	<u>1,707,428</u>
Depreciation				
At 1 January 2020	195,440	129,481	438,250	763,171
Charge for the year on owned assets	85,342	36,839	52,293	174,474
At 31 December 2020	<u>280,782</u>	<u>166,320</u>	<u>490,543</u>	<u>937,645</u>
Net book value				
At 31 December 2020	<u>572,988</u>	<u>147,358</u>	<u>49,437</u>	<u>769,783</u>
At 31 December 2019	<u>659,344</u>	<u>184,197</u>	<u>83,693</u>	<u>927,234</u>

11. Debtors

	2020 £	2019 £
Trade debtors	5,997,947	7,483,016
Prepayments	86,946	229,792
Accrued income	1,441,608	2,135,574
Amounts owed by group undertakings	12,247,235	4,884,274
Other debtors	3,264	3,640
Deferred taxation	75,679	101,634
	<u>19,852,679</u>	<u>14,837,930</u>

All amounts owed by group companies are interest free, unsecured and repayable on demand.

Contract Assets and Liabilities

Revenue recognised during the period that was included within deferred revenue at the year end is £180,858 (2019: £575,153). Support and maintenance is a stand ready obligation discharged straight line over the duration of the Group's software contracts, the period over which this is recognised can be identified based on the value of current and non-current deferred income. Unsatisfied performance obligations in respect of language and professional services are all short-term and expected to be recognised in less than one year.

SDL SHEFFIELD LIMITED

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

12. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade creditors	1,000,260	1,129,915
Amounts owed to group undertakings	9,851,306	4,808,828
Other taxation and social security	1,708,103	1,250,315
Other creditors	205,715	491,833
Accruals	1,913,253	2,809,146
Deferred income	180,858	575,153
Corporation tax	76,617	105,280
	<u>14,936,112</u>	<u>11,170,470</u>

All amounts owed to group undertakings are interest free, unsecured and repayable on demand.

13. Deferred taxation

	2020	2019
	£	£
At beginning of year	(1,109,151)	(1,284,315)
Charged to profit or loss	(73,315)	85,704
Utilised in year	-	89,460
At end of year	<u>(1,182,466)</u>	<u>(1,109,151)</u>

The deferred tax balance is made up as follows:

	2020	2019
	£	£
Accelerated capital allowances	33,617	34,461
Other short term timing differences	42,063	67,173
Deferred tax liability on intangibles	(1,258,146)	(1,210,785)
	<u>(1,182,466)</u>	<u>(1,109,151)</u>
Comprising:		
Asset - due within one year	75,679	101,634
Liability	(1,258,145)	(1,210,785)
	<u>(1,182,466)</u>	<u>(1,109,151)</u>

SDL SHEFFIELD LIMITED

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

14. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100 (2019 - 100) Ordinary shares of £1.00 each	100.00	100.00
10 (2019 - 10) Ordinary "A" shares of £1.00 each	10.00	10.00
10 (2019 - 10) Ordinary "B" shares of £1.00 each	10.00	10.00
10 (2019 - 10) Ordinary "C" shares of £1.00 each	10.00	10.00
	<u>130.00</u>	<u>130.00</u>

All "A", "B" and "C" redeemable ordinary shares carry the following rights and restrictions: no right to vote at any meeting of the company; a right to a dividend subject to the discretion of the company in General Meeting; holders must be employees of the company and shares must be sold back to the company at par in the event of cessation of employment or death; shares are non-transferable; shares can be redeemed at par at the behest of the holders of 30% of the ordinary shares of the company; in the event of a winding-up of the Company the shares will not participate in the assets of the Company except to the extent of par value.

In the event of a winding-up of the Company, repayment of "A" shares shall rank ahead of "B" shares, "B" shares shall rank ahead of "C" shares, and "C" shares shall rank ahead of Ordinary Shares.

15. Reserves

Share premium account

The share premium reserve represents cumulative amounts paid in excess of the issued share capital above par.

Capital contribution reserves

On 23 July 2018, the Company received a capital contribution of £4,365,360 as part of the group purchase of Donnelley Language Solutions.

In 2019 a further £66,978 was received.

Profit and loss account

Profit and loss account represents profits and losses net of adjustments.

16. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £574,266 (2019: £521,409). Contributions totalling £103,842 (2019: £99,023) were payable to the fund at the balance sheet date and are included in creditors.

17. Group guarantee

The company is part of a Group cross Company guarantees in respect of the Group's borrowing facilities in place.

SDL SHEFFIELD LIMITED

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

18. Controlling party

The Company is a subsidiary undertaking of SDL Global Holdings Ltd. The ultimate controlling party is RWS Holdings Plc.

As RWS Group acquired SDL Limited on 4 November 2020, its results are not therefore consolidated within RWS Group for the year ended 31 December 2020, however it has been included within this strategic report to provide a full analysis of the RWS Group's strategy.

The Company's former parent undertaking is SDL Limited, incorporated in England, registered at New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB. The consolidated financial statements of SDL Limited are available to the public and may be obtained from the Company Secretary's office, New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB.

19. Post Balance Sheet Event

On the 27th July 2021 the Company declared an interim dividend payment to Global Holdings limited for £5 million in relation to the year ending the 31 December 2020 (31 December 2019: £Nil).