

Registered number: 02034398

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



SDL SHEFFIELD LIMITED

COMPANY INFORMATION

Directors	SDL plc Robert Cant (appointed 29 August 2019, resigned 1 May 2020) Chris Coker (resigned 29 August 2019) Timothy Everitt (appointed 1 May 2020)
Registered number	02034398
Registered office	New Globe House Vanwall Business Park Vanwall Road Maidenhead Berkshire SL6 4UB
Independent auditor	KPMG LLP Chartered Accountants 2 Forbury Place 33 Forbury Road Reading RG1 3AD
Bankers	HSBC Apex Plaza Reading RG1 1AX
Solicitors	DLA Piper UK LLP 160 Aldersgate Street London EC1A 4HT

SDL SHEFFIELD LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 5
Directors' Responsibilities Statement	6
Independent Auditor's Report	7 - 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 28

SDL SHEFFIELD LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Business review

The Company is a wholly owned subsidiary of SDL plc (the 'Group') 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.

In 2019, revenues grew 23% over the prior year driven by impact of full year results Donnelley Language Solutions ('DLS'), a provider of Language Service solutions acquired in July 2018. The acquisition strengthened the Group's position within the higher value premium content markets. As part of the acquisition, the Company acquired the UK trade and assets of DLS' UK business. Movement in net foreign exchange loss of £1,866,865 (2018: gain of £1,217,341) is as a result of foreign exchange balances on receivables from group undertakings.

SDL plc 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 director considers the key performance indicators of the Company to be revenue generation and gross margin.

The operating profit for the year, before taxation, amounted to £449,390 (2018: £707,989).

As shown in the Company's Statement of Comprehensive income on page 10, the Company's revenue has increased by £7,861,177 over the previous year. Gross profit for the year of £13,311,325 (2018: £10,549,923) increased due to the improved margins in the acquired DLS business.

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. This annual report can be found at www.sdl.com.

Future developments

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

SDL SHEFFIELD LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Subsequent events

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed which has since spread across a significant number of countries, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the exact impact of COVID-19 on the Company or to provide a quantitative estimate of the impact. The Company receives support from the SDL Group which continues to operate as a going concern.

In addition, On 27 August 2020, The RWS Group plc Board ('RWS') and the SDL plc Board ('SDL') announced that they had reached agreement on the terms of a recommended all-share combination of RWS and SDL, pursuant to which RWS will acquire the entire issued and to be issued share capital of SDL, to be effected by means of a court-sanctioned scheme of arrangement between SDL and SDL Scheme Shareholders under Part 26 of the Companies Act (the "Combination" to form the "Combined Group"). 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 24/09/20
on its behalf.

and signed



.....
Timothy Everitt
Director

SDL SHEFFIELD LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 £1,232,397 (2018 - £533,141).

Directors

The directors who served during the year were:

SDL plc
Robert Cant (appointed 29 August 2019, resigned 1 May 2020)
Chris Coker (resigned 29 August 2019)

Timothy Everitt was appointed as a director subsequent to the year end on 1 May 2020.

SDL plc directly owns 100% of the share capital of the Company.

Political contributions

No political donations were made during the year (2018: £NIL).

Environmental matters

As a responsible company working around the world, the Company is part of the SDL Group which recognises the importance of minimising our impact on the global environment and so we make every effort to monitor and reduce our overall carbon footprint year-on-year.

The Group measures and reports on all significant emission components across Scopes 1, 2 and 3 which supports our submission to the CDP and fully satisfy our requirements for Reporting under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013. These results are available within the SDL plc annual report.

The Group achieved a 'B' score in its latest CDP submission (2018: C).

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 2019

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 Senior Independent Director, is engaged with the Group's employees. This Director has spent time in 2019 reviewing the existing channels of communication as well as visiting and listening to colleagues and sharing the views of the plc Board across a variety of matters. Feedback from the 2019 meetings has been shared with the plc Board. A programme of meetings and topics for discussion over 2020 is being considered to ensure that two-way communication and facilitated dialogue exists between the Board and the workforce, with information feeding into the Board's decision-making process and communications back to the workforce on how the Board has considered and acted on it.

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.

The Group held two significant events in 2019, SDL Connect which had 420 customer attendees and the SDL Global Content Summit which had 200 attendees. The Company continues to engage directly with its suppliers and customers.

Disabled employees

The SDL 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

The Group has applied and complied with all main principles and relevant provisions set out in the UK Corporate Governance Code 2018 (Code) throughout the year ended 31 December 2019 with the exception of Provision 19 of the Code.

Provision 19 of the UK Corporate Governance Code 2018 (Code) sets a maximum nine-year length of tenure for the Chairman. SDL plc's Chairman, independent on appointment, has served since 16 December 2009 and will seek reappointment at the 2020 AGM.

The Company applied and complied with all other main principles and relevant provisions set out in the Code throughout the year ended 31 December 2019. The annual report of SDL plc provide details of how.

SDL SHEFFIELD LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 assessed the funding position of the Company for a period of 12 months from the date of approval of these financial statements which indicate, taking account of reasonably possible downsides as a result of the COVID-19 pandemic on both the Company and the Group, that the Company will have sufficient funds, through funding from its ultimate parent company, SDL plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on SDL plc providing additional financial support during that period. SDL 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. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Further disclosure on the impact of COVID-19 on the Group can be found in the Group's interim financial statements for the period ended 30 June 2020.

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 director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will not be proposed for reappointment and a proposal to elect Ernst & Young LLP will be made following the approval of these accounts.

This report was approved by the board on 24/09/20 and signed on its behalf.



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Timothy Everitt
Director

SDL SHEFFIELD LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

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

Opinion

We have audited the financial statements of SDL Sheffield Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Director's report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

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

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities


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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

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.



Rebecca Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD
25 September 2020

SDL SHEFFIELD LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	41,688,824	33,827,647
Cost of sales		(28,377,499)	(23,277,724)
Gross profit		<u>13,311,325</u>	<u>10,549,923</u>
Administrative expenses		(12,861,935)	(9,841,934)
Operating profit	5	<u>449,390</u>	<u>707,989</u>
Tax on profit	8	783,007	(174,848)
Profit for the financial year		<u><u>1,232,397</u></u>	<u><u>533,141</u></u>

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 13 to 28 form part of these financial statements.

SDL SHEFFIELD LIMITED
REGISTERED NUMBER: 02034398

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	9	7,149,115	7,681,181
Tangible assets	10	927,234	1,081,017
		8,076,349	8,762,198
Current assets			
Debtors: amounts falling due within one year	11	14,837,930	10,862,053
Cash at bank and in hand	12	-	212,350
		14,837,930	11,074,403
Creditors:	13	(11,170,470)	(9,302,707)
Net current assets		3,667,460	1,771,696
Total assets less current liabilities		11,743,809	10,533,894
Provisions for liabilities			
Deferred taxation	14	(1,210,785)	(1,300,245)
		(1,210,785)	(1,300,245)
Net assets		10,533,024	9,233,649
Capital and reserves			
Called up share capital	15	130	130
Share premium account	16	10	10
Capital contribution reserve	16	4,432,338	4,365,360
Profit and loss account	16	6,100,546	4,868,149
		10,533,024	9,233,649

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



24/09/20

.....
Timothy Everitt
 Director

The notes on pages 13 to 28 form part of these financial statements.

SDL SHEFFIELD LIMITED

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

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	130	10	-	4,335,008	4,335,148
Profit for the year	-	-	-	533,141	533,141
Capital contribution in the year	-	-	4,365,360	-	4,365,360
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 31 December 2019	130	10	4,432,338	6,100,546	10,533,024

The notes on pages 13 to 28 form part of these financial statements.

SDL SHEFFIELD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

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

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:

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) as adopted by the European Union (EU) ("Adopted 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 ultimate parent undertaking, SDL plc, includes the Company in its consolidated financial statements. The consolidated financial statements of SDL plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU 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 2019

2. Accounting policies (continued)

2.3 Going concern

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

The director has assessed the funding position of the Company for a period of 12 months from the date of approval of these financial statements, which indicates, taking into account the circumstances referred to in Note 19 Post Balance Sheet Events, including taking account of reasonably possible downsides as a result of the COVID-19 pandemic on both the Company and the Group, that the Company will have sufficient funds, through funding from its ultimate parent company, SDL plc, to meet its liabilities as they fall due for that period. Further disclosure on the impact of COVID-19 on the Group can be found in the Group's interim financial statements for the period ended 30 June 2020.

The Company is integral to the group operations and operates a cash sweep mechanism with other group companies. Whilst the Company has significant net assets and is operating at an approximate break-even level after management recharges it does not prepare any detailed cash flow forecasts. Whilst the director expects the company to remain profitable and cash generative for the foreseeable future, were it necessary the director has no reason to believe that SDL plc would not provide financial support if required during that period. SDL 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. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the director is 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 has prepared the financial statements on a going concern basis.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

IFRS 16 supersedes IAS17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluation the Substance of Transactions involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS17. The Company has no leases as a lessor.

The Company does not hold any leases with the scope of IFRS 16, accordingly no adjustments have been made as a result of the adopting of IFRS 16 at 1 January 2019.

IFRIC 23

The Company has reviewed the provisions of IFRIC 23 Uncertainty over Tax Treatments and has not identified any impact from the new standard.

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.5 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.

2.6 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.

SDL SHEFFIELD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.7 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.

2.8 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.

2.9 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.

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

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.

2.10 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.

2.11 Financial instruments

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

2.12 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.

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.13 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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits repayable in 90 days or less. Cash and cash equivalents consist of cash in hand and bank deposits net of outstanding bank overdrafts.

2.15 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 2019**

2. Accounting policies (continued)

2.16 Pensions

Pension obligations

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. 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.

In addition to the scheme some UK employees receive an enhancement to salary of between 5% and 10% of gross pay in lieu of company contributions.

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.

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 £2,135,574 (2018: £1,375,538).

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

Turnover represents the amount invoiced excluding value added tax, derived from the provision of localisation services to third party customers and other group companies, 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:

	2019 £	2018 £
United Kingdom	24,483,058	25,113,086
Rest of Europe	11,428,673	5,307,755
Rest of the World	5,777,093	3,406,806
	<u>41,688,824</u>	<u>33,827,647</u>

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

	2019 £	2018 £
Software, support and maintenance	16,183	77,983
Consultancy and services	41,672,641	33,749,664
	<u>41,688,825</u>	<u>33,827,647</u>

Included in the total Company revenue is intra group revenue of £5,184,796 (2018: £5,278,875) 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:

	2019 £	2018 £
Depreciation and amortisation of owned assets	711,338	443,542
Net foreign exchange (gains)/losses	1,866,865	(1,217,341)
Defined contribution pension cost	<u>521,409</u>	<u>359,428</u>

6. Auditor's remuneration

	2019 £	2018 £
Auditor's remuneration	<u>17,600</u>	<u>17,000</u>

SDL SHEFFIELD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Staff costs

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	9,504,604	9,074,052
Social security costs	988,504	748,160
Cost of defined contribution scheme	<u>521,409</u>	<u>359,428</u>

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

	2019 No.	2018 No.
Administration and Sales	77	82
Production	175	112
	<u>252</u>	<u>194</u>

Directors' emoluments

The directors of the company are also directors or employees of SDL plc. 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 2019 (2018 - £NIL).

8. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	230,506	188,661
Adjustments in respect of previous periods	(838,349)	3,569
	<u>(607,843)</u>	<u>192,230</u>
Total current tax	<u>(607,843)</u>	<u>192,230</u>
Deferred tax		
Origination and reversal of timing differences	(125,872)	(17,382)
Adjustments in respect of previous periods	(49,292)	-
Total deferred tax	<u>(175,164)</u>	<u>(17,382)</u>
Taxation on profit on ordinary activities	<u>(783,007)</u>	<u>174,848</u>

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>449,390</u>	<u>707,989</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	85,384	134,517
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,442	44,904
Capital allowances for year in excess of depreciation	(501)	4,233
Adjustments to tax charge in respect of prior periods	(887,641)	3,569
Other timing differences leading to an increase (decrease) in taxation	15,309	(12,375)
Group relief claimed	(230,506)	(30,832)
Payment for group relief	230,506	30,832
Total tax charge/(credit) for the year	<u>(783,007)</u>	<u>174,848</u>

During the year, the group have performed an exercise to clarify historical positions reached in respect of group relief. This has resulted in a credit to the tax charge in the company.

Factors that may affect future tax charges

On 11 March 2020 the UK Budget was held and it was announced that the planned reduction in the UK Corporation Tax Rate from 19% to 17% that was due to be effective 1 April 2020 will no longer be enacted. When the Finance Act receives Royal Assent the carrying value of the deferred tax balances will be revalued. This will result in a charge to the profit and loss account, in the year ended 31 December 2020, on the opening deferred tax balances of £131,285.

SDL SHEFFIELD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Intangible assets

	Customer Relationships £	Software £	Total £
Cost			
At 1 January 2019	7,893,562	125,359	8,018,921
At 31 December 2019	<u>7,893,562</u>	<u>125,359</u>	<u>8,018,921</u>
Amortisation			
At 1 January 2019	219,266	118,474	337,740
Charge for the year	526,237	5,829	532,066
At 31 December 2019	<u>745,503</u>	<u>124,303</u>	<u>869,806</u>
Net book value			
At 31 December 2019	<u>7,148,059</u>	<u>1,056</u>	<u>7,149,115</u>
At 31 December 2018	<u>7,674,296</u>	<u>6,885</u>	<u>7,681,181</u>

SDL SHEFFIELD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2019	1,162,291	502,625	1,664,916
Additions	6,171	19,318	25,489
At 31 December 2019	<u>1,168,462</u>	<u>521,943</u>	<u>1,690,405</u>
Depreciation			
At 1 January 2019	201,551	382,348	583,899
Charge for the year on owned assets	123,370	55,902	179,272
At 31 December 2019	<u>324,921</u>	<u>438,250</u>	<u>763,171</u>
Net book value			
At 31 December 2019	<u>843,541</u>	<u>83,693</u>	<u>927,234</u>
At 31 December 2018	<u>960,740</u>	<u>120,277</u>	<u>1,081,017</u>

11. Debtors

	2019 £	2018 £
Trade debtors	7,483,016	8,340,350
Prepayments	229,792	220,295
Accrued income	2,135,574	1,375,538
Amounts owed by group undertakings	4,884,274	584,862
Other debtors	3,640	325,078
Deferred taxation	101,634	15,930
	<u>14,837,930</u>	<u>10,862,053</u>

Amounts owed by Group undertakings are governed by their individual loan agreements. The balances are unsecured amounts, which are repayable on demand. No interest is payable on these loan balances.

Contract Assets and Liabilities

Revenue recognised during the period that was included within deferred revenue at the year end is £184,606 (2018: £253,970). For performance obligations satisfied over time, judgement is required in determining whether a right to consideration is unconditional. In such situations, a receivable is recognised for the transaction price of the non-cancellable portion of the contract when the Group starts satisfying the performance obligation. 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 2019

12. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	-	212,350
	<u>-</u>	<u>212,350</u>

13. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,129,915	2,021,518
Amounts owed to group undertakings	4,808,828	261,754
Other taxation and social security	1,250,315	1,338,685
Other creditors	491,833	189,715
Accruals	2,809,146	4,225,936
Deferred income	575,153	184,606
Corporation tax	105,280	1,080,493
	<u>11,170,470</u>	<u>9,302,707</u>

Amounts owed to Group undertakings are governed by their individual loan agreements. The balances are unsecured amounts, which are repayable on demand. No interest is payable on these loan balances.

14. Deferred taxation

	2019 £	2018 £
At beginning of year	(1,284,315)	(1,301,697)
Charged to profit or loss	85,704	(24,278)
Utilised in year	89,460	41,660
At end of year	<u>(1,109,151)</u>	<u>(1,284,315)</u>

SDL SHEFFIELD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Deferred taxation (continued)

The deferred tax balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	34,461	2,397
Other short term timing differences	67,173	13,533
Deferred tax liability on intangibles	(1,210,785)	(1,300,245)
	<u>(1,109,151)</u>	<u>(1,284,315)</u>
Comprising:		
Asset - due within one year	101,634	15,930
Liability	(1,210,785)	(1,300,245)
	<u>(1,109,151)</u>	<u>(1,284,315)</u>

15. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 (2018 - 100) Ordinary shares of £1.00 each	100.00	100.00
10 (2018 - 10) Ordinary "A" shares of £1.00 each	10.00	10.00
10 (2018 - 10) Ordinary "B" shares of £1.00 each	10.00	10.00
10 (2018 - 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.

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. 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.

Profit and loss account

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

17. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company. The pension cost charge represents contributions payable by the Company to the fund and amounted to £521,409 (2018: £359,428). Contributions totalling £99,023 (2018: £71,224) were payable to the fund at the balance sheet date and are included in creditors.

18. Group guarantee

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

19. Post balance sheet events

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed which has since spread across a significant number of countries, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the exact impact of COVID-19 on the Company or to provide a quantitative estimate of the impact. The Company receives support from the SDL Group which continues to operate as a going concern as disclosed under 'going concern' in the Directors' report.

On 27 August 2020, The RWS Group plc Board ('RWS') and the SDL plc Board ('SDL') announced that they had reached agreement on the terms of a recommended all-share combination of RWS and SDL, pursuant to which RWS will acquire the entire issued and to be issued share capital of SDL, to be effected by means of a court-sanctioned scheme of arrangement between SDL and SDL Scheme Shareholders under Part 26 of the Companies Act (the "Combination" to form the "Combined Group").

The Combination will create a truly global provider of language services and technology. The Combined Group will be a broad-based, well-funded business benefitting from increased scale, superior capabilities, an expanded geographic footprint and a highly experienced management team.

The Combination is expected to be effected by means of a court-sanctioned scheme of arrangement between SDL and SDL Scheme Shareholders under Part 26 of the Companies Act. The Scheme is expected to be effective in Q4 2020.

SDL SHEFFIELD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. Controlling party

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

The largest group in which the results of the Company are consolidated is that headed by SDL plc, incorporated in England, registered at New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB. The consolidated financial statements of the group are available to the public and may be obtained from New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB.