



Annual Report

2017

rws.com



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Company Overview

RWS is the world leader in translation, intellectual property support solutions and life sciences language services. Following the acquisition of Moravia in November 2017, we have also become a leading provider of technology-enabled localization services.

With our global team of in-house translators, searchers and technical experts, we have built a reputation for quality, reliability and flexibility.

Our specialist divisions, which have each developed unique administrative processes and procedures, work together to deliver complex services at each stage of the product lifecycle to meet the diverse needs of a global client base.





RWS

Patent Translation & Filing

Patent Translation & Filing > RWS offers the highest-quality patent translations and a seamless experience of filing patents in foreign countries. All of our services are delivered in compliance with ISO 9001:2008 and ISO 17100.

inovia, our online filing platform, is an innovative, cost-effective and highly efficient source that allows clients to execute their foreign filing flawlessly and significantly reduce the administrative burden, complexity and costs of foreign filing.



RWS

Patent Information

Patent Information > RWS provides powerful solutions to assist strategic decision-making across the entire intellectual property (IP) lifecycle.

With stringent search protocols certified to ISO 9001 and resources including PatBase, our own world leading patent database, we are the preferred search partner of corporate IP departments and law firms all over the world.



RWS

Life Sciences

Life Sciences > RWS provides a full suite of language services exclusively for the life sciences industry.

This includes language solutions for clinical trial management and linguistic validation of Clinical Outcomes Assessments (COAs), with extensive experience in a variety of therapeutic areas, regulatory affairs, medical device documentation, marketing and communications and e-learning and training programmes. RWS is one of only a few translation vendors to have achieved ISO 9001, ISO 13485 and ISO 17100 certifications for both translation and linguistic validation of COAs.



RWS

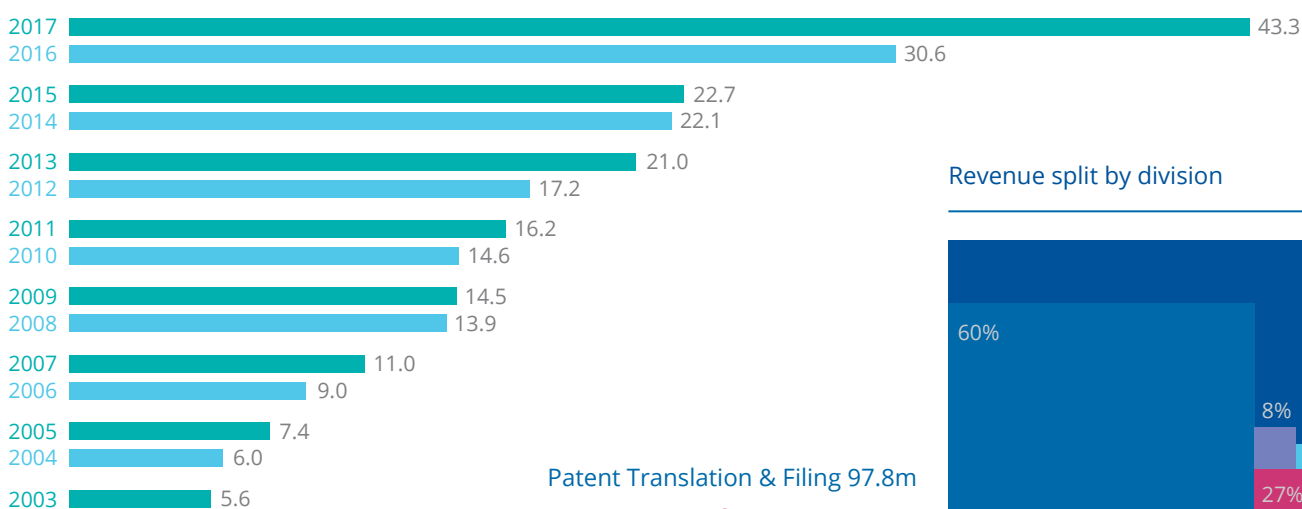
Language Solutions

Language Solutions > RWS provides the expertise to help businesses meet the needs of a global audience through accurate and effective communications.

Our translation and interpreting services are delivered in accordance with ISO 9001 and ISO 17100 and are trusted by companies across a range of sectors including automotive, chemical, defence, energy, engineering, finance, insurance, legal and manufacturing. Our experienced teams combine the latest technology, proven processes and the best linguists to deliver the right solution to meet the different needs of each organization.

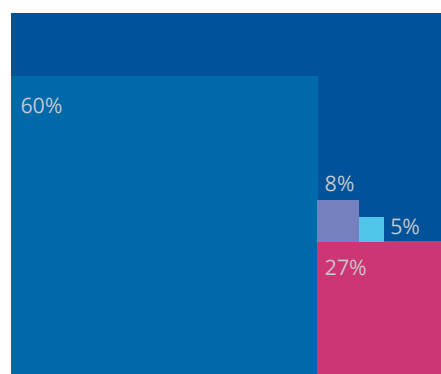
Financial Highlights

PBT Adj (£m)



Patent Translation & Filing 97.8m
 Life Sciences 45.3m
 Language Solutions 13.2m
 Patent Information 7.7m

Revenue split by division



34%

Growth in overall Group sales in FY17



908 FTE employees including 280 specialist translators and revisers



Over 1 billion words translated in FY17



£17.4 million increase in revenue as a result of LUZ acquisition

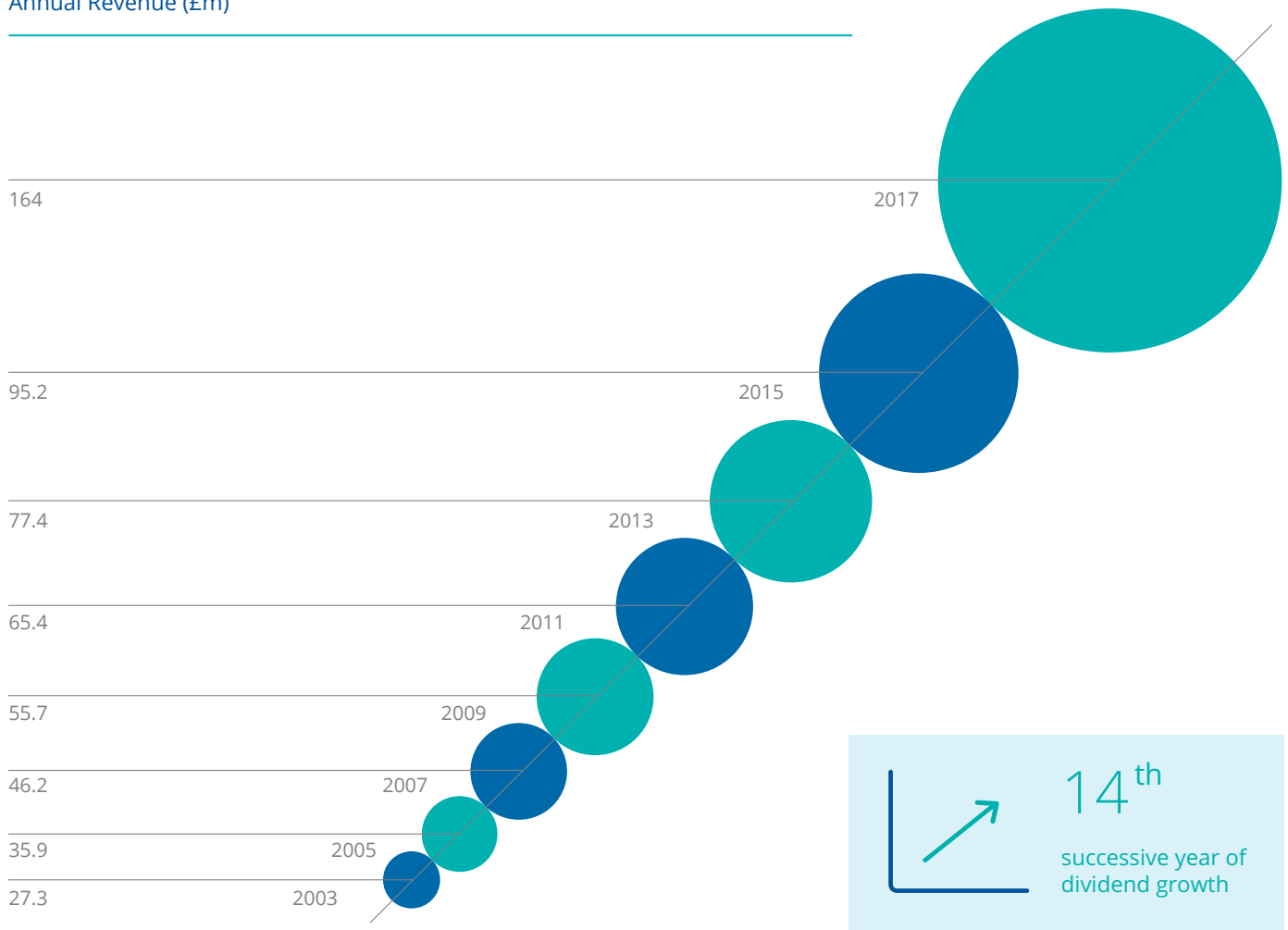


2,353 active clients



Over 90,000 patent and IP documents translated and/or filed in FY17

Annual Revenue (£m)



1,500 patent searches performed in FY17



85,000 life science projects in FY17

Country/region with largest increase in sales since 2016



Following the acquisition of LUZ, the fastest growing region was the United States - 57% growth in sales

Chairman's Statement

Andrew Brode

Chairman

6 December 2017

I am pleased to report that RWS has delivered its best year ever despite a far from robust global economic backdrop. For the 14th consecutive year since listing on AIM in November 2003, we have achieved growth in sales, profits and dividends, testimony to the strength of our market positions in patent translations, IP support solutions and life sciences language services.

We have continued to invest in those resources which can deliver future expansion, and in particular we have made three acquisitions which position the Group as one of the major global providers of language services with a focus on the specialist and growing IP, life sciences and technology markets.

Results and financial review

The Group has achieved further significant progress in underlying operational performance, reflecting exceptional growth in the core patent translations business, in the information business including PatBase, and in China. The life sciences activities were strongly enhanced by the February 2017 acquisition of LUZ, whose maiden contribution exceeded our expectations. There was a further material improvement in Group gross margins, building upon the increase delivered in 2016.

Group sales advanced by 34% to £164.0 million (2016: £122.0 million). Adjusted operating profit before amortization of intangibles, share option costs and acquisition costs increased by 36% to £43.4 million (2016: £32.0 million).

Adjusted profit before tax, amortization of intangibles, share option costs and acquisition expenses increased by 41.5% to £43.3 million (2016: £30.6 million). This drove an increase of 31% in adjusted earnings per share to 14.3 pence (2016: 10.9 pence).

Reported profit before tax was £33.9 million (2016: £25.1 million). This result reflected a significant increase in amortization of intangibles, largely driven by the acquisitions of Corporate Translations Inc (CTi) and LUZ, to £6.6 million (2016: £4.6 million). Basic earnings per share were 11.0 pence (2016: 9.0 pence), a rise of 22.2%. The Group's effective tax rate was 27.5% (2016: 22.9%), reflecting the increase in the proportion of revenues from the USA.

As at 30 September 2017, shareholders' funds had reached £158.9 million (2016: £108.7 million). Net debt at 30 September 2017 amounted to £20.2 million (2016: £1.5 million) reflecting the Group's continued strong underlying cash generation before the significant cash outlays during the year including £74.8 million in respect of the LUZ and Article One Partners (AOP) acquisitions, dividends of £12.6 million and corporation tax payments of £9.7 million. The share placing in connection with the LUZ acquisition raised gross proceeds of £40.0 million.

Currency effects and hedging

This financial year saw no let-up in volatility in global currency markets. Political developments in Europe and North America contributed to this volatility. RWS is strongly export-centric and over 85% of its revenues are non-sterling, with its principal exposures being to the euro and US dollar. The Group's estimated net exposure to the euro has been hedged at an average rate of 1 euro = 90 pence for the whole of the year to 30 September



The Group announced on 14 February 2017 that it had acquired the entire issued share capital of LUZ, Inc. for a cash consideration of US\$82.5 million.

2018, a significantly more favourable rate than 2017's hedges. Exposure to the US dollar is more balanced as the Group has dollar debt and dollar revenues.

Acquisitions of a market leader in life sciences and cutting edge IP information business

LUZ

The Group announced on 14 February 2017 that it had acquired the entire issued share capital of LUZ, Inc. for a cash consideration of US\$82.5 million. This acquisition was in line with our stated strategy of complementing organic growth with selective acquisitions that provide growth potential in attractive sectors and/or geographies, offer excellent margins and enhance shareholder value.

The acquisition of LUZ established a significant Group presence on the important West Coast of the USA, and a principal building block in the formation of the new RWS Life Sciences division, following integration with CTi. LUZ specializes in medical device and regulatory translations, complementing the linguistic validation and medical specialisms of CTi.

Funding for the acquisition was via a combination of a £40.0 million share placing, an increase in the US dollar five-year term loan provided by Barclays and internal cash resources.

The acquisition of LUZ has been immediately earnings enhancing. LUZ has performed exceptionally well in the seven and a half months since it has been a member of the Group, achieving revenues of £17.4 million and operating profit of £5.5 million during the period.

AOP

At the end of September 2017, the Group acquired the entire issued share capital of Article One Partners LLC ("AOP") for a cash consideration of US\$8 million. AOP is a cutting-edge IP information business based in the USA.

AOP's online crowdsourcing platform links its corporate clients with over 42,000 researchers globally to provide them with access to IP intelligence that informs their litigation, licensing, patent enforcement and IP acquisition strategies. The acquisition of AOP will be highly complementary to RWS's existing Patent Information division, including our PatBase offering. AOP's revenues in calendar year 2016 were US\$3.7 million, and it is expected to be earnings neutral in RWS's 2018 financial year, with its performance in its early days as part of the Group having been in line with expectations.

Dividend

I am pleased to announce that the Board has recommended a final dividend of 5.2 pence per share. The interim dividend, paid in July, was 1.3 pence per share, so the total payout in respect of the year will amount to



Chairman's Statement (continued)

6.5 pence per share, an increase of 16% over 2016. This reflects the significant earnings growth during 2017 and the Board's confidence in the Group's continued progress. This payout proposal marks a 14-year unbroken record of dividend increases since flotation in November 2003.

The proposed total dividend is 1.7 times covered by basic earnings per share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 23 February 2018 to all shareholders on the register at 26 January 2018. The shares will trade ex-dividend on 25 January 2018.

Share option plan

RWS announced on 4 April 2013 that the Board had approved a 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 were issued to 10 participants, with a subscription price of 129.2 pence per share. The earliest vesting date was 3 April 2015 and the latest exercise date is 3 April 2021. A total of 1,475,275 options were exercised during the year.

Board changes

In January 2017, we announced that Richard Thompson would be appointed as Chief Executive Officer with effect from 1 April 2017, succeeding Reinhard Ottway who had decided to retire. Richard joined RWS in 2012 as Chief Financial Officer and, following a successful three years in that position, took on the broader role of Deputy Chief Executive Officer from December 2015 when he successfully spearheaded the acquisition and integration of CTi into the Group.

On behalf of the Board, I would like to reiterate our sincere thanks to Reinhard for his invaluable contribution to the business over the past 23 years.

In August 2017, we announced the appointment of Desmond Glass as Chief Financial Officer. He brings almost 20 years' experience in senior finance roles across a range of sectors in UK and USA headquartered businesses with international operations. He joined us in November 2017 from GAN plc, the AIM listed internet gaming software company, where he held the role of Chief Financial Officer for nine years.

In August 2017, we also announced the appointment of Lara Boro as an Independent Non-Executive Director with effect from 20 September 2017. Lara is currently a Group Managing Director with Informa, the FTSE 100 global B2B media company, where she heads up the Life Science, TMT and Transportation businesses within the Business Intelligence division.

At the same time, the Group announced that Peter Mountford would step down from his role as Non-Executive Director with effect from 30 September 2017. Peter has served on the RWS Board since the IPO in November 2003 and has made a valuable contribution to the Group and its progress as a listed company.

Following these changes, David Shrimpton, Senior Independent Non-Executive Director and Deputy Chairman, now chairs the Audit Committee, Liz Lucas, Non-Executive Director, chairs the Remuneration Committee and Lara Boro has joined both the Audit and Remuneration Committees.

Post year end – acquisition of Moravia

The Group announced on 18 October 2017 that it had agreed to acquire all of the issued share capital of the Moravia IT Group of companies ("Moravia") for a cash consideration of US\$320 million. Following the receipt of USA antitrust approval, the acquisition was completed on 3 November 2017.



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

Moravia is a leading provider of technology-enabled localization services, headquartered in Brno in the Czech Republic with operations in the USA, Japan, China, Argentina, Hungary and Ireland. Localization is the adaptation of content, software, websites, applications, marketing materials and audio/video for hundreds of languages and geographies, to ensure brand consistency for companies growing globally.

Moravia's revenues are derived from major corporates principally based on the West Coast of the USA, and include many of the largest publicly traded technology companies in the world. It has c.1,200 employees plus access to a large network of specialist linguists.

Moravia is a highly successful business with a track record of profitable and cash generative growth. Between 2014 and 2016 it achieved compound annual growth rates in revenue of 26% to US\$159 million, and in adjusted earnings before interest, tax, depreciation and amortization an increase of 53% CAGR to US\$27 million.

The acquisition of Moravia significantly strengthens the Group's global presence; provides excellent potential cross-selling opportunities for patent translation services; further diversifies risk by adding a third market leading business of scale; and positions the Group as one of the world's leading providers of language management services.

The Group expects the Moravia acquisition to be immediately and highly earnings enhancing. Funding for the acquisition was via a combination of a placing of £185 million of new shares, and a new five-year US\$160 million syndicated bank facility, which included the Group's existing borrowings.

We are in the process of onboarding Moravia which will be operated as an autonomous division, reporting into the Board, replicating the successful creation of our Life Sciences division (following the acquisitions of CTi and LUZ), and providing three divisions of scale in attractive global markets, all with strong track records of profitable, cash generative growth.

People

The Group's activities are labour intensive and therefore highly reliant upon the skills, dedication and passion of all of our staff, who are required to meet client demand for excellent quality and timely delivery. Group headcount reached 908 full-time equivalents (2016: 792) at the year-end. The Moravia acquisition will add approximately 1,200 new Group employees. On behalf of the Board, I would like to place on record my thanks to all of our valued employees for their contribution throughout the year.

Corporate social responsibility

RWS has always sought to be a socially responsible business which has a positive impact on the communities it operates within. 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's staff contribute generously on a monthly basis to a wide selection of local and national charities of their choosing, and their contributions are matched by the Group.

Current trading and outlook

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

The Board believes that the Group now possesses an outstanding global platform which will enable RWS to develop sales opportunities across multiple geographies and industry verticals. We have built a significant presence in the USA and expect this to be a major driver of Group revenues and profits.

Strategic Report

Business Model

RWS is one of the world's leading language solutions providers, focusing on key market segments where the quality of its services is of critical importance to its customers. The Group has a blue chip multinational client base spanning Europe, North America and Asia that is particularly active in the medical, pharmaceutical, chemical, automotive, technology and telecommunication industries.



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



Following the acquisition of Moravia, the Group now operates five divisions, as follows:

RWS Patent Translation & Filing is the world's premier supplier of patent translations and filing solutions and currently accounts for 60% of Group revenue. RWS differentiates itself from the competition through the quality of its translations, its high level of intellectual property (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.

RWS Patent Information 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 as an annual subscription service. The results of the recently acquired AOP business will be included within this division.

RWS Life Sciences focuses solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceuticals and clinical research organizations in North America and Europe. This division includes both the CTi and LUZ businesses, which were fully integrated as one business with effect from 1 October 2017.

RWS Language Solutions (formerly "Commercial Translations") has a particular emphasis on technical translations.

Going forward, the **Moravia** business will be operated and managed as a standalone division. >

Strategic Report (continued)

Our Strategy

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

Our strategy to achieve this is focused on providing an increasing range of complementary specialist translation and language services to existing and new customers, driving organic growth. This is supplemented by selective acquisitions, providing these are complementary to our existing business and enhance shareholder value.

Organic growth is driven by:

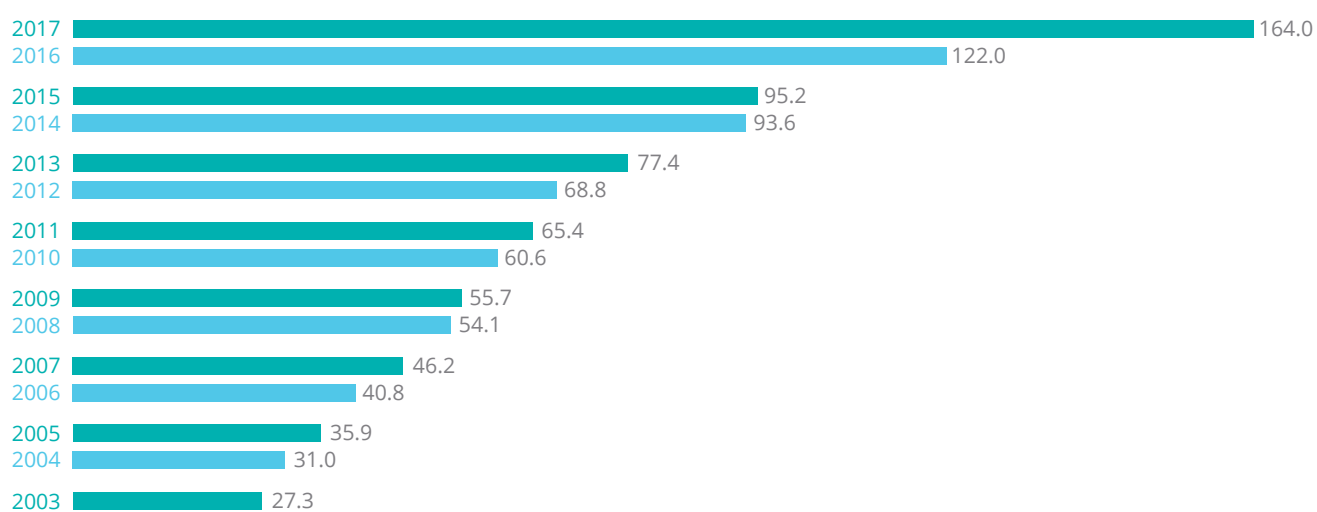
- > increases in the worldwide patent filing activities of existing and potential multinational clients
- > the development of new drugs by the pharmaceutical industry
- > the outsourcing by corporates, clinical research organizations, law firms and attorneys of all or part of their foreign patent search, filing, translation and linguistic validation processes
- > the growing demand for language services through globalization
- > the Group's ability to attract new clients by its leading position and reputation, in an otherwise fragmented sector, with whom activity levels typically build up over time

- > the Group's ability to expand in new or existing growing geographies
- > increasing market share, particularly in patent translation, life sciences, and localization
- > 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 a substantial portion of their patent translation requirements

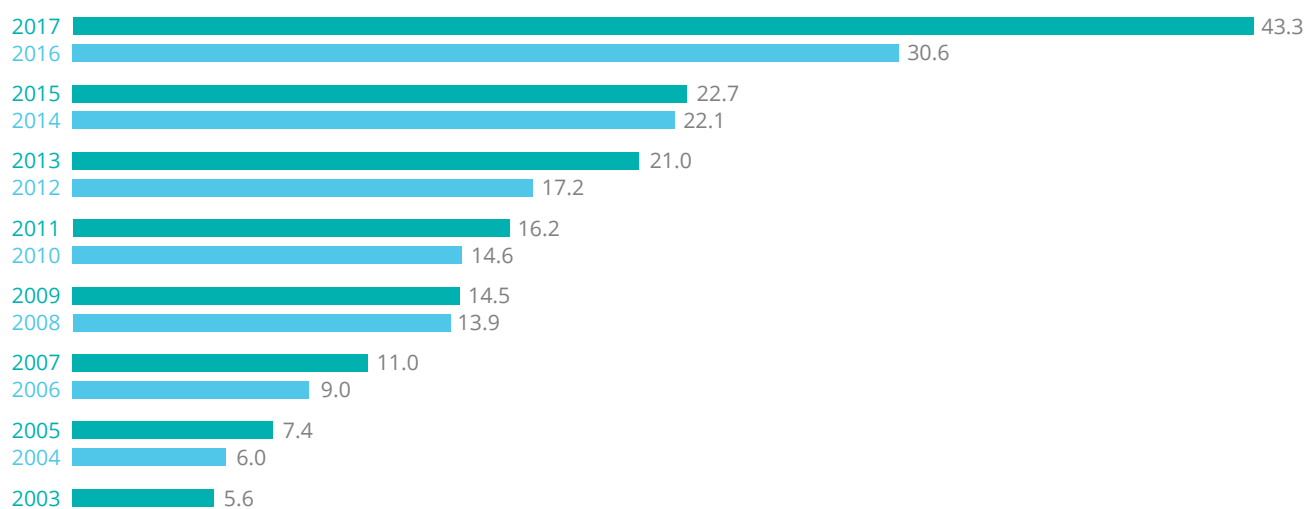
In terms of acquisitions to further accelerate growth, we continue to search for selective potential acquisitions in the IP support services and specialist translation spaces. We seek businesses capable of delivering above industry average levels of profitability or highly complementary businesses capable 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 14 straight years of sales and profit growth since flotation.

Annual Revenue (£m)



PBT Adj (£m)



Strategic Report (continued)

Operating Review

RWS Patent Translation & Filing

The Group's patent translation and filing business represented 60% of Group sales in the year and grew revenues by 23% to £97.8 million (2016: £79.4 million). This performance reflects earlier client wins, strong organic growth from the established client base, especially for our Eurofile offering, and further strong growth in China. The macroeconomic backdrop delivered further grounds for confidence with record numbers of new patent applications in 2016.

The Group has maintained its market leadership and it now services nine of the top 20 applicants at the World Intellectual Property Office and 12 of the top 20 applicants at the European Patent Office in 2016.

The US and European sales teams continue to develop opportunities with large international patent filers across the Group's full suite of IP services, which are expected to benefit 2018. In Asia, we are making good progress with our strategy to target Japanese and Chinese international filers for our patent translation and filing services.

China continues to attract North American and European patent filers seeking patent protection there, which has driven our headcount in China to 87 employees (2016: 70). In particular, the RWS China team is successfully developing business with local patent attorneys who require high quality patent translations into Chinese for foreign filers in China.

We continue to expand our operations from three offices: Beijing, Xian and Rizhao. These centres enable the Group to expand its offering by combining lower cost centres with an operation in Beijing, enabling us to be close to our clients. We have also expanded and extended our long-term relationships with international patent bodies seeking to enlarge their collections of translated Chinese patent prosecution documents.

RWS Patent Information

The information business accounted for 5% of Group sales during the year and reported revenues up 20% to £7.7 million (2016: £6.4 million) reflecting strong growth in the search business (up 22%) due to client wins and a good flow of regular work from existing clients. The high margin subscription service, PatBase, also had a highly successful year with 20% growth, with the business benefitting from an increase in new subscribers, an annual price increase and favourable exchange rate movements. We have continued to invest in both the functionality of the PatBase product and its geographic coverage, as well as in a robust, state of the art infrastructure to secure the resilience of the platform, which provides 24/7 access to intellectual property data across the world.

RWS Life Sciences

The Group's Life Sciences division accounted for approximately 27% of the Group's sales in the year (£45.3 million compared to £24.4 million in 2016) and focuses on the language service requirements of pharmaceutical corporations and clinical research organizations.

The results of this division include a full 12 months of sales of CTi (2016: 11 months) and 7.5 months of revenue, since acquisition, from LUZ. The LUZ business has performed particularly well since acquisition, with sales of £17.4 million, benefitting from growth in sales to major customers. CTi had a challenging year following the renegotiation of several key customer contracts, however, this has strengthened our relationships with customers and leaves the business well positioned for future growth.

During the year, the integration of LUZ with CTi to form an enlarged RWS Life Sciences business was successfully completed. This division now operates with one management team, one set of accounts and under one brand.

The division plans to expand its operations into the Asia Pacific region in 2018 to capitalize on the growth in the pharmaceutical market in the region and to better serve its existing customer base.

RWS Language Solutions (formerly Commercial Translations)

The RWS Language Solutions division, which accounted for 8% of Group sales and operates in the UK, Germany and Switzerland, reported an 11% growth in revenues to £13.2 million (2016: £11.9 million). This division manages all of the Group's non-patent and non-life science translations and it remains the division most exposed to competition.

With effect from 1 October 2017, the division was restructured and rebranded and will now operate autonomously from the Patent Translation & Filing division, led by one management team. We believe that this change will enhance management's focus and drive improved margins through production process efficiencies over time.

This business enables RWS to offer customers a complete solution to their translation needs whilst continuing to provide good cross selling opportunities for the Patent Translation & Filing and Life Sciences divisions, whose customers use the interpreting services provided by the Language Solutions division.

Moravia

Moravia was acquired on 3 November 2017 and will become a standalone division. In the year ended 31 December 2016, Moravia achieved revenues of US\$159 million and adjusted earnings before interest, tax, depreciation and amortization of US\$27 million.

It works with many of the largest publicly traded technology companies in the world to manage their complex localization needs which includes the adaptation of content, software, websites, applications, marketing materials and audio/video for hundreds of languages and geographies, to ensure brand consistency as they grow globally.

We believe that there are multiple avenues for growth available to Moravia, over and above the underlying growth in its core markets, including:

- > increasing share of wallet with its long-standing clients
- > winning new clients
- > growing new verticals and geographies

Strategic Report (continued)

Market Update

Patent Filing Statistics

The World Intellectual Property Office (WIPO) has published figures showing a 7.3% worldwide increase in patent applications filed under the Patent Cooperation Treaty (PCT) in 2016. This is the fastest increase since 2011 and the seventh consecutive year of growth, with approximately 233,000 applications being received in the year. The biggest numbers of filers continue to be located in the USA but the number of applications from China is growing, driven by ZTE and Huawei, who are the top two filers globally. European patent application numbers remained at record levels with 159,353 applications in 2016.

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 in 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 management and staff. The risk of Brexit on our ability to attract staff from the European Union is, as yet, unknown.

These risks are mitigated as follows:

- > Currency risk is partly mitigated via hedging operations and matching dollar denominated debt to US revenues.
- > 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 remains uncertainty as to whether the UK will ratify the Unitary Patent prior to its exit from the European Union. In addition, the ratification of the Unitary Patent by the German authorities is delayed following a legal appeal to the German courts, claiming the Unitary Patent is unconstitutional under German law. As a result of this, we do not expect the Unitary Patent to come into effect until the fourth quarter of 2018 calendar year, at the earliest. When eventually implemented, the Unitary Patent will not have the same territorial coverage as the current, long established patent application procedures, and will run in parallel. It will also have a different litigation process and fee structure. As such, we believe our major clients will be cautious in their take-up of the new system and will decide upon their patenting strategies as they observe the Unitary Patent in action, assessing which of the two systems they prefer for the majority of their filings.
- > In October 2015, RWS acquired Corporate Translations Inc. (CTi) and the subsequent integration work focused on merging RWS's smaller existing life science business of PharmaQuest and its Medical Translation Division into the newly acquired business. This integration work was successfully completed in September 2016.
- > 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 minimize the risk of error. In addition, the Group carries substantial professional indemnity insurance.

In February 2017, RWS acquired LUZ Inc, and the integration of this business with CTi was successfully completed in September 2017.

The framework developed for integrating businesses is now established and the experience gained from the above integrations will be utilized on future acquisitions.

The work on integrating AOP into RWS Patent Information is already well underway and the limited amount of integration work on Moravia has already commenced.

- > The Group has always embraced new translation technologies and used it to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognizing the advances in machine translation technology (MT), we continue to monitor and trial MT use within the business and have integrated MT engines into the translation workflow in certain areas, where it makes commercial sense. Moravia already uses a comprehensive range of MT technologies as an integrated part of its services, and its extensive knowledge of these technologies can be leveraged further across the broader Group. It is clear that the market for generic translations will, over time, be further eroded by Neural Machine Translation. As a leader in quality language services, RWS will continue to differentiate by focusing on translation work in critical areas such as intellectual property and life sciences or where the nuances of localization are highly valued by major global brands.

- > In the current economic climate, we have been successful in recruiting high calibre staff to support our growth to date, however, competition for talent in key cities such as London is intensifying. In order to continue to grow our global talent base, we strive to offer stability of employment, competitive salaries, and an excellent working environment to all of our colleagues and, where appropriate, to add locations in second cities that provide access to a wider talent pool.

On behalf of the Board

Richard Thompson
Chief Executive Officer
5 December 2017

Board of Directors

Andrew Brode (77)

Chairman

- > Member of the Audit Committee and the Remuneration Committee
- > Appointed as a Director 11 April 2000
- > Led the management buy in of RWS Group. A substantial shareholder in the Company
- > Non-Executive Chairman of Learning Technologies Group plc and Non-Executive Director of a number of other private companies

Richard Thompson (55)

Chief Executive Officer

- > Appointed as Chief Executive Officer on 31 March 2017 having joined RWS on 28 November 2012 as Chief Financial Officer and Company Secretary
- > Previously worked for Actix International Limited, a global supplier of software and services to the telecommunications market

Desmond Glass (48)

Chief Financial Officer

- > Joined the Board on 6 November 2017 as Chief Financial Officer and Company Secretary
- > Previously worked for GAN plc, the AIM listed internet gaming software company, where he held the role of Chief Financial Officer for nine years

David E Shrimpton (74)

Senior Independent Non-Executive Director and Deputy Chairman

- > Chair of the Audit Committee and member of the Remuneration Committee
- > Appointed as a Director 1 January 2010
- > Non-Executive Director of a number of private companies

Elisabeth A Lucas (61)

Non-Executive Director

- > Chair of the Remuneration Committee and member of the Audit 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

Lara Boro (50)

Non-Executive Director

- > Member of the Audit Committee and the Remuneration Committee
- > Appointed as a Director 20 September 2017

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 2017.

Business performance and risks

The review of the business, operations, principal risks and outlook are dealt with in the Strategic Report on pages 12 to 19. 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 2017 which are shown on page 42.

Group revenues advanced by 34.4% to £164.0 million (2016: £122.0 million) and pre-tax profit before amortization of intangibles, share option costs and acquisition costs was £43.3 million (2016: £30.6 million), a rise of 41.5%. Profit before tax is £33.9 million (2016: £25.1 million). The total tax expense was £9.3 million (2016: £5.8 million), an effective tax rate of 27.5% (2016: 22.9%).

Basic earnings per share was 11.0 pence (2016: 9.0 pence).

Dividends

The Directors recommend a final dividend of 5.20 pence per ordinary share (see note 8) to be paid on the 23 February 2018 to shareholders on the register at 26 January 2018, which, together with the dividend of 1.30 pence paid in July 2017, makes a total dividend for the year of 6.50 pence (2016: 5.60 pence). The final dividend will be reflected in the financial statements for the year ending 30 September 2018. The proposed total dividend per share is 1.7 times covered by basic earnings per share.





Going concern accounting basis

The Group had cash resources of £20.1 million at 30 September 2017 and an overall net debt of £20.2 million following the funding of the LUZ and AOP acquisitions. The Group was able to generate free cash flow of £25.2 million in the year. The Directors have considered the recent operating results, the acquisition of LUZ, AOP and Moravia 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 are set out on pages 20 to 21.

The interests of the Directors in shares during the year are set out on page 32 in the Directors' Remuneration Report.

Reinhard Ottway resigned as a Director on 31 March 2017. Peter Mountford resigned as a Director on 30 September 2017.

Andrew Brode retires by rotation at the Annual General Meeting and being eligible, offers himself for re-election. >

Directors' Report (continued)

Lara Boro, who was appointed as a Director on 20 September 2017, in accordance with the Company's articles of association will vacate office at the conclusion of the next Annual General Meeting, but being eligible, offers herself for re-election.

Desmond Glass, who was appointed as a Director on 6 November 2017, in accordance with the Company's articles of association will vacate office at the conclusion of the next Annual General Meeting, but being eligible, offers himself for re-election.

The Company's Annual General Meeting will be held in London on 13 February 2018.

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

Until the resignation of Reinhard Ottway on 31 March 2017, the Board comprised the Chairman, two Executive Directors and three Non-Executive Directors. From 1 April 2017 there was only one Executive Director in office until the appointment of Desmond Glass on 6 November 2017. The Board considers that all of the Non-Executive Directors are independent in character and that there are no relationships or circumstances which are likely to affect their independent judgement. The Board notes that six years ago Elisabeth Lucas was the Chief Executive of the Company, however they believe that her in-depth knowledge and experience of working with RWS in the IP and language service industries gives her a unique insight into the Company's operations and markets, making her a very valued member of the RWS Board.

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 organizational issues and monitored executive management. In addition to the Executive Directors, the members of the Senior Executive Team are: Charles Sitch, Managing Director RWS Patent Translation & Filing division; Neil Simpkin, Managing Director RWS Patent Information division; Sheena Dempsey, Managing Director RWS Life Sciences division and Stuart Carter, Managing Director RWS Language Solutions division. 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 David Shrimpton (Committee Chairman), Lara Boro, 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 Group's Chief Financial Officer 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.



Directors' Report (continued)

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

Significant financial judgements

The Audit Committee considered the following significant issues regarding the financial statements and having done so, were satisfied that they appropriately stated:

- > Revenue recognition, specifically regarding the recognition of revenue on linguistic validation projects; and
- > The acquisition accounting for LUZ including the value of goodwill and intangible assets

Remuneration Committee

Further information about the Committee and the Company's remuneration policy is set out on pages 30 to 33 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 organizational 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 realizing potential.

Employee involvement

The Company's policy is to consult and discuss with employees 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 companies endeavour to provide equal opportunities in recruiting, training, promoting and developing the careers of all employees.

Substantial shareholdings

At 5 December 2017, excluding the Directors, the following were substantial shareholders:

Substantial shareholders	% holding
Liontrust Asset Management	10.2
Aberdeen Standard Investments	6.3
Octopus Investment	6.0
Hargreave Hale	5.9
Investec	3.6

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 13 February 2018 Annual General Meeting which renews, for the period ending 9 May 2019, or, if earlier, the date of the 2019 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 £909,635, representing approximately one third of the share capital of the Company in issue at 5 December 2017.

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. Two special resolutions will be proposed at the 13 February 2018 Annual General Meeting. The first renews, for the period ending 13 May 2019 or, if earlier, the date of the 2019 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 £136,445 (representing in accordance with institutional investor guidelines, approximately 5% of the share capital in issue as at 5 December 2017). The second resolution will request a further authority for the Directors to allot shares up to an aggregate nominal value of £136,445, in respect of an acquisition or capital investment. Both resolutions will ask for approval as if the pre-emption right of section 561 of the Act did not apply.

As at 30 September 2017, the Company had not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last four years. However, on 20 October 2017 as part of the acquisition of Moravia (see note 26), agreement was made to issue 43,529,412 new shares in the Group being a 19% increase in share capital from the balance at 30 September 2017.

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. An ordinary resolution was approved at the 14 February 2017 Annual General Meeting which approved, for the period ending on 14 May 2020 or, if earlier, the date of the 2020 Annual General Meeting, the waiver by the Panel on Takeovers and Mergers of any requirement under rule 9 for Andrew Brode (Chairman) and 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 13 February 2018 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 regulation.

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 IFRSs as adopted by the European Union, and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company for that period.

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


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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards to the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.



Each of the Directors, whose names and functions are listed on pages 20 to 21, confirms that, to the best of their knowledge:

- > the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- > the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- > the Directors’ Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties which are faced

On behalf of the Board

Richard Thompson
Chief Executive Officer
5 December 2017

Directors' Remuneration Report

Remuneration Committee

The members of the Remuneration Committee are Elisabeth Lucas (Committee Chair), David Shrimpton, Lara Boro 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 feel 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 twice 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 and personal 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 new 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 Richard Thompson and Desmond Glass are dated 1 November 2012 and 6 November 2017 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 2017 was £1,153,000 (2016: £1,166,000).

The remuneration of individual Directors and the pension contributions paid by the Group to their personal pension schemes during the year were as follows:

Remuneration and pension contributions of individual Directors	Salary or fees £'000	Bonus £'000	Taxable benefits £'000	2017 Total £'000	2017 Pension contributions £'000	2016 Total £'000	2016 Pension contributions £'000
Andrew Brode	263	-	3	266	-	263	-
Reinhard Ottway (resigned 31 March 2017)	199	33	1	233	3	403	10
Richard Thompson	321	202	-	523	10	385	9
Elisabeth Lucas	50	-	-	50	-	45	-
David Shrimpton	40	-	-	40	-	35	-
Peter Mountford (resigned 30 September 2017)	40	-	-	40	-	35	-
Lara Boro (appointed 20 September 2017)	1	-	-	1	-	-	-
	914	235	4	1,153	13	1,166	19

Remuneration for Richard Thompson includes an additional bonus of £75,000 in addition to his standard remuneration. This reflects the fact that from 31 March to 30 September 2017, he acted as both Chief Executive Officer and Chief Financial Officer.

Directors' Remuneration Report (continued)

Directors' interests in shares

The interests of the Directors as at 30 September 2017 (including the interests of their families and related trusts), all of which were beneficial, in the ordinary shares were:

The interests of the Directors in the ordinary shares

Ordinary shares
of 1 pence

Andrew Brode	90,174,060
Elisabeth Lucas	50,000
Richard Thompson	13,000
	90,237,060

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.

Approved share option scheme

Number of shares under option

	At 1 October 2016	Issued in the year	Exercised in the year	At 30 September 2017	Exercise price pence	First date exercisable	Last date exercisable
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

	At 1 October 2016	Issued in the year	Exercised in the year	At 30 September 2017	Exercise price pence	First date exercisable	Last date exercisable
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	22 February 2017	23,215	350.00	51

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

The market price of the Company's share as at 30 September 2017 and the highest and lowest market prices during the year are as follows:

30 September 2017	397 pence
Highest Market Price	440 pence
Lowest Market Price	240 pence

All participants in the share option scheme have indemnified the Company against any tax liability relating to the option including class one employer's 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

Elisabeth Lucas

5 December 2017

Independent Auditor's Report to the Members of RWS Holdings plc

Opinion

In our opinion:

- > RWS Holdings plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017, and of the Group's profit and cash flows for the year then ended;
- > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- > the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Annual Report, which comprise: the Group and parent company statements of financial position as at 30 September 2017; the Group's income statements and statements of comprehensive income, the Group statements of cash flows, and the Group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

RWS provides language and IP services internationally and across a number of divisions. Within the Group there are a small number of statutory entities which represent significant components. These are RWS Translations Limited (UK), RWS Information Limited (UK), RWS Group Limited (UK), Corporate Translations Inc (USA) and the newly acquired LUZ Inc (USA). For Group reporting purposes we have audited the UK entities to a statutory materiality, which is lower than that which would be required for Group reporting purposes. Combined with audit testing of CTI and LUZ, we obtain sufficient coverage to conclude on the Group financial statements.

Materiality

- > Overall Group materiality: £2.15 million (2016: £1.13 million), based on 5% of adjusted profit before tax
- > Overall parent company materiality: £1.13 million (2016: £518,000), based on 1% of total assets

Audit scope

- > We performed audit work over the complete financial information for reporting units which accounted for approximately 89% (2016: 85%) of the Group's revenue and 92% (2016: 90%) of the Group's profit before taxation. These reporting units comprised certain operating businesses and centralized functions
- > In addition, we conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units
- > We also performed work on Group-wide estimates, judgments and transactions centrally

- > We visited the headquarters of LUZ in San Francisco as part of the audit in order to meet the local finance team and develop a strong understanding of the newly acquired business, as well as performing various audit procedures on the opening balance sheet

Key audit matters

- > Revenue recognition
- > Acquisition accounting for LUZ

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matter

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Revenue recognition

Refer to page 24 (audit committee), note 3 of the financial statements and note 1 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information.

RWS provides language and IP services across a number of divisions. The value of these services depends on the volume, timing and complexity of the work required. Revenue is recognized based on the realizable value of work performed at a point in time and is recorded as unbilled revenue within accrued income until such a time that it is invoiced.

We have considered the risk relating to revenue in two separate elements; for short, more frequent projects and for longer, more complex projects.

For the shorter, more frequent projects, revenue is recognized on the delivery of work. As the timescale of these projects is shorter, no judgement is applied to the proportion of a service delivered. For these projects we consider the risk to relate to the existence of revenue.

For longer projects, which are typically larger and less frequent in nature – for example linguistic validation - recognition of revenue is based on the realizable value of work performed at a point in time which requires judgement to be applied regarding the stage of completion. Revenue is recorded as unbilled revenue within accrued income until it is invoiced. The carrying value of accrued income at the year-end date drives revenue recognition and is judgemental as to the stage of completion. In addition to the existence risk described above, we also consider whether the value of revenue recognized has been accurately recorded in the period.

Independent Auditor's Report to the Members of RWS Holdings plc (continued)

How our audit addressed the key audit matter

We assessed the recognition of revenue by performing a number of tests across all revenue:

- a. Considered the revenue recognition policy and determined its appropriateness;
- b. Reviewed significant invoices and credit notes raised during the year and post year-end;
- c. Traced revenue transactions to cash through the use of Computer Assisted Audit Techniques (CAATs) and investigated unusual transactions identified;
- d. Confirmed that the bank reconciliation controls are operating effectively;
- e. Tested revenue journals using a combination of data analysis techniques, enquiry of management and detailed substantive testing to identify any significant items that could be indicative of fraud; and
- f. Tested after date cash collection on debtors.

In addition, for the longer projects where there is an additional risk that revenue is not recognized in line with the stage of completion, we performed the following:

- a. Reviewed evidence of the stage of completion of the project;
- b. Recalculated the revenue that should have been recognized based on the stage of the completion; and
- c. Reviewed the outcome of previous estimations to determine whether they were accurate.

From the evidence obtained we found no material instances of revenue being recognized incorrectly.

Key audit matter

Acquisition accounting for LUZ

Refer to page 24 (audit committee), note 22 of the financial statements and note 1 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information.

The Group acquired LUZ Inc. in February 2017 for a cash consideration of US\$82.5 million. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets with the residual balance recognized as goodwill. The valuation of identified intangibles can be a subjective process and as such was an area of focus for us.

Fair value of identified intangibles

Management identified US\$35.9 million of intangible assets in respect of LUZ's customer relationships, software, non-compete agreements and order backlog.

The fair value of these intangible assets was judgemental as it used valuation techniques that require management assumptions including customer attrition rates, growth rates for existing customer revenues, forecast profitability levels and an appropriate discount rate.

How our audit addressed the key audit matter

To address this risk we:

- a. Examined the acquisition agreements and other documents including due diligence reports;
- b. Ensured accounting is in accordance with IFRS 3 Business Combinations;
- c. Performed testing procedures on the acquired opening balance sheet including management adjustments;
- d. Tested the fair value adjustments, working with both management and management's expert to verify and challenge key assumptions; and
- e. Utilized our own expert to support the audit of fair value adjustments.

Fair value of identified intangibles

To address this risk we:

- a. Assessed the completeness and quantum of intangible assets identified by management against our own expectations, formed from review of the due diligence reports prepared by management's professional advisors during the acquisition, and disclosures surrounding the rationale for the transactions.

- b. Assessed the work performed on the purchase price allocation by utilizing our in-house specialists to evaluate management's valuation of the identified assets. Specifically, we reviewed the methodology adopted, compared the assumptions made on attrition and recoverability with historical patterns in the business to verify that assumptions were reasonable, considered the discount rate used and verified the mathematical accuracy of the calculations.
- c. Corroborated the value of intangibles by performing an overall sense-check of the level of residual goodwill arising on the transaction, by considering the level of resulting goodwill as a proportion of the total consideration paid as compared to similar transactions in the market.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group financial statements

Parent company financial statements

Overall materiality	£2.15 million (2016: £1.13 million)	£1.13 million (2016: £518,000)
How we determined it	5% of adjusted profit before tax	1% of total assets
Rationale for benchmark applied	We believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that Total Assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £250,000 and £800,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £75,000 for the Group audit (2016: £60,000) and £56,300 for the parent company audit (2016: £25,900), as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Independent Auditor's Report to the Members of RWS Holdings plc (continued)

Conclusions relating to going concern

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

- > the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- > the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorized for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material

inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with

the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

- a. we have not received all the information and explanations we require for our audit; or
- b. 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
- c. certain disclosures of Directors' remuneration specified by law are not made; or
- d. the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nigel Reynolds

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
5 December 2017

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Revenue	3	164,040	121,986
Cost of sales		(92,269)	(69,792)
Gross profit		71,771	52,194
Administrative expenses		(37,790)	(25,671)
Operating profit	4	33,981	26,523
Analyzed as:			
Operating profit before charging:		43,405	32,023
Amortization of acquired intangibles	11	(6,574)	(4,639)
Acquisition costs	22	(2,850)	(855)
Share based payment costs	20	-	(6)
Operating profit		33,981	26,523
Finance income	6	973	16
Finance costs	6	(1,088)	(1,448)
Profit before tax		33,866	25,091
Taxation	7	(9,306)	(5,758)
Profit for the year		24,560	19,333
Other comprehensive income*			
(Loss)/gain on retranslation of foreign operations		(4,702)	8,479
Total other comprehensive (expense)/income		(4,702)	8,479
Total comprehensive income attributable to:			
Owners of the parent		19,858	27,812
Basic earnings per ordinary share (pence per share)	9	11.0	9.0
Diluted earnings per ordinary share (pence per share)	9	10.9	9.0

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

The notes on pages 50 to 87 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 September 2017

Registered company 03002645	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Goodwill	10	101,108	61,518
Intangible assets	11	48,787	28,421
Property, plant and equipment	12	18,147	17,630
Deferred tax assets	13	1,475	1,875
		169,517	109,444
Current assets			
Trade and other receivables	14	41,682	28,173
Foreign exchange derivatives	18	281	-
Cash and cash equivalents	21	20,064	27,910
		62,027	56,083
Total assets	3	231,544	165,527
Liabilities			
Current liabilities			
Loan	15	8,955	6,923
Trade and other payables	16	27,689	20,207
Foreign exchange derivatives	18	-	681
Income tax payable		2,748	4,702
Provisions	17	82	79
		39,474	32,592
Non-current liabilities			
Loan	15	31,343	22,500
Other payables	16	30	30
Provisions	17	297	379
Deferred tax liabilities	13	1,515	1,326
		33,185	24,235
Total liabilities	3	72,659	56,827
Total net assets		158,885	108,700
Equity			
Capital and reserves attributable to owners of the parent			
Share capital	19	2,293	2,157
Share premium		50,718	8,947
Share based payment reserve		526	875
Reverse acquisition reserve		(8,483)	(8,483)
Foreign currency reserve		5,415	10,117
Retained earnings		108,416	95,087
Total equity		158,885	108,700

The notes on pages 50 to 87 form part of these financial statements.

The financial statements on pages 42 to 87 were approved by the Board of Directors and authorized for issue on 5 December 2017 and were signed on its behalf by:

Andrew Brode

Director

Consolidated Statement of Changes in Equity

for the year ended 30 September 2017

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total equity attributable to owners of parent £'000
At 1 October 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
Profit for the year	-	-	-	24,560	24,560
Currency translation differences	-	-	(4,702)	-	(4,702)
Total comprehensive income for the year ended 30 September 2017	-	-	(4,702)	24,560	19,858
Issue of shares	136	41,771	-	-	41,907
Deferred tax on unexercised share options	-	-	-	394	394
Income tax on unexercised share options	-	-	-	598	598
Dividends	-	-	-	(12,572)	(12,572)
Exercise of share options	-	-	(349)	349	-
At 30 September 2017	2,293	50,718	(2,542)	108,416	158,885

	Share based payment reserve £'000	Reverse acquisition reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 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
Other comprehensive loss for the year	-	-	(4,702)	(4,702)
Exercise of share options	(349)	-	-	(349)
At 30 September 2017	526	(8,483)	5,415	(2,542)

Consolidated Statement of Changes in Equity (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.

The notes on pages 50 to 87 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit before tax		33,866	25,091
Adjustments for:			
Depreciation of property, plant and equipment	12	1,171	941
Amortization of intangible assets	11	6,709	4,719
Share based payment costs		-	6
Finance income	6	(973)	(16)
Finance expense	6	1,088	1,448
Operating cash flow before movements in working capital and provisions		41,861	32,189
Increase in trade and other receivables		(8,019)	(4,249)
Increase in trade and other payables and provisions		4,244	1,652
Cash generated from operations		38,086	29,592
Income tax paid		(9,687)	(5,196)
Net cash inflow from operating activities		28,399	24,396
Cash flows from investing activities			
Interest paid		(1,009)	(369)
Interest received		11	16
Acquisition of subsidiary, net of cash acquired	22	(74,834)	(47,068)
Purchases of property, plant and equipment	12	(1,495)	(731)
Purchases of intangibles (computer software)	11	(728)	(169)
Net cash outflow from investing activities		(78,055)	(48,321)
Cash flows from financing activities			
Proceeds from borrowing		21,000	29,485
Repayment of borrowing		(8,159)	(4,874)
Proceeds from the issue of share capital		41,907	5,405
Dividends paid	8	(12,572)	(10,627)
Net cash inflow from financing activities		42,176	19,389
Net decrease in cash and cash equivalents		(7,480)	(4,536)
Cash and cash equivalents at beginning of the year		27,910	30,569
Exchange (losses)/gains on cash and cash equivalents		(366)	1,877
Cash and cash equivalents at end of the year	21	20,064	27,910
Free cash flow			
Analysis of free cash flow			
Net cash generated from operations		38,086	29,592
Net interest paid		(998)	(353)
Income tax paid		(9,687)	(5,196)
Purchases of property, plant and equipment		(1,495)	(731)
Purchases of intangibles (computer software)		(728)	(169)
Free cash flow		25,178	23,143

Consolidated Statement of Cash Flows (continued)

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 50 to 87 form part of these financial statements.

Notes to the Consolidated Financial Statements

Notes to the Consolidated 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.

RWS is one of the world's leading language solutions providers, focusing on key market segments where the quality of its services is of critical importance to its customers.

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 IFRS as adopted by the EU, IFRS IC 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 90 to 101 and the accounting policies in respect of Company information are set out on page 94 to 95.

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', IFRS 16 'Leases' and IFRS 9 'Financial Instruments' all of which remain under review.

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

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 recognizing 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 recognized 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 capitalized 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, 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 10 years.

Acquired computer software licences are capitalized 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 third-party licences and after eliminating inter-company sales. Revenue, other than subscription, commission and linguistic validation project income, is recognized 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 recognized 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 recognized over the life of the project.

Accrued income represents the full receivable value of work performed to date less the amount already invoiced.

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 individual company'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. 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

Notes to the Consolidated Financial Statements (continued)

classified as other comprehensive income and recognized 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%
- Leasehold land, buildings and 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 recognized 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 recognized 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 recognized 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 recognized in Other Comprehensive Income. Gains and losses accumulated in equity are included in the Comprehensive Statement of Consolidated 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 recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled, or the asset realized based on tax rates that have been enacted or substantively enacted at the reporting date.

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 recognized 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 recognized 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 recognized 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

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

Loan

Borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized 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 recognized 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 recognized 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.

Notes to the Consolidated Financial Statements (continued)

2. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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.

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.

No critical judgements were required to be made by the Directors in these financial statements.

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 (CGUs) 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 CGUs 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 CGU. More details on the carrying value of goodwill and intangible assets is included in notes 10 and 11.

Acquisition accounting

The Group acquired LUZ, Inc on 17 February 2017 for £69.0 million consideration and on 29 September 2017 AOP for a consideration of £5.9 million. Accounting for acquisitions requires 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. In the case of LUZ, this exercise is now complete whilst for AOP the process is ongoing.

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.

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.

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 four 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.

The four segments are:

- > RWS Patent Translation & Filing division which provides patent translation and filing services with offices in the UK, USA, Continental Europe, Japan, China and Australia.
 - > RWS Life Sciences division which provides technical translations and linguistic validation to the medical and pharmaceutical sector. This division includes the newly acquired LUZ, Inc.
 - > RWS Patent Information division which provides a full range of patent search, retrieval and monitoring services as well as a comprehensive patent database service accessible by subscribers, known as PatBase. The results of the AOP business will form part of this division.
 - > RWS Language Solutions (formerly Commercial) division which provides non-patent or non-life science technical translations.
- The unallocated segment relates to corporate overheads, assets and liabilities.

3. SEGMENT INFORMATION (continued)

Segment results for the year ended 30 September 2017	Patent and Language Solutions UK £'000	Patent and Language Solutions Overseas £'000	Life Sciences £'000	Patent Information £'000	Unallocated £'000	Group £'000
Revenue						
Patent Translation & Filing	92,994	4,772	-	-	-	97,766
Language Solutions	7,268	5,959	-	-	-	13,227
Life Sciences	-	-	45,347	-	-	45,347
Patent Information	-	-	-	7,700	-	7,700
Revenue	100,262	10,731	45,347	7,700	-	164,040
Operating profit/(loss) before charging:	25,886	2,343	11,986	4,100	(910)	43,405
Amortization of acquired intangibles	(1,066)	(371)	(4,994)	(143)	-	(6,574)
Acquisition costs	-	-	-	-	(2,850)	(2,850)
Profit/(loss) from operations	24,820	1,972	6,992	3,957	(3,760)	33,981
Finance income						973
Finance expense						(1,088)
Profit before taxation						33,866
Taxation						(9,306)
Profit for the year						24,560

Overseas intercompany revenues to the UK amounting to £6.4 million have been eliminated on consolidation.

Notes to the Consolidated Financial Statements (continued)

3. SEGMENT INFORMATION (continued)

Segment results for the year ended 30 September 2016	Patent and Language Solutions UK £'000	Patent and Language Solutions Overseas £'000	Life Sciences £'000	Patent Information £'000	Unallocated £'000	Group £'000
Revenue						
Patent Translation & Filing	74,704	4,655	-	-	-	79,359
Language Solutions	6,277	5,578	-	-	-	11,855
Life Sciences	-	-	24,416	-	-	24,416
Patent 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.

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities at 30 September 2017	Patent and Language Solutions UK £'000	Patent and Language Solutions Overseas £'000	Life Sciences £'000	Patent Information £'000	Unallocated £'000	Group £'000
Total assets	70,529	11,529	131,274	12,557	5,655	231,544
Total liabilities	14,229	3,003	50,344	4,350	733	72,659
Capital expenditure	117	180	1,196	914	83	2,490
Depreciation	436	119	150	282	184	1,171
Amortization	1,066	407	4,997	194	45	6,709
Segment assets and liabilities at 30 September 2016	Patent and Language Solutions UK £'000	Patent and Language Solutions Overseas £'000	Life Sciences £'000	Patent Information £'000	Unallocated £'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

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

Notes to the Consolidated Financial Statements (continued)

3. SEGMENT INFORMATION (continued)

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

	Assets 2017 £'000	Liabilities 2017 £'000	Assets 2016 £'000	Liabilities 2016 £'000
Segment assets and liabilities	225,889	71,926	161,611	54,982
Unallocated:				
Deferred tax	695	42	644	–
Property, plant and equipment	148	–	250	–
Non-financial assets	767	313	376	1,386
Other financial assets and liabilities	4,045	378	2,646	459
Total unallocated	5,655	733	3,916	1,845
	231,544	72,659	165,527	56,827

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, USA and Australia.

Turnover by customer location

	2017 £'000	2016 £'000
UK	19,924	15,510
Continental Europe	75,428	62,751
Asia, USA and Australia	68,688	43,725
	164,040	121,986

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

3. SEGMENT INFORMATION (continued)

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

	Revenue		Segment assets		Capital expenditure	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK	107,071	90,541	88,059	87,559	1,107	618
Continental Europe	5,959	5,579	7,034	7,999	97	44
Asia, USA and Australia	51,010	25,866	136,451	69,969	1,286	288
	164,040	121,986	231,544	165,527	2,490	950

Notes to the Consolidated Financial Statements (continued)

4. OPERATING PROFIT

	2017 £'000	2016 £'000
This has been arrived at after charging/(crediting):		
Staff costs (note 5)	45,153	33,654
Depreciation of property, plant and equipment and motor vehicles (note 12)	1,171	941
Amortization of intangible assets (note 11)	6,709	4,719
Foreign exchange losses/(gains)	1,461	(1,756)
Operating lease rentals:		
- Property	1,497	1,086
- Plant and equipment	131	77
Auditor's remuneration		
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	54	54
- The audit of subsidiaries of the Company	213	136
- Taxation compliance services	29	115
- Financial due diligence	99	-
- Taxation advisory services	28	182
- Audit related assurance services	46	208
Total fees	469	695

5. STAFF COSTS

	2017 £'000	2016 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	39,127	28,980
Social security costs	4,681	3,576
Other pension costs	1,345	1,092
Share based payment expense (note 20)	–	6
	45,153	33,654

The Group operates a defined contribution pension scheme making payments on behalf of employees to their personal pension plans. Payments of £1,345,000 (2016: £1,092,000) 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 (2016: £53,000). Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 30 to 33.

	2017 number	2016 number
Key management compensation		
Short-term employee benefits	3,469	3,077
Post-employment benefits	54	104
Share based payments	–	6
	3,523	3,187

The key management compensation includes the seven (2016: six) directors of RWS Holdings plc, the six (2016: five) members of the Senior Executive Team who are not Directors of RWS Holdings plc, and the five (2016: four) Managing Directors of the operating subsidiary undertakings based overseas.

	2017 £'000	2016 £'000
The monthly average number of people employed by the Group, including Directors and part-time employees, during the year was:		

Production staff	704	629
Administrative staff	192	159
	896	788

Notes to the Consolidated Financial Statements (continued)

6. FINANCE INCOME AND EXPENSE

	2017 £'000	2016 £'000
Finance income		
- Returns on short-term deposits	11	16
- Movement in the fair value of foreign currency contracts	962	-
	973	16
Finance expense		
- Bank interest payable	(1,088)	(458)
- Movement in the fair value of foreign currency contracts	-	(990)
	(1,088)	(1,448)
Net finance income	858	(1,416)

7. Taxation

	2017 £'000	2016 £'000
Taxation recognized in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
- UK	5,825	4,171
- Overseas	2,708	3,325
Adjustments in respect of prior years	(208)	(32)
	8,325	7,464
Deferred tax		
Current year movement	721	(1,624)
Adjustments in respect of prior years	260	(82)
Total tax expense	9,306	5,758

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

	2017 £'000	2016 £'000
Profit before taxation	33,866	25,091
Notional tax charge at UK corporation tax rate of 19.5% (2016: 20.0%)	6,604	5,018
Effects of:		
Items not deductible or not chargeable for tax purposes	1,131	(512)
Differences in overseas tax rates	1,519	1,366
Adjustments in respect of prior years	52	(114)
Total tax expense for the year	9,306	5,758

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 20.0% to 19.0% with effect from 1 April 2017.

Notes to the Consolidated Financial Statements (continued)

8. DIVIDENDS TO SHAREHOLDERS

	2017 pence per share	2017 £'000	2016 pence per share	2016 £'000
Final, paid 24 February 2017 (2016: paid 26 February 2016)	4.45	9,602	3.85	8,146
Interim, paid 21 July 2017 (2016: paid 22 July 2016)	1.30	2,970	1.15	2,481
	5.75	12,572	5.00	10,627

The Directors recommend a final dividend in respect of the financial year ended 30 September 2017 of 5.20 pence per ordinary share to be paid on 23 February 2018 to shareholders who are on the register at 26 January 2018. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2017. The final proposed dividend will reduce shareholders' funds by an estimated £14.2 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:

	2017	2016
Weighted average number of ordinary shares in issue for basic earnings	223,735,513	214,215,397
Dilutive impact of share options	1,539,927	1,564,458
Weighted average number of ordinary shares for diluted earnings	225,275,440	215,779,855

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:

	2017 £'000	2016 £'000	2017 Basic earnings per share pence	2016 Basic earnings per share pence	2017 Diluted earnings per share pence	2016 Diluted earnings per share pence
Profit for the year	24,560	19,333	11.0	9.0	10.9	9.0
Adjustments:						
Amortization of acquired intangibles	6,574	4,639	2.9	2.2	2.9	2.1
Acquisition costs	2,850	855	1.3	0.4	1.3	0.4
Charges for share based payments	-	6	-	-	-	-
Tax effect of adjustments	(1,972)	(1,515)	(0.9)	(0.7)	(0.9)	(0.7)
Adjusted earnings	32,012	23,318	14.3	10.9	14.2	10.8

RWS uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance.

Notes to the Consolidated Financial Statements (continued)

10. GOODWILL

	2017 £'000	2016 £'000
Cost and net book value		
Opening	61,518	31,445
Additions	43,401	22,788
Exchange adjustments	(3,811)	7,285
At 30 September	101,108	61,518

During the year, goodwill was tested for impairment. The recoverable amount for each 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	Long-term growth rate	Discount rates	Revenue growth
Patent and Language Solutions UK	2%	10%	5%
Patent and Language Solutions Overseas	2%	9%	5%
Life Sciences	2%	12%	5%
Patent Information	2%	10%	5%

Long-term growth rate is the rate applied to determine the terminal value at five years. The discount rate is the pre-tax discount rate. Revenue growth is the average annual increase in revenue over the five-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 five 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 other than within the Patent and Language Solutions Overseas CGU as discussed below.

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.

A reasonably possible change in key assumptions for the Patent and Language Solutions Overseas CGU would cause the aggregate of the unit's carrying amount to exceed the aggregate of the recoverable amount, which is currently £164,000. If revenue growth rate assumption was changed from 5% to 2%, or the discount rate was changed from 9.4% to 9.6%, an impairment would be triggered.

Allocation of goodwill to each CGU	2017 £'000	2016 £'000
Patent and Language Solutions UK	24,551	25,120
Patent and Language Solutions Overseas	4,696	4,632
Life Sciences	64,021	29,985
Patent Information	7,840	1,781
At 30 September	101,108	61,518

Notes to the Consolidated Financial Statements (continued)

11. INTANGIBLE ASSETS

	Trade name £'000	Clinician database £'000	Technology £'000	Non-compete & trademarks £'000	Customer relationships & order book £'000	Software £'000	Total £'000
Cost							
At 1 October 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
Additions	-	-	-	-	-	728	728
Acquisitions	-	-	3,071	1,946	23,737	-	28,754
Disposals	-	-	-	-	-	(9)	(9)
Currency translation	(34)	(157)	(279)	(126)	(2,243)	7	(2,832)
At 30 September 2017	1,090	5,087	5,251	2,078	52,647	1,337	67,490
Accumulated amortization							
At 1 October 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 30 September 2016	129	481	1,476	258	9,636	448	12,428
Amortization charge	143	536	854	223	4,818	135	6,709
Disposals	-	-	-	-	-	(9)	(9)
Currency translation	(11)	(42)	(87)	(6)	(283)	4	(425)
At 30 September 2017	261	975	2,243	475	14,171	578	18,703
Net book value							
At 1 October 2015	-	-	1,270	-	5,496	70	6,836
At 30 September 2016	995	4,763	983	-	21,517	163	28,421
At 30 September 2017	829	4,112	3,008	1,603	38,476	759	48,787

Technology, trademarks, trade name, non-compete, clinician database and customer relationships are amortized over five to 10 years and software over not more than three years. The order book intangible identified in valuing the CTi and LUZ acquisitions is amortized over one year.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Leasehold, land, buildings and improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 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
Currency translation	-	(4)	(88)	1	(91)
Additions	-	3	1,470	22	1,495
Acquisitions	-	61	545	57	663
Disposals	-	-	(400)	(56)	(456)
At 30 September 2017	17,010	643	5,450	117	23,220
Accumulated depreciation					
At 1 October 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
Currency translation	-	(2)	(16)	1	(17)
Acquisitions	-	24	324	48	396
Depreciation charge	229	39	894	9	1,171
Disposals	-	-	(400)	(56)	(456)
At 30 September 2017	1,390	468	3,147	68	5,073
Net book value					
At 1 October 2015	16,078	204	1,415	35	17,732
At 30 September 2016	15,849	176	1,578	27	17,630
At 30 September 2017	15,620	175	2,303	49	18,147

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	Depreciation in excess of capital allowances £'000	Other temporary differences £'000	Total £'000
Deferred tax assets				
At 1 October 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
Charged to income	-	49	(843)	(794)
Credited to equity	394	-	-	394
At 30 September 2017	1,438	103	(66)	1,475

	Accelerated capital allowances £'000	Intangibles £'000	Total £'000
Deferred tax liabilities			
At 1 October 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
Charged to income	48	139	187
Charged to equity	-	2	2
At 30 September 2017	413	1,102	1,515

13. DEFERRED TAX (continued)

	2017 £'000	2016 £'000
Deferred tax assets	1,475	1,875
Deferred tax liabilities	(1,515)	(1,326)
Net deferred tax balance at 30 September	(40)	549

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

14. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Trade receivables	35,851	24,429
Less: allowance for doubtful debts	(52)	(101)
	35,799	24,328
Other receivables	649	365
Prepayments and accrued income	5,234	3,480
At 30 September	41,682	28,173

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.

Notes to the Consolidated Financial Statements (continued)

14. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables net of allowances are held in the following currencies at the reporting date:	2017 £'000	2016 £'000
Sterling	3,016	2,524
Euros	11,766	9,918
Japanese Yen	520	680
US Dollars	19,533	10,614
Swiss Francs	744	526
Other	220	66
	35,799	24,328

Ageing of trade receivables net of allowances at the reporting date	2017 £'000	2016 £'000
Not past due	22,237	15,346
Past due 1-30 days	7,731	5,040
Past due 31-60 days	3,027	2,752
Past due 61-90 days	1,666	779
Past due > 90 days	1,138	411
	35,799	24,328

Movement in allowance for doubtful debts	2017 £'000	2016 £'000
At 1 October	101	507
Utilized	(21)	(217)
Released	(28)	(189)
At 30 September	52	101

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.

15. LOANS

	2017 £'000	2016 £'000
Due in less than one year		
Loan	8,955	6,923
Due in more than one year		
Loan	31,343	22,500

On 17 February 2017 the Group acquired the entire issued share capital of LUZ, Inc (see note 22). The acquisition was funded from a £40 million share placing, internal resources and an increased loan facility of US\$60 million from Barclays. This loan is repayable over five years on a straight line basis with a varying rate of interest. Until 16 August 2017 this was chargeable at 2% above London Interbank Offered Rate (LIBOR) at which point the margin applied to the loan was based on leverage within the business.

16. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Due in less than one year		
Trade payables	9,459	7,260
Other tax and social security payable	1,343	1,252
Other payables	2,834	1,363
Accruals and deferred income	14,053	10,332
At 30 September	27,689	20,207

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

	2017 £'000	2016 £'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

	2017 £'000	2016 £'000
Due in less than one year		
At 1 October	79	77
Utilized	(79)	(77)
Charged to the Statement of Comprehensive Income	-	157
Transferred from/(to) provisions due in more than one year	82	(78)
At 30 September	82	79

	2017 £'000	2016 £'000
Due in more than one year		
At 1 October	379	301
Transferred (to)/from provisions due in less than one year	(82)	78
At 30 September	297	379

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

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.

Principal financial assets and liabilities on which financial risks arise	Carrying value 2017 £'000	Carrying value 2016 £'000
Financial assets		
Trade receivables and accrued revenue - current	39,298	26,547
Foreign exchange derivatives	281	-
Cash and cash equivalents	20,064	27,910
At 30 September	59,643	54,457
Financial liabilities		
Trade and other payables - current	14,216	12,331
Loan	40,298	29,423
Foreign exchange derivatives	-	681
At 30 September	54,514	42,435

Analysis of the Group's loan maturity	2017 £'000	2016 £'000
Less than one year	8,955	6,923
One year to five years	31,343	22,500
	40,298	29,423

Trade receivables and accrued revenue - current includes accrued revenue of £3,499,000 (30 September 2016: £2,219,000). Trade and other payables - current includes trade payables, other tax and social security balances plus certain other selected accruals.

Notes to the Consolidated Financial Statements (continued)

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 Chief Financial Officer.

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 utilized it attracts a rate of base plus 2%. The loan of US\$60 million is for a period of five years with a varying rate of interest. The original loan of US\$45 million attracted interest of 1% over LIBOR on a straight line basis. Following the acquisition of LUZ, Inc on 17 February 2017, the loan was increased to US\$60 million with the new consolidated loan subject to interest at 2% above LIBOR until 16 August 2017, at which point the margin applied to the loan was based on leverage within the business.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The currency profiles of the Group's cash and cash equivalents at 30 September 2017 are set out below.

	Floating rate 2017 £'000	Floating rate 2016 £'000
Assets - Cash and cash equivalents		
Sterling	3,795	9,460
US Dollars	7,438	9,733
Euros	6,375	4,870
Yen	1,264	1,749
Swiss Francs	607	1,655
Other	585	443
	20,064	27,910
Financial liabilities - Loan		
	£'000	£'000
US Dollars	40,298	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.

Notes to the Consolidated Financial Statements (continued)

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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-1 by Standard & Poor's, and with a further institution carrying an A-2 rating.

Trade receivable exposures are managed locally in the operating units where they arise. The client base tends to be major blue chip organizations 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 7% (2016: 5%) 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.

The Group does not consider that the value of financial assets neither past due nor impaired poses a material risk to the business.

Foreign currency risk

Approximately 39% (2016: 44%) of Group external sales in the reporting period were denominated in euros and 43% in US dollars (2016: 31%).

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 recognized 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.

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 recognizing gains or losses through Other Comprehensive Income.

Assets and liabilities of Group entities located in Germany, Switzerland, USA, 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 recognized directly in equity.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

	Liabilities 2017 £'000	Liabilities 2016 £'000	Assets 2017 £'000	Assets 2016 £'000
Euros	3,287	3,092	16,274	12,388
US Dollars	41,291	30,592	7,007	6,720
Swiss Francs	2	8	1,041	1,487
Yen	96	111	54	20
Other	125	77	165	124
	44,801	33,880	24,541	20,739

Notes to the Consolidated Financial Statements (continued)

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in sterling against the major currencies listed in the table on page 79. 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.

	Profit and loss impact 2017 £'000	Profit and loss impact 2016 £'000
Euros	1,181	845
US Dollars	913	505
Swiss Francs	94	134
Yen	(4)	(17)
	2,184	1,467

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.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Derivative financial instruments in place at the year end	2017 £'000	2016 £'000
Forward foreign currency exchange contracts	281	(681)

Analysis of the Group's forward contracts' maturity	2017 £'000	2016 £'000
Up to three months	88	(288)
Three to six months	74	(297)
Six to 12 months	119	(96)
	281	(681)

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 £12,572,000, closing reserves are £158,885,000. At 30 September 2017 there was £40,298,000 of external debt finance on the balance sheet, being the balance of the US\$60 million loan taken out to part fund the acquisitions of CTi and LUZ, Inc. 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 £20,064,000.

Notes to the Consolidated Financial Statements (continued)

19. SHARE CAPITAL

	2017 number	2017 £'000	2016 number	2016 £'000
Authorized				
Ordinary shares of 1 pence each (2016: 1 pence)	500,000,000	5,000	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	215,764,650	2,157	211,579,840	2,116
Issue of shares	13,596,575	136	4,184,810	41
At end of year	229,361,225	2,293	215,764,650	2,157

The increase in share capital was as a result of a share placing of 12,121,310 shares on 17 February 2017 sold at 330 pence per share as part of the funding of the LUZ, Inc acquisition, and also as a result of the exercise of share options (1,475,265) by a former Director and several Senior Executives.

20. SHARE BASED PAYMENT COSTS

Share based payment costs

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 vested after a period of three years for the

approved scheme and two years for the unapproved scheme. The vesting schedule was subject to predetermined overall company selection criteria. In the event that the option holders employment is terminated, the option may not be exercised unless the Board of Directors so permits. The options expire eight 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 October 2016	92,860	3,832,905	1.292	3 April 2013	3 April 2016	3 April 2015	3 April 2021
Exercised	69,645	1,405,630					
Balance at 30 September 2017	23,215	2,427,275					

There was no charge made in the financial statements (2016: £6,000) relating to share options, all of which related to equity settled share based payment transactions. 1,475,265 options were exercised during the year (2016: 4,184,810). The fair value of the share options is estimated at the date of grant using the Black-Scholes option pricing model.

Assumptions applied to the options granted

	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 three years at the date of grant.

Notes to the Consolidated Financial Statements (continued)

21. CASH AND CASH EQUIVALENTS

	2017 £'000	2016 £'000
Cash at bank and in hand	19,227	18,477
Short-term deposits	837	9,433
	20,064	27,910

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 utilization of the Group's cash resources.

22. ACQUISITIONS

LUZ, Inc

On 17 February 2017, the Group acquired the entire issued share capital of LUZ, Inc for a cash consideration of US\$82.5 million plus US\$4.9 million for working capital. The acquisition was funded by a £40 million share placing, an extension of the existing loan by US\$26.25 million over five years and internal cash resources.

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

Book and
fair values
£'000

Net assets acquired:	
Property, plant and equipment	260
Non-compete agreements with former owners of LUZ, Inc	1,946
Order book	326
Customer relationships	23,411
Technology	3,071
Trade and other receivables	4,820
Cash and cash equivalents	964
Trade and other payables	(2,216)
	32,582
Goodwill	37,343
Total consideration	69,925
Satisfied by:	
Cash	69,925
Cash flow:	
Total consideration	69,925
Cash included in undertaking acquired	(964)
Net cash consideration in cash flow statement	68,961

LUZ, Inc contributed £17.4 million revenue and £4.3 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 £174.9 million and profit for the year £27.3 million.

The acquisition of LUZ, together with CTi, will strengthen the Group as a leading player in the global life sciences translation space, with a significant presence across North America and Europe. This increased presence in the life sciences sector provides the potential for the enlarged Group to develop and expand its other services, especially in patent translation and foreign filing.

Acquisition costs of £2.4 million have been charged through the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements (continued)

22. ACQUISITIONS (continued)

Article One Partners LLC

On 29 September 2017, the Group acquired AOP for a cash consideration of US\$8 million.

Provisional
book and
fair values
£'000

Net liabilities acquired:	
Property, plant and equipment	7
Trade and other receivables	674
Cash and cash equivalents	2
Trade and other payables	(866)
	(183)
Goodwill	6,058
Total consideration	5,875
Satisfied by:	
Cash	5,875
Cash flow:	
Total consideration	5,875
Cash included in undertaking acquired	(2)
Net cash consideration in cash flow statement	5,873

Purchase price allocation has not yet been prepared for this acquisition.

This acquisition will be highly complementary to RWS's existing Patent Information business and PatBase offering, whilst reinforcing the Group's focus on providing innovative technology solutions to its clients.

Acquisition costs of £0.2 million have been charged through the Consolidated Statement of Comprehensive Income.

A further £0.25 million of acquisition costs, unrelated to the acquisitions above, were incurred in the year.

23. RELATED PARTY TRANSACTIONS

During the year, in the normal course of business, RWS provided translation services worth £269,000 (2016: £357,000) to subsidiaries within the Learning Technologies Group plc ("LTG"), companies in which Andrew Brode has a notifiable interest. An amount of £37,000 due from LTG at 30 September 2017 was paid in full in October 2017 (2016: £38,000).

24. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no material capital commitments contracted for but not provided for in the financial statements (2016: £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 (2016: £nil). The loan of US\$60 million taken out with Barclays Bank plc to part fund the acquisitions of CTi and LUZ, Inc have been guaranteed against the assets of both CTi, LUZ 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.

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

	2017 £'000	2016 £'000
Within one year	1,935	1,476
In the second to fifth years inclusive	3,421	2,297
After five years	554	1,133
	5,910	4,906

26. EVENTS SINCE THE REPORTING DATE

On 18 October 2017 the Group announced it had entered into an agreement to acquire the entire issued share capital of Moravia US Holding Co, Inc and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services for a cash consideration of US\$320 million plus working capital and certain other adjustments and transaction costs. The consideration, adjustments and transaction costs were funded by a c£185 million (before expenses) cash placing of new ordinary shares and a new US\$160 million loan which refinanced the Group's existing facility.

Given the size, complexity and early stage at which this acquisition currently sits, it was not felt appropriate to disclose any further information other than the above.

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

Parent Company
Financial Statements

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 pages 94 to 95.

Company Statement of Financial Position at 30 September 2017 Registered Company 03002645

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	7	83,315	44,817
		83,315	44,817
Current assets			
Debtors	8	14,163	913
Foreign exchange derivatives	12	281	-
Cash at bank and in hand		13,629	6,991
		28,073	7,904
Total assets		111,388	52,721
Current liabilities			
Loan	9	8,955	6,923
Trade and other payables	10	361	263
Foreign exchange derivatives	12	-	681
		9,316	7,867
Net current assets		18,757	37
Total assets less current liabilities		102,072	44,854
Creditors: amounts falling due after more than one year			
Loan	9	31,343	22,500
Provisions	11	42	-
		31,385	22,500
Net assets		70,687	22,354
Capital and reserves			
Share capital	13	2,293	2,157
Share premium account		50,718	8,947
Share based payment reserve		1,807	1,807
Capital reserve		2,030	2,030
Profit and loss account		13,839	7,413
Total shareholders' funds		70,687	22,354
Company Statement of Comprehensive Income:			
Profit/(Loss) after Taxation		18,998	(1,552)

The financial statements on pages 90 to 101 were approved and authorized for issue by the Board of Directors on 5 December 2017 and were signed on its behalf by:

Andrew Brode
Director

Company Statement of Changes
in Equity for the year ended 30
September 2017

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2015	2,116	3,583	1,801	2,030	19,592	29,122
Loss for the financial year	-	-	-	-	(1,552)	(1,552)
Total comprehensive expense 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
Profit for the financial year	-	-	-	-	18,998	18,998
Total comprehensive income for the year	-	-	-	-	18,998	18,998
Dividends	-	-	-	-	(12,572)	(12,572)
Issue of shares	136	41,771	-	-	-	41,907
Balance at 30 September 2017	2,293	50,718	1,807	2,030	13,839	70,687

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.

Notes to the Company
Financial Statements

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, IP 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 and in accordance with the Companies Act 2006.

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.

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 of non-market based vesting conditions.

The impact of the revision of the original estimates, if any, is recognized 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 recognized as an increase in the investment in that subsidiary.

3. CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amount 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.

The Company 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.

No critical judgements were required to be made by the Directors in these financial statements.

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.

Accruals

Costs which have not been invoiced to the Company 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.

Notes to the Company Financial Statements (continued)

4. 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 2017 the outstanding contracts all mature within 12 months (2016: 12 months) of the year end. The Company is committed to sell €19,200,000 and receive a fixed sterling amount.

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

5. 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 profit after tax for the year ended 30 September 2017 under FRS 101 was £18,998,000 (2016 loss: £1,552,000). Audit fees payable in relation to the audit of the financial statements of the Company are £54,000 (2016: £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.

6. DIRECTORS AND EMPLOYEES

There were no employees (2016: 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:

	2017 £'000	2016 £'000
Directors' emoluments	1,153	1,166
Pension costs - paid to the Directors' personal pension scheme	13	19
	1,166	1,185

During the year the Company had seven (2016: six) Directors, including four Non-Executive Directors, providing services to the Group. During the year, two Directors (2016: two) received contributions to their personal pension schemes.

Emoluments of the highest paid Director

	2017 £'000	2016 £'000
Emoluments	523	403
Pension costs - paid to the Director's personal pension scheme	10	10
	533	413

Details of Directors' remuneration and pension contributions are disclosed in the Directors' Remuneration Report on pages 30 to 33.

7. INVESTMENTS

	2017 £'000	2016 £'000
Cost and net book value at beginning of year	44,817	15,326
Purchase of shares in a subsidiary undertaking	38,498	29,485
Additions - capital contributions	-	6
Cost and net book value at end of year	83,315	44,817

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 at 30 September 2017 and have been consolidated in the financial statements:

	Registered address	Nature of business
Article One Partners LLC	426 Industrial Avenue, Suite 150, Williston, VT 5495, USA	IP information searches
Corporate Translations Inc.	101 East River Drive, East Hartford, Connecticut, CT 06108, USA	Translation and linguistic validation
inovia LLC		Patent translations
Lawyers' and Merchants' Translation Bureau Inc	30 Broad Street, 41st floor, New York, NY 10004, USA	Technical and legal translations
RWS US Holding Co. Inc		Holding company
LUZ, Inc	555 Montgomery Street, Suite 720, San Francisco, CA 94111, USA	Translation and linguistic validation
RWS Life Sciences Inc		Translation and linguistic validation
inovia Europe GmbH	Munchner Freiheit 20, 80802 Munich, Germany	Patent translations

Notes to the Company Financial Statements (continued)

7. INVESTMENTS (continued)

	Registered address	Nature of business
RWS Group Deutschland GmbH	Joachimsthaler Str. 15, 10719 Berlin, Germany	Technical and legal translations
KK RWS Group	Sumitomo Hamamatsu-cho, Bldg. 3FI, 1-18-16 Hamamatsu-cho Minato-ku, Tokyo 105-0013, Japan	Patent, technical and legal translations
RWS Life Sciences SA (formerly LUZ Sarl)	Avenue Mon-Repos 14, 1005 Lausanne, Switzerland	Translation and linguistic validation
RWS Schweiz GmbH	Barfusserplatz 3, Postfach, 4001 Basel, Switzerland	Technical and legal translations
inovia Pty Holdings Limited	Suite 4, Level 12, 45 Clarence Street, Sydney, NSW 2000, Australia	Patent translations
Beijing RWS Science & Technology Information Consultancy Co. Ltd	4th Floor, Zhouji Building B, No.9 Dixingju, Ande Road, Doncheng District, Beijing 100011, China	Patent, technical and legal translations
Communicare Limited		Technical and legal translations
Corporate Translations UK Limited		Translation and linguistic validation
Eclipse Translations Limited		Technical and legal translations
Japanese Language Services Limited		Technical and legal translations
Pharmaquest Limited	Europa House, Chiltern Park, Chiltern Hill, Chalfont St Peter, Buckinghamshire, SL9 9FG, England	Technical and medical translations
RWS Group Limited		Holding company
RWS Information Limited		Patent and technical information searches
RWS (Overseas) Limited		Holding company
RWS Translations Limited		Patent, technical and legal translations
RWS UK Holding Co. Limited		Holding company

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

8. DEBTORS

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	14,106	876
Other debtors	15	8
Prepayments	42	29
Amounts due within one year	14,163	913

9. LOAN

	2017 £'000	2016 £'000
Due in less than one year		
Loan	8,955	6,923
Due in more than one year		
Loan	31,343	22,500

On 17 February 2017 the Group acquired the entire issued share capital of LUZ, Inc (see note 22 of the consolidated accounts). The acquisition was funded from a £40 million share placing, internal resources and an increased loan facility of US\$60 million from Barclays. This loan is repayable over five years on a straight line basis with a varying rate of interest. Until 16 August 2017 this was chargeable at 2% above LIBOR, at which point the margin applied to the loan was based on leverage within the business.

10. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade creditors	12	8
Amounts owed to Group undertakings	-	36
Accruals	349	219
	361	263

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)

11, PROVISIONS

	2017 £'000	2016 £'000
Deferred tax	42	-

12. FINANCIAL INSTRUMENTS

	2017 £'000	2016 £'000
Derivative financial instruments in place at the year end		
Foreign exchange derivatives	281	(681)

	2017 £'000	2016 £'000
Analysis of the Group's forward contracts' maturity		
Up to three months	88	(288)
Three to six months	74	(297)
Six to 12 months	119	(96)
	281	(681)

13. SHARE CAPITAL

	2017 number	2017 £'000	2016 number	2016 £'000
Authorized				
Ordinary shares of 1 pence each (2016: 1 pence)	500,000,000	5,000	500,000,000	5,000
Allotted, called up and fully paid				
At beginning of year	215,764,650	2,157	211,579,840	2,116
Issue of shares	13,596,575	136	4,184,810	41
At end of year	229,361,225	2,293	215,764,650	2,157

The increase in share capital was as a result of a share placing of 12,121,310 shares on 17 February 2017 sold at 330 pence per share as part of the funding of the LUZ, Inc acquisition, and also as a result of the exercise of share options (1,475,265) by a former Director and several Senior Executives.

14. 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 (2016: £nil).

The loan of US\$60 million taken out with Barclays Bank plc to part fund the acquisitions of CTi and LUZ, Inc have been guaranteed against the assets of both CTi, LUZ and other fellow subsidiary undertakings.

15. POST BALANCE SHEET EVENTS

On 18 October 2017 the Group announced it had entered into an agreement to acquire the entire issued share capital of Moravia US Holding Co. Inc and Moravia LUX Holding Company Sarl (together "Moravia"), a leading provider of technology-enabled localization services for a cash consideration of US\$320 million plus working capital and certain other adjustments and transaction costs. The consideration, adjustments and transaction costs were funded by a c£185 million (before expenses) cash placing of new ordinary shares and a new US\$160 million loan which refinanced the Group's existing facility.

Given the size, complexity and early stage at which this acquisition currently sits, it was not felt appropriate to disclose any further information other than the above.

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

SHAREHOLDER INFORMATION

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[Annual Report 2017](#)

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