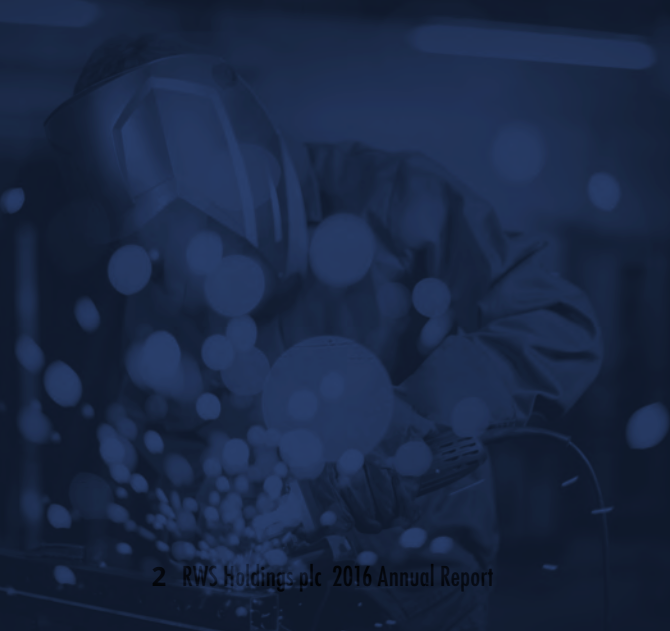




New horizons

RWS Holdings plc 2016 Annual Report





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RWS provides language and intellectual property services that support its clients in taking products from concept to market



Information

A comprehensive range of patent search and monitoring services which enable clients to check if their intellectual property is novel, valid for an application or risks infringing upon existing patents. RWS has also established Patbase as one of the world's largest searchable commercial patent databases covering over 57 million patent families, designed by professional searchers and sold on a subscription basis.

Patent Translation & Filing

The translation of patent and supporting intellectual property documents in over 200 language pairs and the management of multi-jurisdictional patent filing supported by our international web-based filing platform, inovia.com.

Technically and linguistically accurate translations delivered to deadline

Over 99% on time*

Efficient processes supported by sophisticated and proprietary technology

Over 500 million words translated last year*

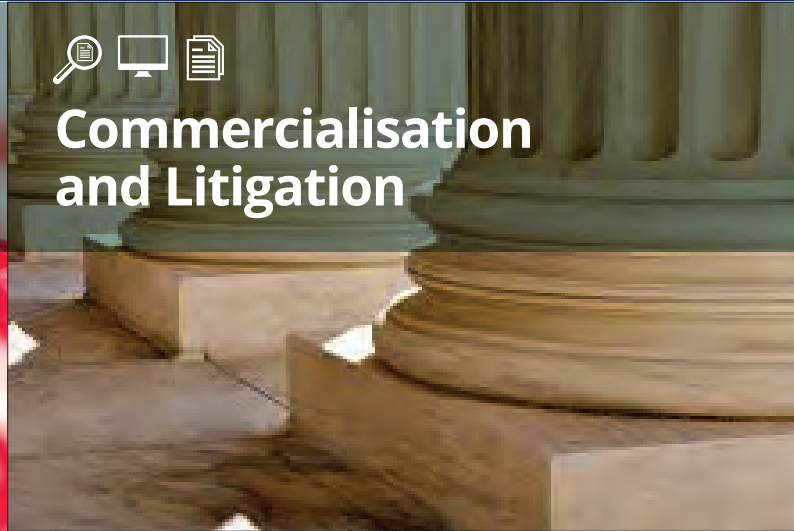
Our in-depth understanding of clients' differing requirements as their product moves from research and development, to protection and commercialisation enables us to deliver consistently high-quality services at each stage of the product lifecycle, whilst giving RWS visibility of activity across the value chain



Clinical Trials, Patient Outcomes



Commercialisation and Litigation



Life Sciences

A full suite of language solutions designed to support the entire life science industry. The translation and linguistic validation of vital content for pharmaceutical, biotech and medical device companies including their clinical research organisations, advertising agencies and other subcontractors.

Technical & Commercial Translation

The translation of other specialist documents, from technical specifications and manuals to sensitive legal and financial documents. Our work includes the localisation of materials to ensure they are linguistically and culturally appropriate and in line with local regulations in multiple target markets.

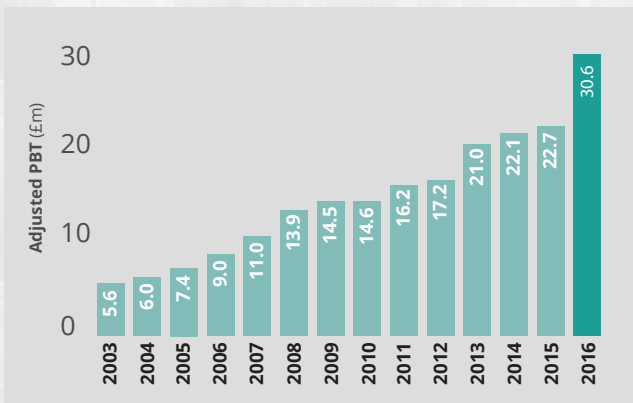
Excellent quality control and customer service

Over 99% of customers happy with the quality of our services*



*Source: RWS records

Financial Highlights



▲ A strong financial track record



c.800 employees including subject specialist translators & checkers and project managers

Strong reputation for quality and delivery with specialist staff supported

▲ by sophisticated technology



13%

sales growth at CTi since acquisition

RWS has a strong track record of

▲ executing earnings accretive acquisitions



Over 80,000 patent and IP documents and 65,000 life science projects per year

Market leader in intellectual property and life science language and support services

7.8% increase in world-wide patent applications in 2015*
14% CAGR in US clinical trials 2011-2016**



▲ Growing markets



*Source: World Intellectual Property Office, **Source: Number of clinical trials as recorded by ClinicalTrials.gov, a U.S. National Institutes of Health service



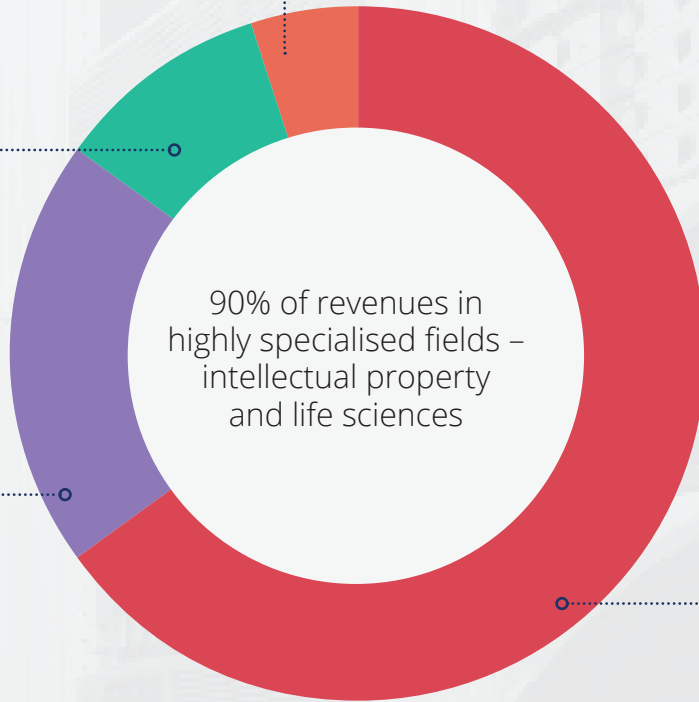
10%
Commercial
Translation



5%
Information



20%
Life Sciences



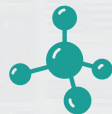
65%
Patent translation
& filing



Medical & Pharma



Aerospace & Defence



Chemical



Automotive



Energy



Manufacturing



Technology & Telecoms

▲ A diversified international, blue chip client base



Operations located to service
▲ customer needs globally

Strong cash generation supports progressive dividend policy

13 years of dividend increases



I am pleased to report that RWS has delivered its best year ever despite a far from robust global economic backdrop. For the thirteenth consecutive year since listing on AIM in November 2003, we have achieved growth in sales, underlying profits and dividends, testimony to the strength of our market positions in patent translations, intellectual property services and life sciences services. During the year, we have also continued to invest in those resources which can deliver future expansion.

Results and Financial Review

The Group has achieved further significant progress in underlying operational performance, reflecting continued growth in the core patent translations business, together with growth in PatBase, China and Japan. In addition, the Group benefited from a strong maiden contribution from CTi, the US life sciences specialist it acquired in October 2015. A material improvement in Group gross margins also contributed to our record results.

Group sales advanced by 28% to £122.0 million (2015: £95.2 million). Adjusted operating profit before amortization of intangibles, share option costs and acquisition expenses was up 40% at £32.0 million (2015: £22.9 million).

Adjusted profit before tax, amortization of intangibles, share option costs and exceptional acquisition expenses increased by 35% to £30.6 million (2015: £22.7 million). This produced an increase of 35% in adjusted earnings per share to 10.9p (2015: 8.1p).

Reported profit before tax was £25.1 million (2015: £20.7 million). This result reflected significantly greater amortization of intangibles largely driven by the CTi acquisition and totalling £4.6 million (2015: £1.6 million), offset by lower share based payment costs. Basic earnings per share were 9.0p (2015: 7.3p), a rise of 23%. The Group's effective tax rate was 22.9% (2015: 24.8%).

As of 30 September 2016, shareholders' funds had reached £108.7 million (2015: £85.7 million). At 1 October 2015 the Group had net cash of £30.6 million. The Group ended the 2016 financial year with net debt of only £1.5 million, after the £47.1 million cash consideration for CTi which was acquired at the end of October 2015, demonstrating the Group's continued strong underlying cash

generation. Other significant cash outlays included corporation tax of £5.2 million and dividends of £10.6 million.

Currency Effects and Hedging

This year has been marked by considerable volatility in global currency markets. This was compounded in the aftermath of the EU referendum in late June and the Group has benefitted from the resulting decline in sterling. RWS is a prolific exporter of its services meaning that over 85% of its revenues are non-sterling, its principal exposures being to the euro and the US dollar. The Group's estimated net exposure to the Euro has been hedged at an average rate of 1 Euro = 83p for the whole of the year to 30 September 2017. The average rate experienced over 2015-16 was 78.1p. Exposure to the US dollar is largely offset by the five year US\$45 million dollar loan drawn to acquire CTi.

Acquisition of a market leader in Life Sciences translations and linguistic validation

The Group announced on 2 November 2015 that it had acquired the entire issued share capital of Corporate Translations Inc. ("CTi") for a cash consideration of US\$70 million. This acquisition was in line with our stated strategy of complementing organic growth with selective acquisitions which have growth potential in attractive sectors and/or geographies, offer excellent margins and enhance shareholder value.

The acquisition of CTi established a significant Group presence in the USA which the Board believes is the largest growth opportunity for RWS. CTi is one of the world's leading life sciences translation and linguistic validation providers. It enjoys a preferred supplier relationship with many of its key clients, with extraordinary penetration of the blue chip life sciences community. CTi's greater scale, combined with the existing RWS specialist divisions, provided a step change in the Group's competitive standing amongst the major pharmaceutical groups and contract research organisations, whilst RWS' strong foothold in Europe is already supporting CTi's expansion into the European life sciences sector.

Funding for the acquisition was via a combination of a US\$45 million five-year bank loan and the Group's internal cash resources.

The acquisition of CTi has been immediately and significantly earnings enhancing, with the US\$70 million consideration based upon CTi reporting in excess of US\$7 million EBITDA for the year ended 31 December 2015. We have now completed the integration of CTi with our Medical Translation Division, which included the linguistic validation specialist PharmaQuest, and we now report on it as part of our combined life sciences activities. We were also pleased to have appointed Sheena Dempsey as Chief Executive Officer of CTi in early September, following the anticipated departure of the CTi vendors after a hand-over period. She brings a wealth of experience and knowledge of the life sciences space and is a welcome addition to our strong operational management team across the Group.

Dividend

I am pleased to announce that the Board has recommended a final dividend of 4.45p per share. The interim dividend, paid in July, was 1.15p per share, so the total payout in respect of the year will amount to 5.6p per share, an increase of 15% over 2015 reflecting the Group's earnings growth during 2016 and the Board's confidence in the Group's continued progress. This proposed payout marks a thirteen-year unbroken record of increases in the dividend since flotation in November 2003.

The proposed total dividend is 1.6 times covered by basic earnings per share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 24 February 2017 to all shareholders on the register at 27 January 2017. The shares will trade ex-dividend on 26 January 2017.

Share Option Plan

RWS announced on 4 April 2013 that the Board had approved a new share option plan for executive Directors and senior managers, under which options would be granted over ordinary shares representing up to a maximum of 4% of the Group's share capital. The plan is designed to further align the interests of senior employees with shareholders and to promote the retention of the Group's senior executives.

Options over 4% of the Group's share capital have been issued to ten participants, with a subscription price of 129.2p per share. The earliest vesting date is 3 April 2015 and the latest exercise date is 3 April 2021. A total of 4,184,810 options were exercised during the year.

People

The very nature of the Group's activities dictate that it will always be dependent upon the quality and dedication of its entire staff to meet the demands for high quality and timely delivery required by its worldwide clients. Group headcount reached 792 full time equivalents at the year-end (2015: 621), which includes the 143 CTi employees who joined the Group upon acquisition. I wish to place on record my thanks to all of our employees for their contribution to the Group's excellent results.

Corporate Social Responsibility

RWS has always sought to be a socially responsible Group which has a positive impact on the communities it operates in. We look to employ colleagues who reflect the diversity of the Group's communities. No discrimination is tolerated, and we endeavour to give all employees the opportunity to develop their capabilities. We provide an excellent working environment, the latest technology and appropriate training.

RWS' staff contribute generously on a monthly basis to a wide selection of local and national charities chosen by the staff, and their contributions are matched by the Group.

Current Trading and Outlook

The Group has made a very strong start to the new financial year, benefiting from significant underlying growth in revenues, better gross margins and currency tailwinds.

The Board remains highly encouraged by the Group's opportunities to continue to grow significantly and profitably across its now broader portfolio of market leading businesses, particularly as it looks to build on its position in life sciences in the USA.

The Group's strong cash generation and healthy balance sheet leave us well positioned to pursue that growth through acquisitions and organic investment, whilst also maintaining our progressive dividend policy.

Andrew Brode

Chairman

6 December 2016

Business Model

RWS is the world's leading provider of intellectual property (IP) support services (patent translations, international patent filing solutions and searches), high level technical and commercial translation services and, following the acquisition of Corporate Translation Inc, a leading provider of translation and linguistic validation services to the life sciences sector. RWS has a blue chip multinational client base spanning Europe, North America and Asia, particularly active in patent filing in the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries. The Group's principal business activities are:

- Patent translations and filing, which currently accounts for over 65% of Group revenue. RWS differentiates itself from the competition through the quality of its translations, its high level of IP expertise and customer service and the use of its international web based patent filing platform, 'inovia'. Uniquely, the business employs over 100 full time highly qualified translators.
- Following the acquisition in October 2015 of Corporate Translations Inc, RWS has established a separate division, focussed solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceutical corporations and clinical research organisations in North America and Europe.
- Information, which includes a comprehensive range of patent search, retrieval and monitoring services as well as PatBase, one of the world's largest searchable commercial patent databases, access to which is sold exclusively as an annual subscription service.
- Commercial translations, with a particular emphasis on technical translations.

Our Strategy

RWS' objective is to increase shareholder value by growing the Group's revenue and profit before tax.

Our strategy to achieve this is focused upon organic growth complemented by selective acquisitions, providing these can be demonstrated to enhance shareholder value.

Organic growth is driven by:

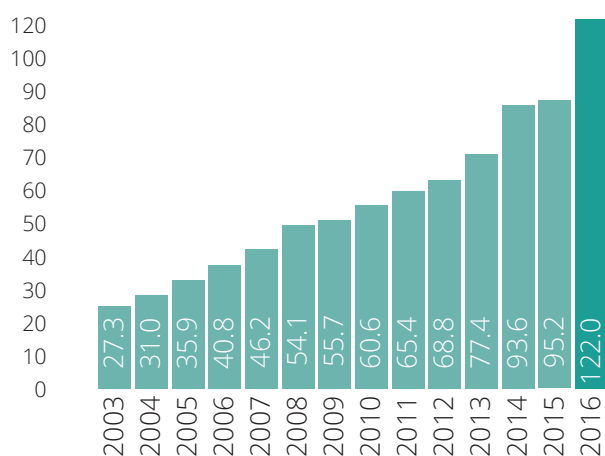
- increases in the worldwide patent filing activities of existing and potential multinational clients
- the development of new drugs by the pharmaceutical industry
- the outsourcing by corporates, clinical research organisations, law firms and attorneys of all or part of their foreign patent search, filing and translation and linguistic validation processes.
- the growing demand for language services and the Group's ability to increase its market share by winning new clients attracted by its leading position and reputation, in an otherwise fragmented sector and in new and/or growing geographies
- increasing market share, particularly in the patent translation and life sciences markets
- the retention of our client base, which includes a large share of the top 20 patent filers both in Europe and globally, many of which will use the Group for substantially all of their patent translation requirements, and
- the addition of new clients each year with whom activity levels build up over time.

In terms of acquisitive growth, we continue to search for suitable potential acquisitions in the intellectual property support services and specialist commercial translation spaces, with our primary focus currently on life sciences in the USA. We seek niche businesses capable of delivering well above industry average levels of profitability or highly complementary businesses capable of reinforcing the Group's dominant position in intellectual property support and language services.

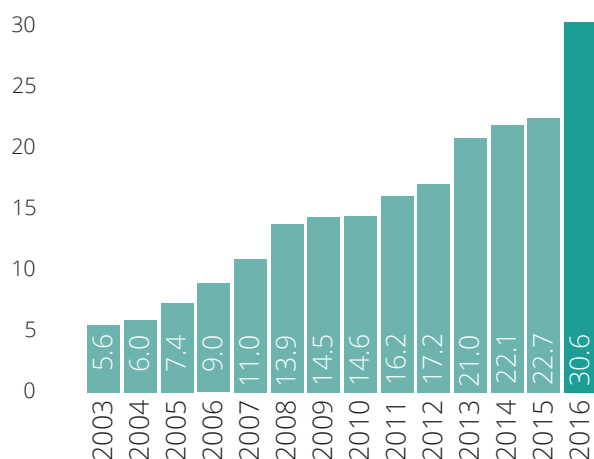
We are particularly pleased to be able to show our progress against these stated objectives with 13 straight years of sales and profit growth since flotation.

Strategic Review (continued)

Annual Revenue £m



Annual Adjusted PBT £m



Operating Review

Patent Translations and Filing

The Group's core patent translation and filing business (including inovia) represents 65% of Group sales and grew revenues by 8% to £79.4 million (2015: £73.3 million). This performance reflects earlier client wins, organic growth from the established client base, and further strong growth in China. The macroeconomic background delivered further grounds for confidence with record numbers of new patent applications in 2015.

The Group has maintained its market leadership, having recently successfully renewed master service agreements with many of its top clients. It services 11 of the top 20 applicants at the World Intellectual Property Office and 12 of the top 20 applicants at the European Patent Office in 2015.

Selling IP services under the RWS inovia brand, the US and European sales teams continue to develop opportunities with large international patent filers which will support FY17 sales. In Asia we continued successfully with our strategy to target Japanese and Chinese international filers for our patent translation and filing services. Sales from Japan are supporting our current growth, while progress in China with a number of innovators is expected to support additional growth in the medium term. China continues to attract North American and European patent filers seeking patent protection there, as a result of which our headcount in China has grown to 70 employees (2015: 63). We are operating from three locations and have continued to develop production and training centres with several Chinese universities. These centres enable the Group to expand its Chinese offering but at a lower cost than in Beijing. We have also continued to expand our long term relationships with international patent bodies seeking to enlarge their collections of translated Chinese patent prosecution documents.

Life Sciences

The Group's life science division accounts for 20% of the Group's sales (£24.4 million compared to £4.2 million in 2015) and focuses on the language service requirements of Pharmaceutical corporations and Clinical Research Organisations.

The results of this division include the sales of RWS businesses which service the life sciences sector, namely PharmaQuest and Medical Translation Division ("MTD") and were previously included within the Commercial Translations division, in addition to an 11 month revenue (US\$30.5 million (2015: US\$27.0 million), contribution from CTi since its acquisition in October 2015.

During the year we successfully completed a thorough market search for a new CEO ahead of the anticipated departure of the vendors of CTi who wished to pursue philanthropic ventures. In early September we announced the appointment of Sheena Dempsey. As described in more detail below, RWS has successfully completed the integration of PharmaQuest and MTD with CTi such that all 3 businesses now operate on the same operating system, using the same process and report to Sheena.

Commercial Translations

The commercial translations business, which accounts for 10% of Group sales and operates in the UK, Germany and Switzerland, reported a 2% growth in revenues to £11.9 million (2015: £11.7 million) (after restatement for the move of PharmaQuest and MTD revenues to the new life sciences division). We have grouped all non-patent and non-life science translations in this service line and it remains the segment of our business most exposed to competition. Given the intensity of the competition, we continue to focus upon specialist niches and larger projects where the Group's resources and expertise can provide a competitive edge and to investigate ways of improving margins through production process efficiencies.

The recently established German patent translation facility is steadily growing and will both balance the cyclical effect evident in the commercial translation activities and improve Germany's contribution to Group margins through better utilisation of existing resources.

The commercial translation business does enable RWS to offer customers a complete solution to their translation needs whilst continuing to provide good cross selling opportunities for the patent translation and life sciences businesses, which have already made use of interpreting services provided by Group company Eclipse.

Information

The information business accounts for 5% of Group sales and reported revenues up 7% to £6.4 million (2015: £6.0 million) reflecting several successful client wins and a good flow of regular work from a number of clients. The high margin subscription service – PatBase – grew by 7.2% during the year. We have continued to invest in PatBase searchability, content, analytics and geographic coverage as well as in a robust, state of the art infrastructure to secure the resilience of the platform which provides 24/7 worldwide access.

Market Update

Patent Filing Statistics

The World Intellectual Property Office (WIPO) has published figures showing a 7.8% world-wide increase in patent applications in 2015; a higher growth rate than the 4.5% seen in 2014. Overall growth is driven by Chinese domestic applications, with the US still being the most active in international filing. Filings are under the two main international filing systems, the PCT (Patent Cooperation Treaty) and the European Patent; PCT numbers increased by 1.7% to 218,000 and European Patent application numbers by 1.6% to 278,867 in 2015.

Risk Management

The Group maintains a risk register which is reviewed and assessed on an annual basis by the Board of Directors. The key risks to the business are errors in the provision of the Group's services, in a mismatch between currencies (especially as between the Euro and Sterling), in regulatory changes to patent translation requirements in Europe, in the emergence of new translation technologies, and the failure to successfully integrate acquired businesses into RWS. Additionally, as with any people business delivering high quality services, the Group depends upon its ability to attract and retain well trained staff.

These risks are mitigated as follows:

- Failings in service provision are most likely to arise as a result of human error. RWS was the first language services provider and, independently, the first search company to adopt ISO certification and invests in exhaustive and regularly updated procedures to minimise the risk of error. In addition, the Group carries substantial professional indemnity insurance.
- As previously reported, currency risk is partly mitigated via hedging operations.
- We have in the past drawn the market's attention to the proposed European Union Patent ("the Unitary Patent") and its potential impact upon the Group's profits and the uncertainty around the timetable for its implementation. As one of the three largest patent filers in Europe, the UK would play a key role in the future administration of the Unitary Patent and has been designated as one of the three countries to host a Unitary Patent court. Given the UK's 'Brexit' vote, there was considerable uncertainty as to whether the UK would ratify the Unitary Patent prior to its exit from the European

Strategic Review (continued)

Union. However, on 28 November 2016 the UK government announced that it is proceeding with preparations to ratify the Unified Patent Court Agreement, which could see the UP introduced in the second half of 2017.

As previously reported, there is scepticism among applicants and the IP profession both as regards the UP's jurisdiction and also the actual financial benefits for those applicants which do not require Europe-wide patent coverage. Because the proposed Unitary Patent will run in parallel with the existing system, it will not provide any financial advantage to many corporates who only seek patent protection in selected key countries. In addition, corporates using the Unitary Patent scheme for the first time will also run the risk of a new and untried intellectual property litigation system.

To date there has been insufficient guidance from the UK Government as to the terms it will seek for UK's exit from the EU. The uncertainty of whether the UP will still cover the UK when it finally exits the EU could add further reluctance to using the new system. We therefore anticipate a minimal loss of revenue in FY17 and we will be closely monitoring client reaction and legal developments over the next six months to establish the impact/position for FY18 and beyond.

- In October 2015, RWS acquired CTi with the intention of building a single life sciences business with greater global reach. The subsequent integration focussed on merging RWS' smaller existing life science businesses of PharmaQuest and MTD into CTi. This integration work included retraining staff, the consolidation of customers and suppliers, and establishing strong IT links between the businesses. This work is now complete.

The supplier consolidations have reduced technical costs and improved margins, whilst the consolidation of customers has improved the focus of our service offering and enables RWS to provide its life science customers with a consistent, high level of service across both their US and European operations. In addition, cross-selling opportunities have already been identified and are beginning to yield positive results as well as enhancing our sales pipeline.

The framework for and experience gained from this successful CTi and RWS integration will be utilised on future acquisitions.

- The Group has always embraced new translation technologies and used them to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognizing advances in machine translation technology (MT), we have just completed an internal programme to investigate and trial best MT use and have started integrating MT engines into the translation workflow in appropriate areas along with Translation Memory technology. Very recently, substantial technological progress has been made with the introduction of Neural Machine Translation (NMT) engines, which will also be employed by the Group following further testing and supplier selection. It is clear that the market for general translations will be further eroded by NMT and that a successful LSP (Language Services Provider) needs to focus on premium quality translation work in critical areas, such as IP and life sciences
- As a significant employer in the local area of South Buckinghamshire, we believe we offer stability of employment, competitive salaries and an excellent working environment. In the current economic climate, we have been successful in recruiting high calibre staff as required, but competition for talented people to work on the periphery of the London conurbation is undoubtedly intensifying, as evidenced by the exceptionally low unemployment statistics for the area.

On behalf of the Board

Richard Thompson

6 December 2016

Board of Directors at 30 September 2016

Andrew S Brode (76)

Chairman

Member of the Audit Committee and the Remuneration Committee

Appointed as a Director 11 April 2000

Founder of Bybrook and led the management buy in of the RWS Group. A substantial shareholder in the Company

Non-Executive Chairman of Learning Technologies Group plc and Electric Word plc and Non-Executive Director of a number of private companies

Reinhard Ottway (57)

Chief Executive Officer

Appointed as a Director 1 January 2012

Joined RWS Group in 1994 and was Business Development Director from 2001

Richard Thompson (54)

Deputy Chief Executive Officer

Finance Director and Company Secretary

Appointed as a Director and Company Secretary 28 November 2012

Previously worked for Actix International Limited, a global supplier of software and services to the telecommunications market

David E Shrimpton (73)

Senior independent Non-Executive Director and Deputy Chairman

Member of the Audit Committee and Chairman of the Remuneration Committee

Appointed as a Director 1 January 2010

Non-Executive Director of a number of private companies

Peter Mountford (59)

Non-Executive Director

Chairman of the Audit Committee and member of the Remuneration Committee

Appointed as a Director 11 April 2000

Chairman of Mountford Capital Limited, Chairman of Heropreneurs and a Non-Executive Director of a number of other private companies

Elisabeth A Lucas (60)

Non-Executive Director

Member of the Audit Committee and the Remuneration Committee

Joined RWS Group in 1977, Managing Director of Translations Division from 1992 and Chief Executive Officer from 1995 to 2011

Appointed as a Director on 11 November 2003

Registered office

Europa House
Chiltern Park
Chiltern Hill
Chalfont St Peter
Buckinghamshire
SL9 9FG

Company registration number

03002645

Directors' Report

The Directors present their annual report together with the audited consolidated financial statements for the year ended 30 September 2016.

Business performance and risks

The review of the business, operations, principal risks and outlook are dealt with in the Strategic Review on pages 8 to 11. The key performance indicators of the Group are revenues and adjusted pre-tax profit before amortization of acquired intangibles, share option costs and acquisition costs.

Financial results

The financial statements set out the results of the Group for the year ended 30 September 2016 which are shown on page 23.

Group revenues advanced by 28.2% to £122.0 million (2015: £95.2 million) and pre-tax profit before amortization of intangibles, share option costs and exceptional costs was £30.6 million (2015: £22.7 million), a rise of 34.8%. Profit before tax is £25.1 million (2015: £20.7 million). The total tax expense was £5.8 million (2015: £5.1 million) an effective tax rate of 22.9% (2015: 24.8%).

Basic earnings per share was 9.0 pence (2015: 7.3 pence).

Dividends

The Directors recommend a final dividend of 4.45 pence per Ordinary share (see note 8) to be paid on the 24 February 2017 to shareholders on the register at 27 January 2017, which, together with the dividend of 1.15 pence paid in July 2016 makes a total dividend for the year of 5.60 pence (2015: 4.88 pence). The final dividend will be reflected in the financial statements for the year ending 30 September 2017. The proposed total dividend per share is 1.6 times covered by basic earnings per share.

Going concern accounting basis

The Group had cash resources of £27.9 million at 30 September 2016 and an overall net debt of £1.5 million following the funding of the CTi acquisition. The Group was able to generate free cash flow of £23.1 million in the year. The Directors have considered the recent operating results, the acquisition of CTi and the associated debt along with the financial position and have a reasonable expectation that the Group has adequate resources to continue in operation as a going concern for

the next 12 months from the date these financial statements were approved.

Financial instruments

Information about the use of financial instruments by the Group is given in note 18 to the financial statements.

Directors

Details of members of the Board at 30 September 2016 are set out on page 12.

The interests of the Directors in shares during the year are set out on page 18 in the Directors' Remuneration Report.

Peter Mountford and Richard Thompson retire by rotation at the Annual General Meeting and being eligible offers themselves for re-election.

The Company's Annual General Meeting will be held in London on 14 February 2017.

Directors' indemnities

As permitted in its articles of association, the Directors have the benefit of an indemnity which is a third party indemnity provision as defined in section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. (The Company also purchased and maintained throughout the financial year, Directors and Officers liability insurance in respect of itself and its Directors).

Corporate governance

The Board

Throughout the year the Board comprised the Chairman, two Executive and three Non-Executive Directors. The Board considers that all of the Non-Executive Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect their independent judgement. The Board notes that Elisabeth Lucas was previously the Chief Executive of the Company, however they believe that her in depth knowledge and experience of working with RWS, in the language services industry, gives her a unique insight into the Company's operations and markets, making her a very valued member of the RWS Board.

Directors' Report (continued)

The Executive Directors have direct responsibility for business operations whilst the Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions. The Board met six times during the year to review financial performance and approve key business decisions, so that it retained control over strategic, budgetary, financial and organisational issues and monitored executive management. In addition to the Executive Directors, the members of the Senior Executive Team are:

Charles Sitch, Managing Director UK Translations Division; Neil Simpkin, Deputy Managing Director UK Translations Division; Jo Hindley, Commercial Director UK Translations Division; Caroline Chenique, European Sales Director and Roberto Aletto, IT Director. They are invited to attend various board meetings and report on the areas of responsibility delegated to them.

Audit Committee

The members of the Audit Committee are Peter Mountford (committee Chairman), David Shrimpton, Elisabeth Lucas and Andrew Brode.

The members with the exception of Andrew Brode, are Non-Executive Directors and the Board is satisfied that they have recent and relevant financial experience. Andrew Brode is the Group's Chairman and a substantial shareholder in the Ordinary shares of the Company. The Finance Director and representatives from the external auditors attend meetings at the request of the Committee. During the year the Committee met twice.

The Committee reviews and makes recommendations to the Board on: any change in accounting policies; decisions requiring a major element of judgement and risk; compliance with accounting standards and legal and regulatory requirements; disclosures in the interim and annual report and financial statements; dividend policy and payment; any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group; and, any matters that may significantly affect the independence of the external auditor.

In addition the Committee has oversight of the external audit process and reviews its effectiveness and approves any non-audit services provided.

Remuneration Committee

Further information about the Committee and the Company's remuneration policy is set out on pages 17 to 19 in the Directors' Remuneration Report.

Internal controls and risk management

The Board has overall responsibility for the Group's system of internal controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors believe that the Group has internal control systems in place appropriate to the size and nature of the business. The key elements are: bi-monthly Group board meetings with reports from and discussions with senior executives on performance and key risk areas in the business; monthly financial reporting, for the Group and for each subsidiary, of actual performance compared to budget and previous year; annual budget setting; and, a defined organisational structure with appropriate delegation of authority. The Board also receives a report from the external auditor on matters identified in the course of the statutory audit work.

In addition, a further Board Meeting is held during the year to consider and assess the risks facing the business and approve the steps and timetable senior management has established to mitigate those risks.

Employment of disabled persons

It is Company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. People with disabilities, depending on their skills and abilities, enjoy the same career prospects as other employees and the same scope for realising potential.

Employee involvement

The Company's policy is to consult and discuss with employees at staff meetings matters likely to affect employee interests. The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability irrespective of sex, race or religion. Group subsidiaries endeavour to provide equal opportunities in recruiting, training, promoting and developing the careers of all employees.

Directors' Report (continued)

Substantial shareholdings

At 30 September 2016, excluding the Directors, the following were substantial shareholders:

	% holding
Liontrust Asset Management	13.0
Octopus Investments	7.1
Investec Wealth and Investment	4.6
Hargreave Hale	4.0

Authority to allot

Under section 549 Companies Act 2006, the Directors are prevented, subject to certain exceptions, from allotting shares in the Company or from granting rights to subscribe for or to convert any security into shares in the Company without the authority of the shareholders in General meeting. An ordinary resolution will be proposed at the 14 February 2017 Annual General Meeting which renews, for the period ending 14 May 2018, or if earlier the date of the 2018 Annual General Meeting, the authority previously granted to the Directors to allot shares, and to grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal value of £719,216, representing approximately one third of the share capital of the Company in issue at 6 December 2016.

The Directors have no immediate plans to make use of this authority except in respect of the issue of shares under the employee share option scheme. As at the date of this report the Company does not hold any Ordinary shares in the capital of the Company in treasury.

Statutory Pre-emption Rights

Under section 561 of the Companies Act 2006, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. A special resolution will be proposed at the 14 February 2017 Annual General Meeting which renews, for the period ending on 14 May 2018 or, if earlier, the date of the 2018 Annual General Meeting, the authorities previously granted to the Directors to:

(a) allot shares of the Company in connection with a rights issue or other pre-emptive offer; and
(b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £215,765 (representing in accordance with institutional investor guidelines, approximately 10% of the share capital in issue as at 6 December 2016) as if the pre-emption rights of section 561 of the Act did not apply.

The Directors have no immediate plans to make use of these authorities. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last four years.

Rule 9 of the city code

Under rule 9 of the city code, where any person acquires an interest in shares which carry 30 per cent or more of the voting rights, that person is normally required to make a general offer to all the remaining shareholders of the Company to acquire their shares. Subject to approval by the Panel on Takeovers and Mergers, an ordinary resolution will be proposed at the 14 February 2017 Annual General Meeting which renews, for the period ending 14 May 2020, or if earlier the date of the 2020 Annual General Meeting the waiver of any requirement under rule 9 for Andrew Brode (Chairman) and any related parties to make a general offer to the shareholders of the Company as a result of any market purchase by the Company of its own shares.

Independent Auditors

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information relevant to the audit and established that the auditors are aware of that information. As far as each of the Directors is aware, the auditors have been provided with all relevant information.

PricewaterhouseCoopers LLP (PwC) has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the 14 February 2017 Annual General Meeting.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with FRS 101.

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 Group and the Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union and the Company financial statements have been prepared in accordance with FRS 101 subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board

Richard Thompson

Finance Director and Company Secretary
6 December 2016

Directors' Remuneration Report

Remuneration Committee

The members of the Remuneration Committee are David Shrimpton (committee Chairman), Peter Mountford, Elisabeth Lucas and Andrew Brode. With the exception of Andrew Brode the members are Non-Executive Directors. The Board believes that Andrew Brode's interests are closely aligned with those of all shareholders and therefore believe that he plays an important role as member of the Remuneration Committee.

The remit of the Committee is primarily to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and, if required by the Board, the Senior Executives of the Group. The remuneration of Non-Executive Directors is a matter for the Board, excluding the Non-Executive Directors. The remuneration of the Chairman is a matter for the Remuneration Committee, excluding Andrew Brode. No Director or Senior Executive is involved in any discussion or decision about his or her own remuneration. The Remuneration Committee met once during the year.

The Board has confirmed that the Group's overall remuneration policy is designed to attract and retain the right people and provide appropriate incentives to encourage enhanced performance so as to create growth in shareholder value.

Individual elements of remuneration

For Executive Directors and Senior Executives the components contained in the total remuneration package are: base salary; performance related annual bonus, share options and other customary benefits such as; holidays and health benefits, sickness benefit and pension contributions. Neither the performance related annual bonus nor the share options apply to the Chairman.

Performance related bonuses are based on a combination of sales and/or adjusted profit before tax targets depending on an individual's area of responsibility.

For Non-Executive Directors there is only one component, a base fee.

Share Options

On 3 April 2013 the Board approved a share option scheme. The scheme was designed to incentivise Executive Directors and Executives and further align the interests of senior employees and shareholders. The Committee has responsibility for supervising the scheme and the grant of options under its terms.

Service contracts

The Non-Executive Directors do not have service contracts. Their appointments will continue unless and until terminated by either party giving not less than 30 days' notice.

The service contracts of the Chairman and the Executive Directors continue unless and until terminated by either party giving at least six months' notice.

The date of the Chairman's service contract is 30 October 2003 and the service contracts of Reinhard Ottway and Richard Thompson are dated 20 December 2011 and 1 November 2012 respectively. In the event of early termination, the Chairman's and the Executive Directors' service contracts provide for compensation up to a maximum of the total benefits which he or she would have received during the notice period.

Directors' emoluments and pension contributions

The aggregate remuneration, excluding pension contributions, paid or accrued for the Directors of the Company for service in all capacities during the year ended 30 September 2016 was £1,166,000 (2015: £998,000). The remuneration of individual Directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

Directors' Remuneration Report (continued)

	Salary or fees £'000	Bonus £'000	Taxable benefits £'000	2016 Total £'000	2016 Pension contribu- tions £'000	2015 Total £'000	2015 Pension contribu- tions £'000
Andrew Brode	263	-	-	263	-	263	-
Reinhard Ottway	332	70	1	403	10	350	10
Richard Thompson	285	100	-	385	9	270	7
Elisabeth Lucas	45	-	-	45	-	45	-
Peter Mountford	35	-	-	35	-	35	-
David Shrimpton	35	-	-	35	-	35	-
	995	170	1	1,166	19	998	17

Directors' interests in shares

The interests of the Directors as at 30 September 2016 (including the interests of their families and related trusts), all of which were beneficial, in the Ordinary shares were:

	Ordinary shares of 1 pence
Andrew Brode	90,174,060
Elisabeth Lucas	50,000
Reinhard Ottway	224,053
Peter Mountford	68,775
Richard Thompson	13,000
	90,529,888

The interests of Directors at the year end in options to subscribe for Ordinary shares of the Company, together with details of any options granted during the year are included in the following table. All options were granted at market value at the date of grant.

Directors' Remuneration Report (continued)

Approved Share Option scheme	Number of shares under option				Exercise price Pence	First date exercisable	Last date exercisable
	At 1 October 2015	Issued in the year	Exercised in the year	At 30 September 2016			
Reinhard Ottway	23,215	-	-	23,215	129.20	03/04/16	03/04/21
Richard Thompson	23,215	-	-	23,215	129.20	03/04/16	03/04/21

Unapproved Share Option scheme	Number of shares under option				Exercise price Pence	First date exercisable	Last date exercisable
	At 1 October 2015	Issued in the year	Exercised in the year	At 30 September 2016			
Reinhard Ottway	2,515,745	-	2,515,745	-	129.20	03/04/15	03/04/21
Richard Thompson	1,246,265	-	-	1,246,265	129.20	03/04/15	03/04/21

During the year the following Directors exercised options:

	Date exercised	Number	Market price at date of exercise Pence	Gain £'000
Reinhard Ottway	9 February 2016	2,515,745	180.00	1,278

The options granted under both schemes will be exercisable at the mid market price of 129.2p.

The market price of the Company's share as at 30th September 2016 and the highest and lowest market prices during the year are as follows:

30 September 2016	250p
Highest Market Price	270p
Lowest Market Price	135p

All participants in the share option scheme have indemnified the Company against any tax liability relating to the option including class 1 employers national insurance contribution.

Transactions with Directors

During the year there were no material transactions between the Company and the Directors, other than their emoluments.

On behalf of the Board

David Shrimpton

6 December 2016

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion, RWS Holdings plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 30 September 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 30 September 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of RWS Holdings plc (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Parent Company financial statements of RWS Holdings plc for the year ended 30 September 2016.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 December 2016

Financial Statements



Consolidated Statement of Comprehensive Income for the year ended 30 September

	Note	2016 £'000	2015 £'000
Revenue	3	121,986	95,215
Cost of sales		(69,792)	(57,706)
Gross profit		52,194	37,509
Administrative expenses		(25,671)	(16,677)
Operating profit	4	26,523	20,832
Analysed as:			
Operating profit before charging:		32,023	22,894
Amortization of acquired intangibles	11	(4,639)	(1,607)
Acquisition costs		(855)	-
Share based payment costs	20	(6)	(455)
Operating profit		26,523	20,832
Finance income	6	16	71
Finance costs	6	(1,448)	(251)
Profit before tax		25,091	20,652
Taxation expense	7	(5,758)	(5,124)
Profit for the year		19,333	15,528
Other comprehensive income*			
Gain on retranslation of foreign operations		8,479	1,069
Total other comprehensive income		8,479	1,069
Total comprehensive income attributable to:			
Owners of the parent		27,812	16,597
Basic earnings per Ordinary share (pence per share)	9	9.0	7.3
Diluted earnings per Ordinary share (pence per share)	9	9.0	7.3

*Other comprehensive income includes only items that will be subsequently reclassified to Profit before tax when specific conditions are met.

The notes on pages 28 to 53 form part of these financial statements.

Consolidated Statement of Financial Position at 30 September

Registered Company 3002645	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Goodwill	10	61,518	31,445
Intangible assets	11	28,421	6,836
Property, plant and equipment	12	17,630	17,732
Deferred tax assets	13	1,875	340
		109,444	56,353
Current assets			
Trade and other receivables	14	28,173	17,907
Foreign exchange derivatives	18	-	309
Cash and cash equivalents	21	27,910	30,569
		56,083	48,785
Total assets	3	165,527	105,138
Liabilities			
Current liabilities			
Loans	15	6,923	-
Trade and other payables	16	20,207	14,797
Foreign exchange derivatives	18	681	-
Income tax payable		4,702	2,417
Provisions	17	79	77
		32,592	17,291
Non-current liabilities			
Loans	15	22,500	-
Other payables	16	30	30
Provisions	17	379	301
Deferred tax liabilities	13	1,326	1,826
		24,235	2,157
Total liabilities	3	56,827	19,448
Total net assets		108,700	85,690
Equity			
Capital and reserves attributable to owners of the parent			
Share capital	19	2,157	2,116
Share premium		8,947	3,583
Share based payment reserve		875	1,801
Reverse acquisition reserve		(8,483)	(8,483)
Foreign currency reserve		10,117	1,638
Retained earnings		95,087	85,035
Total equity		108,700	85,690

The notes on pages 28 to 53 form part of these financial statements.

The financial statements on pages 23 to 53 were approved by the Board of Directors and authorised for issue on 6 December 2016 and were signed on its behalf by:

Andrew Brode

Director

Consolidated Statement of Changes in Equity for the year ended 30 September

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
At 1 October 2014	2,116	3,583	(6,568)	79,303	78,434
Profit for the year	-	-	-	15,528	15,528
Currency translation differences	-	-	1,069	-	1,069
Total Comprehensive income for the year ended 30 September 2015	-	-	1,069	15,528	16,597
Dividends	-	-	-	(9,796)	(9,796)
Credit arising on share based payments	-	-	455	-	455
At 30 September 2015	2,116	3,583	(5,044)	85,035	85,690
Profit for the year	-	-	-	19,333	19,333
Currency translation differences	-	-	8,479	-	8,479
Total Comprehensive income for the year ended 30 September 2016	-	-	8,479	19,333	27,812
Issue of shares	41	5,364	-	-	5,405
Deferred tax on unexercised share options	-	-	-	414	414
Dividends	-	-	-	(10,627)	(10,627)
Exercise of share options	-	-	(932)	932	-
Credit arising on share based payments	-	-	6	-	6
At 30 September 2016	2,157	8,947	2,509	95,087	108,700
Other reserves		Share based payment reserve £'000	Reverse acquisition reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 2014		1,346	(8,483)	569	(6,568)
Other Comprehensive gain for the year		-	-	1,069	1,069
Credit arising on share based payments		455	-	-	455
At 30 September 2015		1,801	(8,483)	1,638	(5,044)
Other Comprehensive gain for the year		-	-	8,479	8,479
Exercise of share options		(932)	-	-	(932)
Credit arising on share based payments		6	-	-	6
At 30 September 2016		875	(8,483)	10,117	2,509

Consolidated Statement of Changes in Equity for the year ended 30 September (continued)

The nature and purpose of each reserve within equity is as follows:

- Share capital is the nominal value of the shares issued.
- Share premium is the fair value of the shares issued in excess of their nominal value.
- Share based payment reserve is the credit arising on the share based payment charges in relation to the Company's share option schemes.
- Foreign currency reserve is the cumulative gain or loss arising on retranslating the net assets of overseas operations into sterling except where the Group applies a net investment hedge.
- Reverse acquisition reserve was created when RWS Holdings plc became the legal parent of Bybrook Limited. The substance of this combination was that Bybrook Limited acquired RWS Holdings plc.
- Retained earnings are the cumulative net gains and losses, including the capital reserve from the Company balance sheet.

The notes on pages 28 to 53 form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 30 September

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit before tax		25,091	20,652
Adjustments for:			
Depreciation of property, plant and equipment	12	941	824
Amortization of intangible assets	11	4,719	1,663
Share based payment costs		6	455
Finance income	6	(16)	(71)
Finance expense	6	1,448	251
Operating cash flow before movements in working capital and provisions		32,189	23,774
Increase in trade and other receivables		(4,249)	(1,529)
Increase in trade and other payables and provisions		1,652	2,037
Cash generated from operations		29,592	24,282
Income tax paid		(5,196)	(5,091)
Net cash inflow from operating activities		24,396	19,191
Cash flows from investing activities			
Interest paid		(369)	-
Interest received		16	76
Acquisition of subsidiary, net of cash acquired	22	(47,068)	-
Purchases of property, plant and equipment	12	(731)	(1,258)
Purchases of intangibles (computer software)	11	(169)	(33)
Net cash outflow from investing activities		(48,321)	(1,215)
Cash flows from financing activities			
Proceeds from borrowing		29,485	-
Repayment of borrowing		(4,874)	-
Proceeds from the issue of share capital		5,405	-
Dividends paid	8	(10,627)	(9,796)
Net cash inflow/(outflow) from financing activities		19,389	(9,796)
Net (decrease)/increase in cash and cash equivalents		(4,536)	8,180
Cash and cash equivalents at beginning of the year		30,569	22,479
Exchange gains/(losses) on cash and cash equivalents		1,877	(90)
Cash and cash equivalents at end of the year	21	27,910	30,569
Free cash flow			
Analysis of free cash flow			
Net cash generated from operations		29,592	24,282
Net interest (paid)/received		(353)	76
Income tax paid		(5,196)	(5,091)
Purchases of property, plant and equipment		(731)	(1,258)
Purchases of intangibles (computer software)		(169)	(33)
Free cash flow		23,143	17,976

The Directors consider that the free cash flow analysis above indicates the cash generated from normal activities excluding acquisitions, dividends paid and the proceeds from the issue of share capital.

The notes on pages 28 to 53 form part of these financial statements.

1 Accounting policies

Basis of accounting and preparation of financial statements

RWS Holdings plc is a public limited company incorporated and domiciled in England and Wales whose shares are publicly traded on the Alternative Investment Market of the London Stock Exchange.

The Group financial statements consolidate those of the Parent Company and its subsidiaries. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC interpretations and Companies Act 2006 applicable to Companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention as modified, where applicable, by the revaluation of financial assets and financial liabilities at fair value through the income statement.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to both years presented, unless otherwise stated.

The Company has elected to prepare the Company financial statements in accordance with FRS 101. These are presented on pages 56 to 64 and the accounting policies in respect of Company information are set out on page 58.

Changes in accounting policies

The impact on the Group's financial statements of the future adoption of new standard interpretations and amendments is still under review. The only relevant amendments to the Group are IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases', neither of which is likely to have a material effect on the results or net assets of the Group.

There were no other new IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Consolidation

A subsidiary is an entity controlled, directly or indirectly. Control is regarded as the power to govern the financial and operating policies of the entity so as to benefit from its activities. The financial results of subsidiaries are consolidated from the date control is obtained until the date that control ceases. All intra-group transactions are eliminated as part of the consolidation process.

Business combinations

Under the requirements of IFRS 3 (revised), all business combinations are accounted for using the acquisition method ('acquisition accounting'). The cost of a business acquisition is the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer. Following IFRS 3 (revised) becoming effective, costs directly attributable to business combinations are expensed, where previously they were treated as part of the cost of the acquisition. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. An intangible asset, such as customer relationships or a trademark, is recognised if it meets the definition of an intangible asset under IAS 38 'Intangible assets'. The excess of the cost of the acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill.

Goodwill and other intangible assets

Intangible assets are stated at historical purchase cost less accumulated amortization.

Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. At the date of acquisition,

Notes to the Consolidated Financial Statements (continued)

goodwill is allocated at the lowest levels for which there are separate identifiable cash flows for the purpose of impairment testing. Assets, excluding goodwill, which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets separately identified from goodwill acquired as part of a business combination are initially stated at fair value. The fair value attributable is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital appropriate to that intangible asset. The assets are amortized over their estimated useful lives which range from one to ten years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These assets are amortized using the straight line method over their estimated useful lives (not exceeding three years).

Revenue recognition

Group revenue represents the fair value of the consideration received or receivable for the rendering of services, net of value added tax and other similar sales based taxes, rebates, discounts and 3rd party licences and after eliminating inter-company sales. Revenue, other than subscription, commission and linguistic validation project income, is recognised as a translation, filing or search is fulfilled in accordance with agreed client instructions and includes, where contracts are partially completed, the revenue on the element of the work performed to date.

Subscription revenue is recognised on a straight line basis over the term during which the service is provided. Commission income is credited to revenue upon securing the related sale. Revenue from linguistic validation projects is recognised partly on completion of the translation work (50%) with the remainder recognised upon completion of the project.

Accrued income represents the full receivable value of work performed to date.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the

primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the individual financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences on all transactions are taken to operating profit in the Consolidated Statement of Comprehensive Income.

In the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date, except when deferred in Other Comprehensive Income as qualifying as a net investment hedge. Income and expense items are translated at the average exchange rates, which approximate to actual rates, for the relevant accounting period. Exchange differences arising, if any, are classified as other comprehensive income and recognised in the Group's foreign currency reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities.

Segment information

Segment information reflects how management controls the business. This is primarily by the type of service supplied and then by the geographic location of the business units delivering those services. The assets and liabilities of the segments reflect the assets and liabilities of the underlying companies involved.

Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost less accumulated depreciation where cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for intended use. The Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its estimated residual value systematically over its estimated useful life using the straight-line method on the following bases:

- Freehold land and buildings – Nil to 2%
- Long leasehold and leasehold improvements – the length of the lease
- Furniture and equipment – 10% to 33%
- Motor vehicles – 16.67%

All items of property, plant and equipment are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the Statement of Comprehensive Income. Any assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The gain or loss on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to manage its exposure to foreign exchange arising from operational activities.

Derivative financial instruments are initially measured at fair value (with direct transaction costs being included in the Statement of Comprehensive Income as an expense) and are subsequently remeasured to fair value at each reporting date. Changes in carrying value are recognised in the Statement of Comprehensive Income.

The Group hedges the net investment in certain foreign operations by borrowing in the currency of the operations' net assets. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in Other Comprehensive Income.

Gains and losses accumulated in equity are included in the Consolidated Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

Trade and other receivables

Trade and other receivables represent amounts due from customers in the normal course of business. All amounts are initially stated at fair value and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and highly liquid investments with original maturities of three months or less.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items that are not taxable or deductible. The Group's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the reporting date.

Notes to the Consolidated Financial Statements (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee benefits

The Group operates a defined contribution pension plan and has no further obligations once the contributions have been paid. Payments to the plan are recognised in the Statement of Comprehensive Income as they fall due.

Paid holidays are regarded as an employee benefit and as such are charged to the Statement of Comprehensive Income as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event from which it is probable that it will result in an outflow of economic benefits that can reasonably be estimated.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The benefit of lease incentives is spread over the term of the lease.

Capital

The Group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group has historically considered equity funding as

the most appropriate form of capital for the Group but debt financing has been introduced where it was felt that the benefits exceed the risks and costs to equity shareholders of introducing this type of finance.

Equity issued by the Company is recorded as the proceeds received net of direct issue costs.

Loans

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Share based payments

The Group and Company provide benefits to certain employees (including certain Executive Directors), in the form of share based payment transactions whereby employees render services in exchange for rights over shares in the form of share options. These equity settled share based transactions are measured as the fair value of the share option at the grant date. Details regarding the determination of the fair value of these options can be seen in note 20.

The fair value determined at the grant date of the share options is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of share options that will vest. At each balance sheet date the Group revises its estimate of the number of options expected to vest as a result of the effect on non market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Consolidated Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserves.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which dividends are approved by the Company's shareholders, or in the case of interim dividends, when they are paid.

2 Critical judgements and accounting estimates in applying the Group's accounting policies

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions are reviewed on an ongoing basis. In the future, actual experience may vary materially from management expectation.

Key sources of estimation uncertainty

The following estimates and assumptions are considered to have a risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit. More details on the carrying value of goodwill and intangible assets is included in notes 10 and 11.

Acquisition accounting

The Group acquired Corporate Translations Inc on 30 October 2015 for £47.1m consideration. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including any separately identifiable intangible assets, both of which can be a particularly subjective process.

Share based payments

The Group operates a share based payment scheme. The charge for share based payments is based on the fair value of awards at the date of grant which is partly calculated by use of the Black-Scholes pricing model which requires judgement to be made regarding volatility, dividend yield, risk free rates of return and expected option lives. The inputs used in these pricing models to calculate the fair values are set out in note 20.

Useful economic lives of intangible and tangible assets

The useful economic lives and residual values of assets have been established using historic experience and an assessment of the nature of the assets involved.

Accruals

Costs which have not been invoiced to the Group are estimated and recorded as accruals. Judgement is required where the amount of the cost is not known and this may differ from the actual cost.

Provisions

Provisions are assessed annually in accordance with the Group's accounting policy. Provisions are recognised when it is probable that an outflow of economic benefits will occur as a result of a past event or transaction and a reliable estimate of the outflow can be made. In the event that estimates are wrong, this may impact the financial statements in future periods.

Allowance for doubtful debts

Provision is made for receivables where amounts may be considered to be irrecoverable. In the event that this estimate is wrong, this may impact the financial statements in future periods.

Notes to the Consolidated Financial Statements (continued)

3 Segment information

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources, and has divided the Group into reportable segments. The Board assesses the performance of the segments based on revenue and profit/(loss) from operations. These are measured on a basis consistent with the income statement.

Reporting segments have been reclassified from prior years, and the comparatives have been restated in order to be more representative of the Group's current internal reporting. Following the successful integration of the inovia web-based filing business into the patent translation business and the acquisition of Corporate Translations Inc the Board monitors and manages the Group in four reportable segments and assesses these segments based on revenue and profit/(loss) from operations. The four segments are:

- Patent translation division providing patent and technical document translation and filing services with offices in the UK, USA, Europe, Japan and China.
- Life science division providing technical translations and linguistic validation to the medical and pharmaceutical sector. This division includes the newly acquired Corporate Translations Inc plus the medical translation and Pharmaquest linguistic validation businesses both previously included within the Commercial segment.
- Commercial division providing non patent technical translation and localisation services.
- Information division which offers a full range of patent search, retrieval and monitoring services as well as an extremely comprehensive patent database service accessible by subscribers, known as PatBase.

The unallocated segment relates to corporate overheads, assets and liabilities.

The segment results for the year ended 30 September 2016 are as follows:

	Patent and Commer- cial UK £'000	Patent and Commer- cial Overseas £'000	Life Sciences £'000	Informa- tion £'000	Unallo- cated £'000	Group £'000
Revenue						
Patent translation	74,704	4,655	-	-	-	79,359
Commercial translation	6,277	5,578	-	-	-	11,855
Life sciences	-	-	24,416	-	-	24,416
Information	-	-	-	6,356	-	6,356
Revenue	80,981	10,233	24,416	6,356	-	121,986
Operating profit/(loss) before charging:	20,325	2,604	6,170	3,598	(674)	32,023
Amortization of acquired intangibles	(981)	(334)	(3,181)	(143)	-	(4,639)
Acquisition costs	-	-	-	-	(855)	(855)
Share based payment charges	(3)	-	-	-	(3)	(6)
Profit/(loss) from operations	19,341	2,270	2,989	3,455	(1,532)	26,523
Finance income						16
Finance expense						(1,448)
Profit before taxation						25,091
Taxation						(5,758)
Profit for the year						19,333

Overseas intercompany revenues to the UK amounting to £6.1 million have been eliminated on consolidation. The segment results for the year ended 30 September 2015 are as follows:

Notes to the Consolidated Financial Statements (continued)

	Patent and Commer- cial UK £'000	Patent and Commer- cial Overseas £'000	Life Sciences £'000	Informa- tion £'000	Unallo- cated £'000	Group £'000
Revenue						
Patent translation	69,334	4,013	-	-	-	73,347
Commercial translation	6,079	5,578	-	-	-	11,657
Life sciences	-	-	4,204	-	-	4,204
Information	-	-	-	6,007	-	6,007
Revenue	75,413	9,591	4,204	6,007	-	95,215
Operating profit/(loss) before charging:	17,490	2,099	893	3,114	(702)	22,894
Amortization of acquired intangibles	(903)	(316)	(245)	(143)	-	(1,607)
Share based payment charges	(140)	(59)	(23)	-	(233)	(455)
Profit/(loss) from operations	16,447	1,724	625	2,971	(935)	20,832
Finance income						71
Finance expense						(251)
Profit before taxation						20,652
Taxation						(5,124)
Profit for the year						15,528

Overseas intercompany revenues to the UK amounting to £5.2 million have been eliminated on consolidation.

The segment assets and liabilities at 30 September 2016 are as follows:

	Patent and Commer- cial UK £'000	Patent and Commer- cial Overseas £'000	Life Sciences £'000	Informa- tion £'000	Unallo- cated £'000	Group £'000
Total assets	73,083	12,790	69,622	6,116	3,916	165,527
Total liabilities	12,584	2,831	37,135	2,432	1,845	56,827
Capital expenditure	248	200	132	132	238	950
Depreciation	389	108	34	236	174	941
Amortization	981	376	3,184	143	35	4,719

Notes to the Consolidated Financial Statements (continued)

The segment assets and liabilities at 30 September 2015 are as follows:

	Patent and Commer- cial UK £'000	Patent and Commer- cial Overseas £'000	Life Sciences £'000	Informa- tion £'000	Unallo- cated £'000	Group £'000
Total assets	72,943	11,039	7,369	6,024	7,763	105,138
Total liabilities	11,415	2,427	756	2,585	2,265	19,448
Capital expenditure	230	118	13	507	390	1,258
Depreciation	338	105	18	193	170	824
Amortization	903	372	245	143	-	1,663

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions from acquisitions through business combinations.

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	Assets 2016 £'000	Liabilities 2016 £'000	Assets 2015 £'000	Liabilities 2015 £'000
Segment assets and liabilities	161,611	54,982	97,375	17,183
Unallocated:				
Deferred tax	644	-	196	1,368
Property, plant and equipment	250	-	322	-
Non-financial assets	376	1,386	244	522
Other financial assets and liabilities	2,646	459	7,001	375
Total unallocated	3,916	1,845	7,763	2,265
	165,527	56,827	105,138	19,448

Assets allocated to a segment consist primarily of operating assets such as property, plant and equipment, intangible assets, goodwill, receivables and cash.

Liabilities allocated to a segment comprise primarily bank loans, trade payables and other operating liabilities.

The Group's operations are based in the UK, Continental Europe, Asia, United States of America and Australia. The table below shows turnover by the geographic market in which customers are located.

	2016 £'000	2015 £'000
UK	15,510	17,637
Continental Europe	62,751	45,308
Asia, United States of America and Australia	43,725	32,270
	121,986	95,215

No customer accounted for more than 5% of Group turnover in the current year (prior year 7%).

Notes to the Consolidated Financial Statements (continued)

The following is an analysis of revenue, carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the Group's undertakings are located.

	Revenue		Segment assets		Capital expenditure	
	2016 £'000	2015 £'000 *restated	2016 £'000	2015 £'000 *restated	2016 £'000	2015 £'000 *restated
UK	90,541	80,993	87,559	98,862	618	1,140
Continental Europe	5,579	5,578	7,999	3,100	44	74
Asia, United States of America and Australia	25,866	8,644	69,969	3,176	288	44
	121,986	95,215	165,527	105,138	950	1,258

* The 2015 figures have been restated to include the inovia figures within the UK segment. These had previously been considered part of the Asia, United States of America and Australia segment.

4 Profit from operations

	2016 £'000	2015 £'000
This has been arrived at after charging/(crediting):		
Staff costs (note 5)	33,654	25,870
Depreciation of property, plant and equipment and motor vehicles (note 12)	941	824
Amortization of intangible assets (note 11)	4,719	1,663
Foreign exchange gains	(1,756)	(1,305)
Operating lease rentals:		
– Property	1,086	623
– Plant and equipment	77	121
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Group's annual accounts	54	54
– The audit of subsidiaries of the Company	136	95
– Taxation Compliance services	115	78
– Taxation Advisory services	182	-
– Audit related assurance services	208	-
Total fees	695	227

Notes to the Consolidated Financial Statements (continued)

5 Staff costs

	2016 £'000	2015 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	28,980	22,192
Social security costs	3,576	2,731
Other pension costs	1,092	492
Share based payment expense (note 20)	6	455
	33,654	25,870

The Group operates a defined contribution pension scheme making payments on behalf of employees to their personal pension plans. Payments of £1,092,000 (2015: £492,000) were made in the year and charged to the income statement in the period they fell due. At the year end there were unpaid amounts included within Other payables totalling £53,000 (2015: £54,000).

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 17 to 19.

Key management compensation

	2016 £'000	2015 £'000
Short term employee benefits	3,077	2,645
Post employment benefits	104	45
Share based payments	6	455
	3,187	3,145

The key management compensation includes the six (2015: six) Directors of RWS Holdings plc, the five (2015: five) members of the Senior Executive Team who are not Directors of RWS Holdings plc the four (2015: four) Managing Directors of the operating subsidiary undertakings based overseas and the two (2015: nil) former owners of CTi who were employed by the Group during the year.

The monthly average number of people employed by the Group, including Directors and part-time employees, during the year was:

	2016 Number	2015 Number
Production staff	629	477
Administrative staff	159	135
	788	612

Notes to the Consolidated Financial Statements (continued)

6 Finance income and expense

	2016 £'000	2015 £'000
Finance income		
– Returns on short-term deposits	16	71
Finance expense		
– Bank interest payable	(458)	(6)
– Movement in the fair value of foreign currency contracts	(990)	(245)
	(1,448)	(251)
Net finance income	(1,432)	(180)

7 Taxation

	2016 £'000	2015 £'000
Taxation recognised in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
– UK	4,171	3,957
– Overseas	3,325	1,039
Adjustments in respect of prior years	(32)	288
	7,464	5,284
Deferred tax		
Current year movement	(1,624)	(228)
Adjustments in respect of prior years	(82)	68
Total tax expense	5,758	5,124

The table below reconciles the UK statutory tax charge to the Group's total tax charge.

	2016 £'000	2015 £'000
Profit before taxation	25,091	20,652
Notional tax charge at UK corporation tax rate of 20.0% (2015: 20.5%)	5,018	4,234
Effects of:		
Items not deductible or not chargeable for tax purposes	(512)	60
Differences in overseas tax rates	1,366	474
Adjustments in respect of prior years	(114)	356
Total tax expense for the year	5,758	5,124

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. Legislation was enacted to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and 17% from 1 April 2020.

The reductions in tax rate to 20% were substantively enacted for the purposes of IAS 12, 'income taxes', on 2 July 2013. As these rate changes have been substantively enacted at the balance sheet date, their effects have been included in these financial statements.

Notes to the Consolidated Financial Statements (continued)

8 Dividends to shareholders

	2016 pence per share	2016 £'000	2015 pence per share	2015 £'000
Final, paid 26 February 2016 (2015: paid 27 February 2015)	3.85	8,146	3.60	7,617
Interim, paid 22 July 2016 (2015: paid 24 July 2015)	1.15	2,481	1.03	2,179
	5.00	10,627	4.63	9,796

The Directors recommend a final dividend in respect of the financial year ended 30 September 2016 of 4.45 pence per Ordinary share to be paid on 24 February 2017 to shareholders who are on the register at 27 January 2017. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2016. The final proposed dividend will reduce shareholders' funds by an estimated £9.6 million.

9 Earnings per Ordinary share

Basic earnings per share are based on the post-tax Group profit for the year and a weighted average number of Ordinary shares in issue during the year calculated as follows:

	2016	2015
Weighted average number of Ordinary shares in issue for basic earnings	214,215,397	211,579,840
Dilutive impact of share options	1,564,458	1,086,738
Weighted average number of Ordinary shares for diluted earnings	215,779,855	212,666,578

Adjusted earnings per Ordinary share is also presented to eliminate the effects of acquired intangibles, share options and exceptional acquisition costs. This presentation shows the trend in earnings per Ordinary share that is attributable to the underlying trading activities. The reconciliation between the basic and adjusted figures is as follows:

	2016 £'000	2015 £'000	2016 Basic earnings per share pence	2015 Basic earnings per share pence	2016 Diluted earnings per share pence	2015 Diluted earnings per share pence
Profit for the year	19,333	15,528	9.0	7.3	9.0	7.3
Adjustments:						
Amortization of acquired intangibles	4,639	1,607	2.2	0.8	2.1	0.8
Acquisition costs	855	-	0.4	-	0.4	-
Charges for share based payments	6	455	0.0	0.2	0.0	0.2
Tax effect of adjustments	(1,515)	(412)	(0.7)	(0.2)	(0.7)	(0.2)
Adjusted earnings	23,318	17,178	10.9	8.1	10.8	8.1

Notes to the Consolidated Financial Statements (continued)

10 Goodwill

	2016 £'000	2015 £'000
Cost and net book value		
Opening	31,445	30,512
Additions	22,788	-
Exchange adjustments	7,285	933
At 30 September	61,518	31,445

During the year, goodwill was tested for impairment. The recoverable amount for each cash-generating unit ("CGU") has been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. All of these assumptions have been reviewed during the year. Management estimates discount rates using pre tax rates that reflect current market assessments of the time value of money and the risk specific to each CGU. This has resulted in a range of discount rates being used within the calculations.

The growth rates used in the calculations are based on a review of both recently achieved growth rates and a prudent estimate of likely future growth rates for each specific market sector.

Key assumptions for the value in use calculations are as follows:

	Long Term Growth Rate	Discount Rates	Revenue Growth
Patent and Commercial UK	2%	9%	5%
Patent and Commercial Overseas	2%	8%	6%
Life Sciences	2%	12%	7%
Information	2%	9%	6%

Long term growth rate is the rate applied to determine the terminal value at 5 years. The discount rate is the pre-tax discount rate. Revenue growth is the average annual increase in revenue over the 5 year projection period.

As part of the value in use calculation, management prepares cash flow forecasts derived from the most recent financial budgets, approved by the Board of Directors for the next 12 months, and extrapolates the cash flows for a period of 5 years based on an estimated growth rate. This rate does not exceed the expected growth rate for the relevant markets of each CGU.

The Group has conducted a sensitivity analysis on the carrying value of each of the CGUs. There are no reasonably possible changes in the key assumptions that could cause the carrying value of the CGUs to exceed their recoverable amounts.

Based on the result of the value in use calculations undertaken, the Directors conclude that the recoverable amount in the CGUs exceeds its carrying value.

Notes to the Consolidated Financial Statements (continued)

The allocation of goodwill to each CGU is as follows:

	2016 £'000	2015 £'000
Patent and Commercial UK	25,120	22,472
Patent and Commercial Overseas	4,632	3,961
Life Sciences	29,985	3,231
Information	1,781	1,781
At 30 September	61,518	31,445

11 Intangible assets

	Trade name £'000	Clinician database £'000	Technology £'000	Trade- marks £'000	Customer relation- ships & order book £'000	Software £'000	Total £'000
Cost							
At 1 October 2014	-	-	1,974	232	10,583	371	13,160
Additions	-	-	-	-	-	33	33
Disposals	-	-	-	-	-	(2)	(2)
Currency translation	-	-	143	(12)	89	(17)	203
At 30 September 2015	-	-	2,117	220	10,672	385	13,394
Additions	-	-	-	-	-	169	169
Acquisitions	957	4,467	-	-	16,548	-	21,972
Disposals	-	-	-	-	-	(11)	(11)
Currency translation	167	777	342	38	3,933	68	5,325
At 30 September 2016	1,124	5,244	2,459	258	31,153	611	40,849
Accumulated amortization and impairment							
At 1 October 2014	-	-	395	232	4,031	274	4,932
Amortization charge	-	-	415	-	1,192	56	1,663
Disposals	-	-	-	-	-	(2)	(2)
Currency translation	-	-	37	(12)	(47)	(13)	(35)
At 30 September 2015	-	-	847	220	5,176	315	6,558
Amortization charge	119	443	453	-	3,624	80	4,719
Disposals	-	-	-	-	-	(11)	(11)
Currency translation	10	38	176	38	836	64	1,162
At 30th September 2016	129	481	1,476	258	9,636	448	12,428
Net book value							
At 1 October 2014	-	-	1,579	-	6,552	97	8,228
At 30 September 2015	-	-	1,270	-	5,496	70	6,836
At 30 September 2016	995	4,763	983	-	21,517	163	28,421

Technology, Trademarks, Trade name, Clinician database and Customer relationships are amortized over 5 to 10 years and Software over not more than 3 years. The Order book intangible identified in valuing CTI acquisition is amortised over one year and has been included within Customer relationships.

Notes to the Consolidated Financial Statements (continued)

12 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land, buildings and improve- ments £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2014	16,913	581	2,613	79	20,186
Currency translation	-	-	(28)	-	(28)
Additions	97	2	1,159	-	1,258
Disposals	-	-	(912)	-	(912)
At 30 September 2015	17,010	583	2,832	79	20,504
Currency translation	-	-	182	14	196
Additions	-	-	731	-	731
Acquisitions	-	-	240	-	240
Disposals	-	-	(62)	-	(62)
At 30 September 2016	17,010	583	3,923	93	21,609
Accumulated depreciation					
At 1 October 2014	704	330	1,808	34	2,876
Currency translation	-	-	(16)	-	(16)
Depreciation charge	228	49	537	10	824
Disposals	-	-	(912)	-	(912)
At 30 September 2015	932	379	1,417	44	2,772
Currency translation	-	-	126	12	138
Acquisitions	-	-	190	-	190
Depreciation charge	229	28	674	10	941
Disposals	-	-	(62)	-	(62)
At 30 September 2016	1,161	407	2,345	66	3,979
Net book value					
At 1 October 2014	16,209	251	805	45	17,310
At 30 September 2015	16,078	204	1,415	35	17,732
At 30 September 2016	15,849	176	1,578	27	17,630

Notes to the Consolidated Financial Statements (continued)

13 Deferred tax

The deferred tax assets and liabilities and the movements during the year, before offset of balances within the same jurisdiction, are as follows:

	Share Options £'000	Deprecia- tion in excess of capital allowances £'000	Other temporary differences £'000	Total £'000
Deferred tax assets				
At 1 October 2014	169	58	126	353
(Charged)/credited to income	(17)	(24)	28	(13)
At 30 September 2015	152	34	154	340
Credited to income	478	20	623	1,121
Credited to equity	414	-	-	414
At 30 September 2016	1,044	54	777	1,875
		Accelerated capital allowances £'000	Intangibles £'000	Total £'000
Deferred tax liabilities				
At 1 October 2014		312	1,712	2,024
Charged/(credited) to income		145	(386)	(241)
Charged to equity		-	43	43
At 30 September 2015		457	1,369	1,826
Credited to income		(92)	(493)	(585)
Charged to equity		-	85	85
At 30 September 2016		365	961	1,326
			2016 £'000	2015 £'000
Deferred tax assets			1,875	340
Deferred tax liabilities			(1,326)	(1,826)
Net deferred tax balance at 30 September			549	(1,486)

Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the reporting date.

Notes to the Consolidated Financial Statements (continued)

14 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	24,429	15,718
Less: allowance for doubtful debts	(101)	(507)
	24,328	15,211
Other receivables	365	272
Prepayments and accrued income	3,480	2,424
At 30 September	28,173	17,907

Trade receivables are non-interest bearing and generally have a 30 day term. Due to their short maturities, the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables net of allowances are held in the following currencies at the reporting date:

	2016 £'000	2015 £'000
Sterling	2,524	2,495
Euros	9,918	7,088
Japanese Yen	680	437
US Dollars	10,614	4,337
Swiss Francs	526	684
Other	66	170
	24,328	15,211

The ageing of trade receivables net of allowances at the reporting date was:

	2016 £'000	2015 £'000
Not past due	15,346	9,163
Past due 1-30 days	5,040	3,855
Past due 31-60 days	2,752	1,343
Past due 61-90 days	779	505
Past due > 90 days	411	345
	24,328	15,211

Movement in allowance for doubtful debts:

	2016 £'000	2015 £'000
At 1 October	507	144
Utilised	(217)	(26)
(Released)/Charged	(189)	389
At 30 September	101	507

Given the profile of the Group's customers, no further credit risk has been identified with trade receivables other than those balances for which an allowance has been made.

Notes to the Consolidated Financial Statements (continued)

15 Loan

	2016 £'000	2015 £'000
Due in less than one year		
Loan	6,923	-
Due in more than one year		
Loan	22,500	-

On 30 October 2015 the Group acquired the entire issued share capital of Corporate Translations Inc (see note 22) The acquisition was funded from internal resources and a US\$45m loan from Barclays. This loan is repayable over 5 years on a straight line basis. Interest is charged quarterly at LIBOR plus 1% and the debt is secured on the assets of CTi and other subsidiaries in the Group.

16 Trade and other payables

	2016 £'000	2015 £'000
Due in less than one year		
Trade payables	7,260	6,960
Other tax and social security payable	1,252	1,024
Other payables	1,363	599
Accruals and deferred income	10,332	6,214
At 30 September	20,207	14,797

The carrying amount of trade and other payables approximates to their fair value. Trade payables normally fall due within 30 to 60 days.

	2016 £'000	2015 £'000
Due in more than one year		
Rental deposits	30	30

This long term creditor relates to rental deposits received in relation to the leasing of a portion of Randall House.

Notes to the Consolidated Financial Statements (continued)

17 Provisions

	2016 £'000	2015 £'000
Due in less than one year		
At 1 October	77	480
Utilised	(77)	(76)
Charged/(released) to the Statement of Comprehensive Income	157	(404)
Transferred (to)/from provisions due in more than one year	(78)	77
At 30 September	79	77
	2016 £'000	2015 £'000
Due in more than one year		
At 1 October	301	378
Transferred from/(to) provisions due in less than one year	78	(77)
At 30 September	379	301

This long term provision relates solely to monthly ongoing future pension payments to a third party and will continue for the remainder of the recipients life.

Notes to the Consolidated Financial Statements (continued)

18 Financial instruments and financial risk management

Categories of financial instruments

All financial assets other than derivative assets are classified as loans and receivables, and all financial liabilities are held at amortized cost.

The principal financial assets and liabilities on which financial risks arise are as follows:

	Carrying value 2016 £'000	Carrying value 2015 £'000
Financial assets		
Trade receivables and accrued revenue - current	26,547	16,746
Foreign exchange derivatives	-	309
Cash and cash equivalents	27,910	30,569
At 30 September	54,457	47,624
Financial liabilities		
Trade and other payables - current	12,331	10,611
Loan	29,423	-
Foreign exchange derivatives	681	-
At 30 September	42,435	10,611

Trade receivables and accrued revenue – current includes accrued revenue of £2,219,000 (30 September 2015: £1,535,000). Trade and other payables – current includes Trade payables, other tax and social security balances plus certain other selected accruals.

Financial risk management objectives and policies

The principal financial risks to which the Group is exposed are those of liquidity, interest rate, credit, foreign currency and capital. Each of these is managed as set out below.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Finance Director.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Group's borrowings have a number of financial covenants which are tested bi-annually. The Board manages compliance by reviewing forecasts on a regular basis.

Liquidity risk

In addition to its cash balances the Group has an overdraft facility of £1.5 million which was undrawn as at the year end. Most available funds, after meeting working capital requirements, are invested in sterling, euro and US dollar deposits with maturities not exceeding three months. Accordingly, liquidity risk is considered to be low.

Interest rate risk

The majority of the Group's cash balances are held with its principal bankers earning interest at variable rates of interest. The target yield on deposits is UK base rate plus a margin. To the extent the sterling overdraft is utilised it attracts a rate of base plus 2%. The loan of USD\$45 million is for a period of 5 years with interest payable at 1% over LIBOR on a straight line basis.

Notes to the Consolidated Financial Statements (continued)

The currency profiles of the Group's cash and cash equivalents at 30 September 2016 are set out below.

	Floating rate 2016 £'000	Floating rate 2015 £'000
Assets – Cash and cash equivalents		
Sterling	9,460	18,415
US Dollars	9,733	4,639
Euros	4,870	4,983
Yen	1,749	1,171
Swiss Francs	1,655	1,034
Other	443	327
	27,910	30,569
	£'000	£'000
Financial liabilities – Loan		
US Dollars	29,423	-

If interest rates changed by 1%, the impact would not be material to the Group's results in either the current or prior year.

The Directors believe that a change of 1% represents a reasonable sensitivity of the Group's interest rate risk. The analysis assumes that all other variables remain constant.

Credit risk

The Group is exposed to credit risk on cash and cash equivalents, derivative instruments and trade and other receivables.

Cash balances, predominantly held in the UK are placed with the Group's principal bankers who are rated A- by Standard & Poor's, and with a further institution carrying an A rating.

Trade receivable exposures are managed locally in the operating units where they arise. The client base tends to be major blue chip organisations or self regulated bodies such as patent agents and legal firms. As a result the Group rarely considers a credit check is appropriate but, and where management have doubt, they will use their judgement and may impose a credit limit or require payment in advance. No client accounts for more than 5% (2015 – 7%) of Group revenues and there were no significant concentrations of credit risk at the balance sheet date.

Provisions for doubtful debts are established in respect of specific trade and other receivables where it is deemed they may be irrecoverable.

Foreign currency risk

Approximately 44% (2015: 51%) of Group external sales in the reporting period were denominated in Euros and 31% in US dollars (2015: 20%) while the cost base of the Group is predominantly denominated in sterling.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in the functional currency with cash generated in that currency from their own operations. Transaction exposures arise from non-local currency sales and purchases by subsidiaries with gains and losses on transactions arising from fluctuations in exchange rates being recognised in the income statement. In entities which have a material exposure the policy is to seek to manage the risk using forward foreign exchange contracts.

Notes to the Consolidated Financial Statements (continued)

The Group applies net investment hedge accounting in respect of borrowings associated with the acquisition of foreign operations, reducing the effect of currency fluctuations in the income statement by recognising gains or losses directly in equity.

Assets and liabilities of Group entities located in Germany, Switzerland, the United States, Japan, China and Australia are principally denominated in their respective currencies and are therefore not materially exposed to currency risk. On translation to sterling gains or losses arising are recognised directly in equity.

The carrying amounts of the Group's material foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities 2016 £'000	Liabilities 2015 £'000	Assets 2016 £'000	Assets 2015 £'000
Euros	3,092	2,204	12,388	10,287
US Dollars	30,592	201	6,720	6,057
Swiss Francs	8	1	1,487	1,189
Yen	111	55	20	91
Other	77	141	124	237
	33,880	2,602	20,739	17,861

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015:10%) increase and decrease in sterling against the major currencies listed in the table above. The sensitivity analysis includes only the outstanding denominated monetary items and adjusts their translation at the end of the period for a 10% change in the sterling exchange rate. A positive number below indicates an increase in profit and other equity where sterling weakens against the relevant currency. For a 10% strengthening of sterling against the relevant currency, there would be an equal and opposite impact on profit and other equity, and the balances would be negative. The sensitivities below are based on the exchange rates at the reporting date used to convert the assets or liabilities to sterling.

	2016 £'000	Profit and loss impact 2015 £'000
Euros	845	735
US Dollars	505	532
Swiss Francs	134	108
Yen	(8)	3
	1,476	1,378

If the exchange rate on uncovered exposures were to move significantly between the year end and date of payment or receipt there could be an impact on the Group's profit. As all financial assets and liabilities are short-term in nature this risk is not considered to be material.

Notes to the Consolidated Financial Statements (continued)

The Group's derivative financial instruments, which take the form of forward foreign exchange contracts in place at the year end are as follows:

	2016 £'000	2015 £'000
Forward foreign currency exchange contracts	(681)	309

An analysis of the Group's forward contracts' maturity is as follows:

	2016 £'000	2015 £'000
Up to 3 months	(288)	309
3 to 6 months	(297)	-
6 to 12 months	(96)	-
	(681)	309

Capital risk

The Group considers its capital to comprise its ordinary share capital, share premium, other reserves and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group has historically considered equity funding as the most appropriate form of capital for the Group but debt financing has been introduced where it was felt that the benefits exceed the risks and costs to equity shareholders of introducing this type of finance.

Following dividend payments of £10,627,000, closing reserves are £108,700,000. At 30 September 2016 there was £29,423,000 of external debt finance on the balance sheet being the balance of the \$45 million loan taken out to part fund the acquisition of Corporate Translations Inc. (note 22). The Group is not subject to externally imposed capital requirements.

In addition the Group held its own Cash and cash equivalents at the year end of £27,910,000.

19 Share capital

	2016 Number	2016 £'000	2015 Number	2015 £'000
Authorised				
Ordinary shares of 1 pence each (2015: 1 pence)	500,000,000	5,000	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	211,579,840	2,116	42,315,968	2,116
Subdivision of shares	-	-	169,263,872	-
Issue of shares	4,184,810	41	-	-
At end of year	215,764,650	2,157	211,579,840	2,116

At the RWS Holdings plc AGM on 10 February 2015, shareholders approved a resolution to subdivide the Company's existing shares so that each 5p Ordinary share was subdivided into 5 Ordinary shares of 1p each. These new 1p shares were admitted for trading on the London Stock Exchange on 11 February 2015.

The increase in share capital was as a result of the exercise of share options by a Director and several Senior Executives.

Notes to the Consolidated Financial Statements (continued)

20 Share based payment

On 6 April 2013 the Company adopted a new share option scheme for senior employees. Under the scheme, options to purchase ordinary shares are granted by the Board of Directors, subject to the exercise price of the option being not less than the market value at the grant date. The options vest after a period of 3 years for the approved scheme and 2 years for the unapproved scheme and the vesting schedule is subject to predetermined overall Company selection criteria in the event that the option holder's employment is terminated, the option may not be exercised unless the Board of Directors so permits. The options expire 8 years from the date of grant.

	Number of approved options	Number of unapproved options	Exercise Price (£)	Grant Date	Vesting Date approved options	Vesting Date unapproved options	Lapse Date
Balance at 1 Oct 2015	139,290	7,971,285	1.292	3 April 2013	3 April 2016	3 April 2015	3 April 2021
Exercised	46,430	4,138,380					
Balance at 30 Sep 2016	92,860	3,832,905					

A charge of £6,000 (2015: £455,000) has been made in the accounts relating to share options all of which related to equity settled share based payment transactions.

4,184,810 options were exercised during the year (2015: Nil).

The fair value of the share options is estimated as at the date of grant using the Black-Scholes option pricing model. The following table lists the range of assumptions applied to the options granted in the respective period shown.

	Approved Option Scheme	Unapproved Option Scheme
Weighted average share price at grant (£)	1.292	1.292
Weighted average exercise price (£)	1.292	1.292
Expected life of option (years)	3	2
Volatility (%)	33.5	33.5
Dividend yield (%)	2.69	2.69
Risk free interest rate (%)	2	2
Option value (£)	1.31	1.11

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years at the date of grant.

Notes to the Consolidated Financial Statements (continued)

21 Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	18,477	15,935
Short-term deposits	9,433	14,634
	27,910	30,569

Short-term deposits have original maturity of three months or less. The fair value of these assets supports their carrying value.

There are no restrictions regarding the utilisation of the Group's cash resources.

22 Acquisition

On 30 October 2016, the Group acquired the entire issued share capital of Corporate Translations Inc for a cash consideration of US\$70 million plus US\$2 million for working capital. The acquisition was funded by a US\$45 million five year loan and internal cash resources.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair values £'000
Net assets acquired:			
Property, plant and equipment	168	(118)	50
Trade name	-	957	957
Orderbook	-	824	824
Customer relationships	-	15,724	15,724
Clinician Database	-	4,467	4,467
Trade and other receivables	6,020	-	6,020
Cash and cash equivalents	208	-	208
Trade and other payables	(3,762)	-	(3,762)
	2,634	21,854	24,488
Goodwill			22,788
Total consideration			47,276
Satisfied by:			
Cash			47,276
Cash flow:			
Total consideration			47,276
Cash included in undertaking acquired			(208)
Net cash consideration in cash flow statement			47,068

Corporate Translations Inc contributed £21.2 million revenue and £3.4 million to the Group's profit after tax for the year between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, Group revenues for the year would have been £123.9 million and Profit for the year £19.6 million.

Acquisition costs of £855,000 have been charged through the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements (continued)

23 Related party transactions

During the year in the normal course of business, RWS provided translation services worth £357,000 (2015: £295,000) to Learning Technologies Group plc ("LTG") a company in which Andrew Brode has a notifiable interest. An amount of £38,000 due from LTG at 30 September 2016 was paid in October and November 2016 (2015: £30,000).

24 Commitments and contingent liabilities

The Group had no material capital commitments contracted for but not provided for in the financial statements. (2015: £nil)

In respect of overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees secured by fixed and floating charges over the assets of the Group. At the end of the year liabilities covered by these guarantees totalled £nil (2015: £nil).

The loan of \$45 million taken out with Barclays Bank plc to part fund the acquisition of Corporate Translations Inc has been guaranteed against the assets of CTi and other fellow subsidiary undertakings.

25 Operating lease commitments

Operating lease payments represent rentals payable by the Group for its office properties and certain equipment. Property leases have various terms, escalation clauses and renewal rights.

	2016 £'000	2015 £'000
At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:		
Within one year	1,476	780
In the second to fifth years inclusive	2,297	801
After five years	1,133	365
	4,906	1,946

26 Events since the reporting date

No significant events have occurred between the balance sheet date and the date of authorisation of these financial statements.

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, RWS Holdings plc's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 30 September 2016;
- 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.

What we have audited

The financial statements, included within the Annual Report (the "Annual Report"), comprise:

- the Parent Company Statement of Financial Position as at 30 September 2016;
- the Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of

Independent auditors' report to the members of RWS Holdings plc (continued)

Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of RWS Holdings plc for the year ended 30 September 2016.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 December 2016

Parent Company Financial Statements

The following parent entity financial statements are prepared under FRS 101 and relate to the Company and not to the Group. The statement of accounting policies which have been applied to these accounts can be found on page 58 to 59.

Statement of Financial Position at 30 September 2016

Registered Company 3002645	Note	2016 £'000	2015 £'000
Fixed assets			
Investments	6	44,817	15,326
		44,817	15,326
Current assets			
Debtors	7	913	5,982
Foreign exchange derivatives	10	-	309
Cash at bank and in hand		6,991	7,735
		7,904	14,026
Total assets		52,721	29,352
Current liabilities			
Loan	8	6,923	-
Trade and other payables	9	263	230
Foreign exchange derivatives	10	681	-
		7,867	230
Net current assets		44,854	29,122
Total assets less current liabilities		44,854	29,122
Creditors: amounts falling due after more than one year			
Loan	8	22,500	-
Net assets		22,354	29,122
Capital and reserves			
Share capital	11	2,157	2,116
Share premium account		8,947	3,583
Share based payment reserve		1,807	1,801
Capital reserve		2,030	2,030
Profit and loss account		7,413	19,592
Total shareholders' funds		22,354	29,122

The financial statements on pages 56 to 64 were approved by the Board of Directors and authorised for issue on 5 December 2016 and were signed on its behalf by:

Andrew Brode

Director

Parent Company Financial Statements (continued)

Statement of changes in Equity

	Share capital £'000	Share premium account £'000	Share based payment Reserve £'000	Capital Reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2014	2,116	3,583	1,346	2,030	18,724	27,799
Profit for the financial year	-	-	-	-	10,664	10,664
Total Comprehensive Income for the year	-	-	-	-	10,664	10,664
Dividends	-	-	-	-	(9,796)	(9,796)
Credit arising on share based payments	-	-	455	-	-	455
Balance at 30 September 2015	2,116	3,583	1,801	2,030	19,592	29,122
Loss for the financial year	-	-	-	-	(1,552)	(1,552)
Total Comprehensive loss for the year	-	-	-	-	(1,552)	(1,552)
Dividends	-	-	-	-	(10,627)	(10,627)
Credit arising on share based payments	-	-	6	-	-	6
Issue of shares	41	5,364	-	-	-	5,405
Balance at 30 September 2016	2,157	8,947	1,807	2,030	7,413	22,354

The nature and purpose of each reserve within equity is as follows:

- Share capital is the nominal value of the shares issued.
- Share premium is the fair value of the shares issued in excess of their nominal value.
- The balance on the capital reserve is an amount not distributable to shareholders and not transferred to the Income Statement.
- Share based payment reserve is the credit arising on the share based payment charges in relation to the Company's share option schemes.
- Retained earnings are the cumulative net gains and losses, including the capital reserve from the Company balance sheet.

Notes to the Company Financial Statements

1 General information

RWS Holdings plc is the holding company of a number of subsidiaries which provide patent translations, intellectual property support services, high level technical and commercial translations and linguistic validation services.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of RWS Holdings plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through the income statement and in accordance with the Companies Act 2006. This is the first year the Company has prepared accounts under FRS101 and the transitional adjustments are set out in note 14.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of
 - (i) paragraph 79(a) (iv) of IAS 1
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment'
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a Group.

Notes to the Company Financial Statements (continued)

Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Derivative financial instruments and hedging activities

The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

Investments

Investments are stated at cost less provision for impairment. Cost includes capital contributions arising from share options.

Pensions

Contributions to personal pension plans are charged to the income statement in the period in which they fall due.

Dividend distribution

Interim dividends are recorded when they are paid and the final dividends are recorded when they become legally payable.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share based payment

The Group and Company provide benefits to certain employees (including certain Executive Directors), in the form of share based payment transactions whereby employees render services in exchange for rights over shares in the form of share options. These equity settled share based transactions are measured as the fair value of the share option at the grant date. The fair value excludes the effect of non market based vesting conditions. Details regarding the determination of the fair value of these options can be seen in note 20 of the consolidated financial statements.

The fair value determined at the grant date of the share options is expensed on a straight line basis over the vesting period, based on the Group's estimate of share options that will vest. At each balance sheet date the Company revises its estimate of the number of options expected to vest as a result of the effect on non market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Consolidated Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserves.

Where the share options are awarded to employees of subsidiaries, the amount of the charge is passed down to the subsidiary in the form of a capital contribution which is recognised as an increase in the investment in that subsidiary.

3 Derivative Financial Instruments

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 30 September 2016 the outstanding contracts all mature within 12 months (2015: 3 months) of the year end. The Company is committed to sell €19,200,000 and receive a fixed sterling amount.

Notes to the Company Financial Statements (continued)

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for the Euro which are sold for sterling.

4 Operating profit

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Income statement in these financial statements. The Company loss after tax for the year ended 30 September 2016 under FRS 101 was £1,552,000 (2015 profit: £10,664,000).

Audit fees payable in relation to the audit of the financial statements of the Company are £54,000 (2015: £54,000).

Fees paid to PwC LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of RWS Holdings plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

5 Directors and employees

There were no employees (2015: nil) of the Company other than the Directors.

The remuneration of the Directors of RWS Holdings plc for services in all capacities is set out below:

	2016 £'000	2015 £'000
Directors' emoluments	1,166	998
Pension costs – paid to the Director's personal pension scheme	19	17
	1,185	1,015

During the year the Company had six (2015: 6) Directors, including three Non-Executive Directors, providing services to the Group.

During the year two Directors (2015: 2) received contributions to their personal pension schemes.

Emoluments of the highest paid Director:

	2016 £'000	2015 £'000
Emoluments	403	350
Pension costs – paid to the Director's personal pension scheme	10	10
	413	360

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 17 to 19.

Notes to the Company Financial Statements (continued)

6 Investments

	2016 £'000	2015 £'000
Cost and net book value at beginning of year	15,326	14,871
Purchase of shares in a subsidiary undertaking	29,485	-
Additions – capital contributions	6	455
Cost and net book value at end of year	44,817	15,326

The Directors consider that the value of the Company's fixed asset investments, which are listed below, is supported by their underlying profitability.

The following were the wholly owned subsidiary undertakings and have been consolidated in the financial statements:

	Country of incorporation	Nature of business
Beijing RWS Science & Technology Information Consultancy Co. Ltd	China	Patent, technical and legal translations
Communicare Limited	England	Technical and legal translations
Corporate Translations Inc.	USA	Translation and linguistic validation
Corporate Translations UK Limited	England	Translation and linguistic validation
Eclipse Translations Limited	England	Technical and legal translations
RWS Schweiz GmbH (formerly Ifama GmbH)	Switzerland	Technical and legal translations
Japanese Language Services Limited	England	Technical and legal translations
KK RWS Group	Japan	Patent, technical and legal translations
Lawyers' and Merchants' Translation Bureau Inc	USA	Technical and legal translations
RWS Group Deutschland GmbH	Germany	Technical and legal translations
RWS Group Limited	England	Holding company
RWS Information Limited	England	Patent and technical information searches
RWS (Overseas) Limited	England	Holding company
RWS Translations Limited	England	Patent, technical and legal translations
RWS UK Holding Co. Limited	England	Holding company
RWS US Holding Co. Inc	USA	Holding company
Pharmaquest Limited	England	Technical and medical translations
inovia Pty Holdings Limited	Australia	Patent translations
inovia LLC	USA	Patent translations
inovia Europe GmbH	Germany	Patent translations

All subsidiary undertakings, except RWS Group Limited are held indirectly.

Notes to the Company Financial Statements (continued)

7 Debtors

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	876	5,942
Other debtors	8	13
Prepayments	29	27
Amounts due within one year	913	5,982

8 Loan

	2016 £'000	2015 £'000
Due in less than one year		
Loan	6,923	-
Due in more than one year		
Loan	22,500	-

On 30 October 2015 the Group acquired the entire issued share capital of Corporate Translations Inc (see note 22 of the consolidated accounts). The acquisition was funded from internal resources and a US\$45 million loan from Barclays. This loan is repayable over 5 years on a straight line basis. Interest is charged quarterly at 1% over LIBOR and the debt is secured by the assets of CTi and other subsidiaries in the Group.

9 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	8	9
Amounts owed to Group undertakings	36	103
Accruals	219	118
	263	230

The amounts owed both by and to Group undertakings are repayable on demand and classified as due within one year.

Notes to the Company Financial Statements (continued)

10 Financial instruments

	2016 £'000	2015 £'000
The Company's derivative financial instruments, which take the form of forward foreign exchange contracts, in place at the year end are as follows:		
Foreign exchange derivatives	(681)	309
An analysis of the Group's forward contracts' maturity is as follows:	2016 £'000	2015 £000
Up to 3 months	(288)	309
3 to 6 months	(297)	-
6 to 12 months	(96)	-
	(681)	309

11 Share capital

	2016 Number	2016 £'000	2015 Number	2015 £'000
Authorised				
Ordinary shares of 1 pence each (2015: 1 pence)	500,000,000	5,000	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	211,579,840	2,116	42,315,968	2,116
Subdivision of shares	-	-	169,263,872	-
Issue of shares	4,184,810	41	-	-
At end of year	215,764,650	2,157	211,579,840	2,116

The increase in share capital was as a result of the exercise of share options by a Director and several Senior Executives.

12 Guarantees and other financial commitments

In respect of overdraft facilities, the Company, together with certain subsidiary undertakings, has given to the Group's principal bankers cross-guarantees secured by fixed and floating charges over the assets of the Group. At the end of the year liabilities covered by these guarantees totalled £nil (2014: £nil). The loan of US\$45 million taken to fund the acquisition of Corporate Translations Inc is secured against the assets of CTi and other subsidiaries of the Group.

13 Post balance sheet events

There have been no events since 30 September 2016 that require disclosure.

Notes to the Company Financial Statements (continued)

14 Appendix to the Financial Statements – First time adoption of FRS 101

Background

This is the first year in respect of which the Company has prepared its financial statements under FRS 101. The previous financial statements for the year ended 30 September 2015 were prepared under 'UK GAAP'. The date of transition to FRS 101 for the Company is 1 October 2014. Set out below are descriptions of the various implementation options applied by the Company in preparing the financial statements for the year ended 30 September 2016, as well as reconciliations from 'UK GAAP' to FRS 101 for both total equity as at 1 October 2014 and 30 September 2015 and comprehensive income for the year ended 30 September 2015.

Reconciliation of Total Equity as at 1 October 2014 and 30 September 2015

	1 October 2014 £'000	30 September 2015 £'000
UK GAAP – As previously reported	27,245	28,814
Forward foreign exchange contracts	554	308
FRS 101	27,799	29,122

Reconciliation of Total Comprehensive Income for the period ended 30 September 2015

Profit for the financial year	£
UK GAAP – As previously reported	10,910
Forward foreign exchange contracts	(246)
FRS 101	10,664

Shareholder information

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The image features a dark blue background collage of various industrial and scientific scenes. In the top left, a hand in a white lab coat holds a pipette. In the top right, a large satellite dish is visible. Below the dish, a hand in a white glove uses a pipette to transfer liquid into a multi-well plate. In the center, there are stacks of large industrial pipes. To the right, a close-up shows a complex circuit board. At the bottom left, a hand in a white glove holds a small, glowing blue object. At the bottom right, the side profile of a modern car is shown. The RWS GROUP logo, consisting of four overlapping squares in shades of blue and teal, is positioned to the left of the company name.

RWS GROUP



RWS Holdings plc 2016 Annual Report

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